

**DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

Approved by the Board of Directors on 5 April 2023¹

UZBEKISTAN

GrCF2 W2 E2 - SAMARKANDE-BUS PROJECT

[Redacted in line with the EBRD's Access to Information Policy]

[Information considered confidential has been removed from this document in accordance with the EBRD's Access to Information Policy (AIP). Such removed information is considered confidential because it falls under one of the provisions of Section III, paragraph 2 of the AIP]

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¹ As per section 1.4.8 of EBRD's Directive on Access to Information (2019), the Bank shall disclose Board reports for State Sector Projects within 30 calendar days of approval of the relevant Project by the Board of Directors. Confidential information has been removed from the Board report.

For the avoidance of any doubt, the information set out here was accurate as at the date of preparation of this document, prior to consideration and approval of the project.

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ABBREVIATIONS / CURRENCY CONVERSIONS

CAS	Credit Adjustment Spread
CO ₂ e	Carbon dioxide equivalent
CRO	Climate Resilience Outcome
GCAP	Green City Action Plan
GrCF2 W2 E2	Green Cities Framework 2 - Window II Extension 2
EHS	Environment, Health and Safety
EIRR	Economic Internal Rate of Return
E&S	Environmental and Social
ESAP	Environmental and Social Action Plan
ESDD	Environmental and Social Due Diligence
ESP	Environmental and Social Policy
FY	Financial Year
GCAP	Green City Action Plan
GDP	Gross Domestic Product
GET	Green Economy Transition
HR	Human Resources
IFI	International Financial Institution
MEI	Municipal and Environmental Infrastructure
MoT	Ministry of Transport
NTS	Non-Technical Summary
OHS	Occupational Health and Safety
PIA	Project Implementing Agency
PIP	Priority Investment Programme
PIS	Project Implementation Support
PIU	Project Implementation Unit
POM	PIU Operational Manual
PP&R	EBRD's Procurement Policies and Rules
RoU	Republic of Uzbekistan
SE	State Enterprise
SEP	Stakeholder Engagement Plan
SIF	Sustainable Infrastructure Fund
SOE	State Owned Enterprise
SYT	SamarqandYo'lovchiTrans
TC	Technical Cooperation
TDSR	Transport Department for Samarkand Region
TI	Transition Impact
ToR	Terms of Reference
UZS	Uzbekistan Som
YE	Year End

CURRENCY CONVERSION

(as of 1 March 2023)

USD 1 = UZS 11,350

EUR 1 = USD 1.0668

PRESIDENT'S RECOMMENDATION

This recommendation and the attached Report concerning an operation in favour of the Republic of Uzbekistan (the "Borrower") are submitted for consideration by the Board of Directors.

The facility will consist of a sovereign loan to the Borrower in the amount of up to USD 49.0 million (EUR 45.9 million) for the benefit of State Enterprise "SamarqandYo'lovchiTrans" (the "Company"), a state-owned public transport operator incorporated in the Republic of Uzbekistan.

The operation will enable the Republic of Uzbekistan to support the initial deployment of electric buses ("e-buses") and expansion of public electric mobility in the City of Samarkand². This will involve acquisition of [REDACTED] medium size e-buses with charging units and construction of associated e-bus depot infrastructure (the "Project"). The Project is the trigger investment under EBRD Green Cities initiating the development of a Green City Action Plan ("GCAP"). The Project's expected transition impact follows that identified in Green Cities Framework 2 Extension II. The Green quality will derive from the introduction of electric bus technology, supported by a reduction in greenhouse gas ("GHG") emissions and tail pipe air pollutant emissions as well as encouraging a modal shift from private to public transportation. The Well-governed quality contemplates support to the Company's corporate development, including introducing a public service contract, and capacity building of the transport authority to ensure its effective implementation and monitoring. The Project is 100 per cent GET eligible, based on the greenhouse gas emissions reduction.

The EBRD Shareholder Special Fund ("SSF") provided pre-signing technical cooperation ("TC") support for the preparation of the Project. A post-signing consultancy to support the Project's implementation will be loan-financed. An additional post-signing TC will support corporate development improvements and sector capacity building and is proposed to be financed by the Government of Japan via Japan-EBRD Cooperation Fund. The preparation of the GCAP is financed by the Sustainable Infrastructure Fund ("SIF").

I am satisfied that the operation is consistent with the Bank's Strategy for Uzbekistan, the Municipal and Environmental Infrastructure ("MEI") Sector Strategy, the Green Economy Transition ("GET") approach, Strategy for the Promotion of Gender Equality and with the Agreement Establishing the Bank.

I recommend that the Board approve the proposed loan substantially on the terms of the attached Report.

Odile Renaud-Basso

² The City also has two existing tramlines, operated by a separate public company.

BOARD DECISION SHEET

UZBEKISTAN – SAMARKAND E-BUS PROJECT - DTM 52947 Framework: REGIONAL – GREEN CITIES 2 – WINDOW II Extension 2- DTM 53170	
Transaction / Board Decision	Board approval ³ is sought for a sovereign loan of up to USD 49.0 million (EUR 45.9 million) in favour of the Republic of Uzbekistan (the "RoU") to finance the acquisition of [REDACTED] medium size electric buses with charging units and the introduction of required depot infrastructure in the city of Samarkand (the "Project"). The Project is the trigger investment under EBRD Green Cities initiating the development of a Samarkand Green City Action Plan ("GCAP").
Client	The RoU is the borrower. State enterprise "SamarqandYo'lovchiTrans" (the "Company" or the "SYT") is the Project's beneficiary. The Project will be implemented by the Project Implementation Unit, which will be established by the Ministry of Transport and will involve representatives of the Samarkand Region's Khokimiyat.
Main Elements of the Proposal	<p><u>Transition impact:</u></p> <ul style="list-style-type: none"> – Primary Quality – Green. The Project supports a shift to electric mobility to significantly reduce greenhouse gas emissions, tail pipe air pollutant emissions and noise pollution. It also encourages a modal shift from private to public transportation with more safe and reliable public bus services. – Secondary Quality – Well-Governed. The Project will support corporate development of the municipal e-bus operator, including introduction of a Public Service Contract ("PSC"), and capacity building for the transport authority to implement the PSC. <p><u>Additionality</u></p> <ul style="list-style-type: none"> – The Bank will provide long-term financing, which is presently not available from commercial banks. – The Bank's experience, innovation, knowledge and capabilities are material to the timely achievement of the Project's objectives. – The Bank will support the client in achieving higher standards (e.g. PP&R, ESAP, GCAP), including on gender and economic inclusion to promote accessibility and safety for all in public transportation and equal opportunities in terms of access to employment in the e-mobility sector. – Through Samarkand's GCAP, the Bank will support the city with long term green and sustainable planning which also covers digital, as well as gender and economic inclusion considerations. <p><u>Sound banking</u></p> <ul style="list-style-type: none"> – The transaction is a sovereign loan. [REDACTED].
Key Risks	<p><u>Borrower's creditworthiness.</u> The RoU is a creditworthy borrower, rated BB- by S&P and Fitch and B1 by Moody's. Its public debt is low and sustainable.</p> <p><u>Project implementation risk.</u> The risk of the RoU's potentially weak implementation capacity is mitigated by the involvement of the experienced procurement and implementation support consultants.</p> <p><u>FX risk.</u> The RoU is expected to be able to manage the FX risk effectively. It has stable hard currency inflows from exports and ample liquid external assets.</p>
Strategic Fit Summary	The proposed Project will promote the environmental sustainability in the urban public transport in line with the Bank's MEI Sector Strategy and the Strategy for Uzbekistan. The Project fully supports the Bank's GET Approach.

³ Article 27 of the AEB provides the basis for this decision.

ADDITIONAL SUMMARY TERMS FACTSHEET

EBRD Transaction	A sovereign loan of up to USD 49.0 million (EUR 45.9 million) in to the Republic of Uzbekistan (the "RoU") with loan proceeds on-lent to the State Enterprise "SamarqandYo'lovchiTrans" (the "Company" or the "SYT"), a 100 per cent state-owned public transport operator in the City of Samarkand (the "City"). The loan will support <i>Phase I</i> of the electric buses ("e-buses") rollout plan in the City, i.e. the deployment of initial set of [REDACTED] e-buses with charging units and introduction of e-bus depot infrastructure connected to the electricity grid with power supply sufficient to operate the new fleet (the "Project"). The Project is the trigger investment under EBRD Green Cities initiating the development of Samarkand's Green City Action Plan ("GCAP").
Existing Exposure	Sovereign exposure to the RoU as of 28 February 2023: Portfolio is EUR 1,218 million (15 projects) and operating assets are EUR 129 million. (OpIDs: 49277; 49358; 49359; 50116; 50117; 50525; 50526; 50691; 50979; 51032; 52135; 50696; 50697; 50996, 52874).
Maturity / Exit / Repayment	A tenor of 18 years [REDACTED].
Potential AMI eligible financing	None
Use of Proceeds	[REDACTED]. The Project will be implemented in accordance with the Bank's PP&R. [REDACTED]. The Project implementation summary and procurement plan are presented in Annex 2. To facilitate the Project execution, advance procurement has commenced. The contract for supply of e-buses with charging units has been awarded to Yutong Bus Co., Ltd (China). [REDACTED].
Investment Plan	[REDACTED]
Financing Plan	[REDACTED]
Key Parties Involved	<ul style="list-style-type: none"> the Republic of Uzbekistan as the Borrower; the Ministry of Transport of the Republic of Uzbekistan (the "MoT") via the PIU as the Project Implementing Agency; the Regional Khokimiyat as the Project Originator and City Khokimiyat for the GCAP; the Company as the Beneficiary / the Project Company.
Conditions to subscription / disbursement	[REDACTED]
Key Covenants	[REDACTED]
Security / Guarantees	Sovereign loan.
Other material agreements	n/a
Associated Donor Funded TC and co-investment grants/concessional finance	<p>A. Technical Cooperation (TC)</p> <p>Pre-signing:</p> <p>TC 1: Feasibility Study including technical and economic feasibility of a mid-size e-bus fleet and related facilities, e-bus supply market and technology assessment, project scoping, costing and investment plan based on demand and operational study, calculation of emissions benefits and economic internal rate of return, environmental and social (including gender and supply chain) due diligence, as well as verification of technical specification for e-bus fleet, concept design for depot infrastructure and technical support with</p>

	<p>procurement [REDACTED]. The cost of this assignment was EUR 250,000, financed by the EBRD Shareholder Special Fund ("SSF").</p> <p><u>Post-signing:</u></p> <p>TC 2: Corporate Development Programme and Sector Reform Capacity Building to help the Borrower design and implement a corporate development programme for the Company and sector capacity building in line with the reforms commitment, including: (i) support to establish the Company and all necessary processes, procedures and routines for service planning, organisation and monitoring of operations, fleet maintenance and repairs and fare revenue collection and enforcement; (ii) assistance with preparation of a detailed service plan; (iii) assistance with developing, negotiations, signing and implementation of the PSC; (iv) support with introduction of a ticketing system to be procured and funded by the transport authority; (v) capacity building of the transport authority to implement and monitor the PSC; and (vi) support for a communication strategy and marketing of the new e-bus service operations in Samarkand. The estimated cost of this assignment is [REDACTED] proposed to be financed by the Government of Japan via Japan – EBRD Cooperation Fund.</p> <p>TC 3: Green City Action Plan – Development of a GCAP for the City to prioritise investments, capacity building and policy objectives in support of the green agenda. The GCAP will cover digital, inclusion and gender considerations. The cost of the assignment is up to EUR 350,000 financed by the Sustainable Infrastructure Fund ("SIF").</p> <p>Cost sharing: The post-signing TC of approximately [REDACTED] for consultancy services will be loan-funded as part of the client's parallel cost sharing contribution. These consultancy services will include project implementation support, including works supervision and pre-shipment inspection of e-buses [REDACTED] and procurement of consultancy services for TC2 and of individual advisors to the PIU.</p> <p>B. Co-investment grants / Concessional Finance (Non-TC)</p> <p>None</p>
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[REDACTED]

INVESTMENT PROPOSAL SUMMARY

1. STRATEGIC FIT AND KEY ISSUES

1.1 STRATEGIC CONTEXT

About half of Uzbekistan's population lives in urban areas and cities. Only about 34 per cent of these people have convenient access to public transport, which was even further disrupted during the COVID-19 pandemic. Low public transportation coverage after years of underinvestment and dramatic transformations, as well as the rising economic status of the population, have led to the significant growth of private car ownership. The lack of reliable public transport that would meet growing demand for urban trips and increasing urban traffic congestion contribute to a deteriorating quality of life, increased urban air pollution and increased greenhouse gas ("GHG") emissions.

Samarkand is Uzbekistan's third largest city (pop. 559 thousand). It is experiencing rapid growth, in part due to the rapid increase in the number of tourists visiting the Ancient Samarkand city. Subsequently, the municipality recognises the increased demand for public transport services and the need for innovative solutions that incorporate and preserve the City's hilly landscape, narrow streets, and UNESCO protected historical areas. In 2023, the government plans to transform Samarkand into the country's second largest city by expanding its territory with nearby rural areas. As a result, the City's population will exceed one million people.

The proposed Project will increase the availability and provide a marked improvement in the quality of public transport services, as well as be the first step towards a fully-fledged, modern electric bus network. [REDACTED].

The Project will contribute to decarbonisation of Samarkand's transport sector and mitigate the impacts of climate change as well as improve environmental conditions by reducing air and noise pollution and greenhouse gas ("GHG") emissions. The Project will also provide technical support for corporate development of the municipal e-bus operator, including introducing a performance-based Public Service Contract (the "PSC"), and capacity building for the transport authority to implement the PSC with a prospect to extend such contracts to the private operators during further phases of e-bus fleet rollout.

The Project is also part of a broader programme to improve Samarkand's sustainability. It will be the City's trigger investment under EBRD Green Cities, with the City committing to develop a Green City Action Plan ("GCAP"). The GCAP will identify a range of priority environmental challenges facing the City, as well as the investment and policy actions across multiple sectors that are needed to address these challenges. It will also cover digital, gender and economic inclusion considerations.

By being involved in the Project, the EBRD will support the government of Uzbekistan in implementing its strategy to transition to the green economy⁴, which sets phasing-out of

⁴ 04.10.2019, "Strategy for the transition of the Republic of Uzbekistan to the green economy for the period 2019-2030",

hydrocarbon fuel and stimulating the development of electric transport among the transport sector priorities.

The Project is consistent with the Green Economy Transition (the "GET") approach and qualifies for 100 per cent GET. It is aligned with the Municipal and Environmental Infrastructure ("MEI") Sector Strategy which articulates the importance of scaling up high GET-impact investments in all MEI sectors, including urban transport, and promotes investments in electric public transport to support the global path towards a low-carbon economy. The Project complies with the Bank's Strategy for Uzbekistan, which calls for the promotion of green energy and resource efficient modernisation of municipal infrastructure services, potentially, in conjunction with the Green Cities Initiative. It is also aligned with the Bank's Strategy for the Promotion of Gender Equality. The Project further contributes to many UN Sustainable Development Goals (SDGs), namely: *SDG 5. Gender Equality*, *SDG 9. Industry, Innovation and Infrastructure*, *SDG 11. Sustainable Cities and Communities*, *SDG 17. Partnerships for the SDGs*.

Uzbekistan's economy, affected by the recent COVID-19 pandemic followed by Russia's military invasion of Ukraine and subsequent sanctions on Russia, is well diversified and expected to be the most resilient among the Central Asian countries. The country has coped well so far with the crisis sparked by Russia's invasion of Ukraine. A key factor behind this resilience has been the shift in both the direction and composition of trade. [REDACTED].

1.2 TRANSITION IMPACT

The GrCF2 represents a strategic and multi-project approach seeking to help identify and address environmental challenges in selected large cities in our countries of operation. The primary goal is to achieve significant environmental improvements and to promote the Green transition quality within the relevant cities. In addition to the environmental objective, the GrCF2 also promotes sustainable cities through inclusive, resilient, well-governed and smart urban development. Depending on which area can generate the strongest and most relevant transition impact, either Well-governed, Inclusive, Resilient or Competitive will be pursued and presented as the secondary transition quality for each sub-Project under the framework. These transition objectives are supported by the development and implementation of a city-specific GCAP aiming to identify environmental challenges, facilitate better coordination and buy-in among stakeholders and help to prioritise and develop the best ways to address the environmental challenges through targeted investments, services and policy instruments.

The Project will *primarily* help promote the **Green** transition quality by supporting a shift to electric mobility in Samarkand and thus contributing to decarbonisation of the City's transport sector and mitigating the impacts of climate change as well as improving environmental conditions by reducing air and noise pollution and GHG emissions. The Project will deliver both mitigation and adaptation finance. As a result of the fleet upgrade from diesel to electric buses, the Project will achieve a reduction of [REDACTED] CO2 equivalent [REDACTED]. Thus, the Project is eligible for inclusion under the Green Cities Framework 2 – Window II Extension 2. Through the Project, the City is committing to develop a GCAP which will support further green actions in the transport and other municipal sectors.

The Project will also support the **Well-governed** objective through the corporate development of the municipal e-bus operator, including introducing a PSC based on gross-cost (per bus-km payments) and performance indicators, as well as capacity building for the

transport authority to implement the PSC with a prospect to extend such contracts to the private operators during further phases of e-bus fleet roll-out.

Delivery risks to transition impact relate to: (i) physical implementation of the Project, (ii) development and implementation of GCAP recommendations, including follow-on investments, (iii) implementation of governance improvements, including PSC. These risks are mitigated by: (i) advance procurement of Project's components and the retention of required technical support to the Company and the PIU, (ii) the EBRD Green Cities' experience of engagement with cities to ensure their 'buy-in' and ownership of the GCAP process, and (iii) the MoT's commitment to introduce performance-based contractual relations in the urban transport sector and relevant capacity building TC support.

1.3 ADDITIONALITY

Identified triggers	Description
No triggers identified	n/a
Additionality sources	Evidence of additionality sources
Financing structure <ul style="list-style-type: none"> EBRD offers a tenor and a grace period, which is above the market average and is necessary to structure the project. Public sector: EBRD investment is needed to close the funding gap. At the same time, EBRD does not crowd out other sources, such as from IFIs, government, commercial banks and/or complements them 	<ul style="list-style-type: none"> EBRD will provide a loan with an 18-year tenor [REDACTED]. Such terms are not currently available from commercial banks.
Risk mitigation <ul style="list-style-type: none"> EBRD helps the client to mitigate carbon transition risks and take climate action, such as to move along a low carbon transition pathway. 	<ul style="list-style-type: none"> The Project will result in reductions of CO2 emissions [REDACTED], as well as particulate matter [REDACTED] and NOx [REDACTED]. Without the Bank's participation, higher environmental standards might not have been pursued.
Policy, sector, institutional, or regulatory change <ul style="list-style-type: none"> EBRD's involvement in a project is considered additional when it is designed to trigger a change in the policy, sector, institutional or regulatory framework, or enhance practices at the sector or country level (e.g., an introduction of cost-reflective pricing of energy, water etc.). 	<ul style="list-style-type: none"> Introduction of a PSC based on gross-cost (per bus-km payments) and performance based indicators providing the basis for a transparent fare and subsidy mechanism, which could be replicated in other cities and with private operators.
Standard-setting: helping Projects and clients achieve higher standards <ul style="list-style-type: none"> Client seeks/makes use of EBRD expertise on higher inclusion and gender standards and/or equal opportunities action plans. Client seeks/makes use of EBRD expertise on best international procurement standards. 	<ul style="list-style-type: none"> As part of the GCAP a gender assessment will be developed, which will aggregate the analysis and information gathered throughout the GCAP development and the recommendations to address gender and inclusion in the City (as subset of Green City actions) that are the results of the analysis. In addition, equal opportunities within the Company's workforce will be promoted as part of the TC2 through the development of inclusive HR policies and practices, and through the development of trainings.

	<ul style="list-style-type: none"> Finally, through the implementation of the ESAP, measures to mitigate risks of gender based violence and harassment in public transportation will be developed and implemented by the Client. Application of the EBRD PP&R with the hands-on PPAD Project Implementation Advisor's support enables the client to achieve a more efficient implementation timeline and the most economically advantageous long-term outcomes, through amongst others applying the life-cycle cost evaluation methodology.
Knowledge, innovation, and capacity building <ul style="list-style-type: none"> EBRD provides expertise, innovation, knowledge and/or capabilities that are material to the timely realisation of the project's objectives, including support to strengthen the capacity of the client. 	<ul style="list-style-type: none"> The EBRD has extensive urban transport sector knowledge and GCAP development will contribute to successful implementation of the Project.

1.4 SOUND BANKING - KEY RISKS

Risks	Probability / Effect	Comments
Borrower's creditworthiness	Medium/High	The RoU is a creditworthy borrower rated BB- by S&P and Fitch and B1 by Moody's. Uzbekistan's public debt is low and sustainable. External government debt is estimated at 35 per cent of GDP in 2021. [REDACTED]. Strong foreign exchange reserves and low rollover risk (due to the long-term maturities) as well as the Government's plans to limit annual public debt commitments and overall public debt stock mitigate the risk of debt distress.
Implementation risk	High/Medium	The international consultant(s) assist the PIU with the Project's implementation, including procurement, works supervision and pre-shipment inspection. Application of EBRD PP&R and the Bank's prior review of the key procurement documentation and decisions should ensure selection of experienced and creditworthy contractors and suppliers to perform the works and the balanced contracts conditions used.
FX risk	Medium/Medium	The RoU is expected to be able to manage the FX risk effectively. It has stable hard currency inflows from exports and ample liquid external assets.

2. MEASURING / MONITORING SUCCESS

<i>Overall objectives of project</i>	<i>Monitoring benchmarks</i>	<i>Implementation timing</i>
- On-time project implementation	- Completion according to the timeline and within the budget.	[REDACTED]

The TI objectives and the relevance for this sub-project are detailed in the table below. The transition qualities will be monitored at the Framework level aggregating data on each transition benchmark in the table below for all sub-projects.

Transition Impact Monitoring Indicators and Benchmarks (FW)

Primary quality: Green								
Obj. No.	FW Monitoring Indicator	Corresponding Sub-Project Monitoring Indicator	Details (FW)	Details for Specific Sub-Project	Baseline (Sub-Project)	Target (Sub-Project)	Due date (FW)	TC-related?
1.1	Number of recommended policy or strategy agreed by relevant stakeholder(s)	Recommended policy or strategy agreed by relevant stakeholder(s)	<p>New Green City Action Plans: [REDACTED] new GCAPs finalised and submitted for approval by relevant authorities, and includes priority actions and a monitoring strategy in each participating City.</p> <p>Baseline target of the GrCF and GrCF2 combined is [REDACTED] GCAPs.</p>	Samarkand's GCAP sent to the City Council (or equivalent) for approval including an implementation and monitoring strategy.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
1.2	Performance or action plan implemented by the client	Performance or action plan implemented by the client	Strong follow-on support: 50% of transactions (under GrCF2 and future extensions) are follow-on investments addressing priority environmental challenges identified in the GCAPs.	Trigger – the Project is the City's first with EBRD Green Cities, and includes a GCAP that will enable follow on opportunities.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
1.3	Performance or action plan implemented by the client	Performance or action plan implemented by the client	<p>Multiple green investments: Each participating city makes [REDACTED] investments (with or without EBRD financing) that address priority environmental challenges identified by the GCAP, where all EBRD financed projects will meet the extended Framework's eligibility criteria for investments.</p>	The Project meets the eligibility criteria for both mitigation and adaptation under GrCF2. It will achieve reductions of [REDACTED] CO ₂ eq [REDACTED].	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
1.4	Performance or action plan implemented by the client	Performance or action plan implemented by the client	Effective GCAP implementation: The Framework achieves at least 50 per cent of all verifiable targets, set in the GCAP, [REDACTED] (including both investments and	Trigger – the Project will support the City to develop a GCAP that sets verifiable targets.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

			well-defined policy measures).					
1.5	Improved environmental standards	Improved environmental standards	Environmental impact: The Framework achieves significant environmental improvements for at least one priority environmental challenge, i.e. the promotion or protection of certain performance levels (colour codes) for priority environmental challenges as specified in the GCAPs.	While the Project supports the City's needs of reducing the environmental impacts of the City's transport sector, reduces GHG emissions and improves the resilience of the infrastructure, the relevant environmental improvements within the respective cities will not be monitored at sub-project level.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Secondary quality: Well-governed								
Obj. No.	FW Monitoring Indicator	Corresponding Sub-Project Monitoring Indicator	Details (FW)	Details for Specific Sub-Project	Baseline (Sub-Project)	Target (Sub-Project)	Due date (Sub-Project)	TC-related?
2.1	Number of Public service contract or Public Service Obligation signed and implemented	Public service contract or Public Service Obligation signed and implemented	A new service contract in line with international practice is developed and signed (not a revision to an existing PSC) and respected by the parties during the first 2 years of the contract – and where such contract is not a norm in the country.	A performance-based PSC between the transport authority and the municipal bus operator is signed [REDACTED] and effectively implemented and honoured by parties [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Additional Indicators

Objective	FW level aggregate indicator	Indicator (sub-Project)	Details (sub project)	Baseline (Sub-Project)	Target (Sub-Project)	Due date (Sub-Project)	TC-related?
Core client indicators	Total Population benefitting (individuals)	Total Population benefitting from improved public transport services (individuals)	Daily passengers benefitting from improved public transport services	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	Annual reduction in tonnes of CO ₂ equivalent savings (tonnes CO ₂ eq / yr)	Annual reduction in tonnes of CO ₂ equivalent savings (tonnes CO ₂ eq / yr)	[REDACTED] CO ₂ eq / year [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	Number of institution-level capacity	Institution-level	Successful capacity building and implementation key (TC	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

	strengthened in target area.	capacity strengthened in target area.	provided) recommendations for the transport authority.				
Gender SMART	Number of Cities in which Gender-responsive GCAPs was agreed	Recommended policy or strategy agreed by relevant stakeholder(s)	The GCAP for Samarkand includes a gender assessment, which aggregates the analysis and information gathered throughout the GCAP development (such as gender-disaggregated data, and the analysis of gender specific needs and barriers in access to services and infrastructure in cities in the various sectors covered by the GCAP 2.1 methodology). It also includes recommendations to address gender and inclusion in the City (as subset of Green city actions) that are the results of the analysis.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

3. KEY PARTIES

3.1 BORROWER

The EBRD will extend the loan to the RoU for the Project Company's benefit. Uzbekistan's economy has performed relatively well during the Covid-19 crisis. [REDACTED]. The war on Ukraine led to depreciation of Uzbekistan's national currency in late-February-early March 2022. However, effective Central Bank's interventions helped to contain UZS depreciation at 4 per cent in 2022. Inflation has reached 12.3 per cent in 2022. A gradual move towards inflation targeting is envisioned as part of a plan for monetary policy reforms.

Uzbekistan's public debt is moderate and sustainable. S&P⁵ and Fitch⁶ rate the RoU BB- (stable) and Moody's⁷ rates it Ba3 (stable). The total public and publicly guaranteed external debt ratio was 34.1 per cent of GDP in Q3 2022. The risk of external debt distress is manageable given Uzbekistan's significant foreign exchange reserves, which exceed the government's borrowings. Debt servicing costs are low, as most of the debt is of a concessional and a long-term nature.

3.2 IMPLEMENTING AGENCY

The Project's implementation will be led by the MoT in close co-operation with the regional and municipal Khokimiyats and the Project Company. The MoT will establish a PIU within its structure, which will be dedicated to the Project [REDACTED]. Key PIU personnel will be delegated / hired and funded by the MoT. Representatives of relevant regional / municipal administrations at the PIU will be funded from respective budgets. This PIU structure also reflects the matrix management of the Company with its reporting lines to the MoT and the regional Khokimiyat via MoT's territorial Transport Department for Samarkand Region (the

⁵ June 2022 (affirmed).

⁶ September 2022 (affirmed).

⁷ January 2023 (upgraded).

"TDSR") acting as the transport authority. Consultants to support the Project implementation will be loan-funded. The Company will assist the PIU through a review of the Project's technical parameters including future operational and maintenance requirements and required staff training and will sign the Project's contracts. It will also coordinate with the Khokimiyats all local approvals related to allocation of all Project facilities, including a temporary location for parking, operation and maintenance for the first batches of e-buses until the e-bus depot modernisation is duly completed. More detailed information is provided in Annex 2.

3.3 PROJECT COMPANY

SYT is a state-owned urban transport operator established by the MoT's TDSR. The Company is not presently operational as it was recently re-established and is fully dependent on external financial support until the new e-bus fleet is deployed and respective income is generated. SYT will be the asset holder for all Project assets once delivered / completed [REDACTED]. An additional budget will be allocated to the Company by the MoT to support the initial stage of e-buses operations.

The Company's operational capacity as well as its corporate governance policies and procedures will be established and developed with the help of loan-funded implementation support and TC grant-funded capacity building consultancy services.

4. MARKET CONTEXT

The City's public transit system includes 500 buses, 20 trams and around 3,000 taxis. Their share in passenger traffic is about 60 per cent, 10 per cent and 30 per cent, respectively. Except trams, which are operated by a state-owned company, other modes of passenger transport in the City are privately-owned.

The City's bus system has 54 routes and transports around 110 thousand passengers per day. The routes are served by 18 private bus operators which typically own between 5 and 50 medium-sized buses each.

The MoT and its regional transport departments are responsible for the public transport sector regulation, licensing of urban transport operators, as well as routes tendering and planning.

The routes are allocated through a competitive tendering process via an electronic information system. The regional transport departments of the MoT enter into the information system a list of routes for the tender. Proposals received from bidders are automatically evaluated based on the list of criteria. The number of available buses / minibuses, acceptable fleet average age and technical service availability are among the main criteria for selection of the bus operators. The contract duration is determined based on the fleet age and ranges from one to five years. Contracting with bus operators and inspection of their performance are conducted by the regional transport departments of the MoT.

Bus fares are approved and regulated by the Khokimiyat of Samarkand Region. The current bus fare is UZS 1,400 (USD 0.13) per a single trip.

According to legislation on subsidising public transport operators, the bus operators are eligible to receive subsidies for transporting concessionary passengers and for covering operating losses from the local budget.

The MoT intends to introduce the automated fare collection in Samarkand based on ATTO system, which is currently used for municipal buses and metro in Tashkent. LLC "Avtomatlashtirilgan Transport To'lov Tizimi Operatori", the owner of the ATTO trademark, was established by the government in 2019 as the single national automated fare collection operator for public transportation in the Republic of Uzbekistan.

5. FINANCIAL / ECONOMIC ANALYSIS

5.1 ECONOMIC ANALYSIS

[REDACTED]

5.2 SENSITIVITY ANALYSIS

[REDACTED]

5.3 PROJECTED PROFITABILITY FOR THE BANK

[REDACTED]

6. OTHER KEY CONSIDERATIONS

6.1 ENVIRONMENT

Categorised B (ESP 2019). Any environmental and social impacts potentially associated with the Project will be site-specific and addressed through appropriate mitigation measures. An environmental and social analysis of the proposed investment as well as a review of environmental, social, health and safety policies and procedures and the capacity of the company to manage risks associated with the proposed Project was completed by external E&S consultants and confirmed that the Project is structured to be in line with the EBRD's Performance Requirements (PRs).

The environmental and social due diligence ("ESDD") showed that the Project will bring substantial environmental and public health benefits through deployment of electric buses and expansion of public electric mobility in Samarkand. The Project will improve air quality in the city, accessibility and mobility for all user groups and improve overall quality, safety and efficiency of urban transportation. The ESDD identified that the Company needs enhancement of their institutional capacity to implement the Project in compliance with the Bank's PRs. The Project implementation is limited to the urban area within the boundaries of the existing urban development and no sensitive ecological receptors or protected zones will be affected. In addition, it is confirmed that the Project will not have significant adverse social impacts to local communities or other Project affected parties.

ESDD also included a supply chain due diligence on potential e-bus suppliers that involved mapping of typical e-bus supply chain, establishing traceability of key elements of the supply chain for e-buses, and open source media search. No material supply chain concerns were identified with regards to the potential E-bus suppliers. Given dynamic nature of the supply chain, the Environmental and Social Action Plan ("ESAP") included a commitment for the Company to prepare and implement a supply chain management plan to manage e-bus supply chain transparency and maintain reporting to the Bank if any concerns arise in future.

The ESAP has been developed to address the areas for improvement identified during the ESDD and agreed with the Company in principle. Implementation of the ESAP will enable the Company to comply with national regulations and the Bank's PRs. The ESAP covers development and implementation of the Environmental Management and Occupational

Health & Safety Management Systems, enhanced E&S standards and practices during construction and operation stages, requires road safety trainings and improvements, as well as disclosure of environmental and social performance.

Additional capacity building support with implementation of the ESAP will be provided by the post signing Project implementation support consultants.

The environmental and social performance of the Project and implementation of the ESAP will be monitored through annual E&S reports and site visits when deemed necessary.

6.2 INTEGRITY

In conjunction with OCCO, integrity due diligence was undertaken on the Company, its senior management and other relevant parties, including regional and municipal Khokimiyats and relevant MoT authorities. The review did not identify material integrity issues [REDACTED], and therefore the Project does not pose an unacceptable reputational risk to the Bank. [REDACTED].

The Project's procurement will be carried out in line with the Bank's PP&R. The PIU under the MoT will be assisted by the experienced procurement and other technical advisors as well as implementation support consultants also selected in line with the Bank's PP&R. The RoU is a client of many IFIs, including the World Bank and the Asian Development Bank, who finance key infrastructure projects throughout the country.

[REDACTED]. All actions required by applicable EBRD procedures relevant to the prevention of money laundering, terrorist financing and other integrity issues have been taken with respect to the Project, and the Project files contain the integrity checklists and other required documentation, which have been properly and accurately completed to proceed with the Project.

ANNEXES TO OPERATION REPORT

ANNEX 1	GREEN ASSESSMENTS
ANNEX 2	PROJECT IMPLEMENTATION AND PROCUREMENT PLAN
ANNEX 3	IMPLEMENTATION PROGRESS ON GRCF / GRCF2

ANNEX 1 – GREEN ASSESSMENTS

Introduction

- The Project entails a non-sovereign loan to deploy [REDACTED] electric buses with charging infrastructure and modernise the old depot to introduce e-bus infrastructure.
- The Project is assessed as **aligned with the goals of the Paris Agreement**.
- The Project qualifies for **100 percent GET** finance as a climate change mitigation and adaptation activity.
- **The Project is eligible for EBRD Green Cities as it meets the criteria for mitigation projects and will serve as a trigger investment for Samarkand GCAP.**

Paris alignment assessment

Alignment with the mitigation goals of Paris Agreement: general screening

- The project/economic activity is **included** in the 'aligned list'.
- Regarding project, there are **no** activities included in the 'non-aligned list'.

***Conclusion:** The project is assessed as aligned with the mitigation goals of Paris Agreement (**BB1 aligned**).*

Alignment with the adaptation goals of Paris Agreement

- The internal screening of the project has identified flooding as potentially material physical climate risk(s) for the Project location (depot location).
- A climate risk assessment was undertaken as part of the technical due diligence. As a response, the project incorporates adaptation responses to ensure assets are resilient to the following identified material risks:
 - Flooding: This could lead to the suspension of operation and the potential depot closure as well as damage to the depot paving and drainage system. Flooding from the river is considered low risk as the project area is located in an area which, according to National Atlas of Uzbekistan (2021), is not subject to significant flooding. However, heavy rain events are projected to increase in intensity and frequency by 2030, which could lead to flooding.
 - Extreme temperature increase and heat waves: Long-lasting heat waves are projected to increase in duration by 2030. Extreme temperature increase can lead to damage to the concrete pavement in the depot as well as disruption to the bus operations.
- The Project is unlikely to undermine climate resilience of the system in which it operates.
- Definition of climate resilience measures:
 - The client will ensure the design for the depot includes appropriate solutions to mitigate flood and extreme heat risk by incorporating the appropriate drainage system and pavement material based on the Consultant recommendations during the due diligence stage. [REDACTED].

***Conclusion:** The project is assessed as aligned with the adaptation goals of Paris Agreement (**BB2 aligned**).*

GET attribution

- The Project is attributed mitigation and adaptation GET finance.
- In line with the GET Handbook, **low-carbon vehicles and associated infrastructure** projects are considered at the “Positive list of climate change mitigation activities” and therefore eligible for the GET approach.
- The main GET impact expected out of the investment are:
 - Mitigation: Total CO2e savings [REDACTED], delivered by the shift to higher capacity electric buses.
- Additionally, the following GET impacts are considered:
 - Adaptation: The Project includes an adaptation component specifically related to the depot design. Design measures to mitigate climate risks (including flooding and

- extreme risks) are expected to reduce the cost of disruption (USD/event) and cost of physical damage (USD/event) associated with climate risks. [REDACTED].
- Environment: The project is expected to deliver annual reduction of NO_x [REDACTED]; PM [REDACTED]; SO₂ [REDACTED]; and NMVOC [REDACTED].

Conclusion: *The Project is **100 percent GET**.*

Green Project Monitoring Plan

The Bank will monitor indicators including bus km/year annually. This is included in the reporting requirements for the bus company under the Project Agreement.

The Bank will also monitor the implementation of the adaptation measures in the depot design upon completion of bus depot rehabilitation works as a requirement to the ESAP, which will be incorporated in the Loan Agreement.

ANNEX 2 – PROJECT IMPLEMENTATION

Procurement classification – *Public sovereign*

Project risk assessment:

[REDACTED]. The Project management structure is complicated by the matrix management of the Company. While it is subordinate to the Ministry of Transport ("MoT") via its Transport Department for Samarkand Region ("TDSR"), the Company's Director also reports to the regional Khokimiyat, same as the Head of the TDSR. As Project implementation started in parallel with the financing approval process, and no Project Implementation Unit ("PIU") can be created prior to the Project's local approval, no formal capacity assessment could be conducted using the Bank's toolkit. However, the regional Khokimiyat and the MoT have dedicated a team of their specialists to manage the advance procurement of e-buses and the preliminary workshop was delivered by the Bank's Project Implementation Advisor to these experts with the focus being on-the-job training.

At the same time, the MoT has started working on establishing the PIU. [REDACTED]. Key personnel will be delegated / hired and funded by the MoT with representatives from respective regional / municipal administrations to be delegated / hired and funded by them. [REDACTED]. The MoT has some experience in implementing an UNDP-financed e-mobility project in Tashkent, though no experience with the EBRD PP&R, including a two-stage tendering which is envisaged for the Project goods. Real capacity will be significantly influenced by the qualification, dedication and empowerment of the PIU staff to be engaged. The PIU will be supported by loan-funded individual advisors and PIS consultant. The Project manager [REDACTED] is currently supported by procurement and technical advisors mobilised by the Bank. The Company will provide local assistance to the PIU and will be involved in, amongst other, reviewing the technical requirements to ensure efficient integration of the Project's deliverables into the Company's affected infrastructure.

[REDACTED]. The Project mainly consists of moderate risk contracts, the highest of which is passing required tests and certification of new to the country e-buses as well as possible delays in the land allocation and utilities connection for the new depot infrastructure.

Project implementation arrangements:

The MoT will be designated in the legal agreements as the Project Implementing Agency ("PIA"). It will establish, as described above, the PIU to be responsible for the Project's day-to-day management during the entire Project implementation period [REDACTED]. The PIU, appropriately supported by the qualified consultants, will be responsible for, among others, preparing project implementation plans, procurement documents and progress reports, as well as managing all contacts, including consultancy contracts, though all contracts are to be signed by the Company or the PIA. The PIA through its TDSR is expected to be a contracting party for the grant-funded capacity building assignment (TC 2), the selection for which will be managed by the PIU with the support of the PIS consultant.

The advance procurement of the Project components is being led by the interim Project manager who is supported by individual procurement advisors as well as a technical consultant, mobilised by the Bank. One of the procurement advisors is also charged with supporting the client with the PIS consultant's selection.

The PIS consultant's ToR will be structured to cover the Project [REDACTED]. The PIS consultant, therefore, once mobilised, will assist the PIU as follows:

- [REDACTED] (i) supervision of works and pre-shipment inspection of the e-buses, (ii) procurement of the grant-funded capacity building assignment (TC 2), (iii) support with ESAP and SEP implementation, and (iv) reporting to the Bank; [REDACTED].

Procurement arrangements:

Goods, works and services, including PIS and capacity building consultancy services, financed from the loan and grants will be procured via ECEPP under open competitive procedures in accordance

with the requirements of Section III, Article 3 of the Bank's Procurement Policies and Rules, 2022 edition, for public sector operations. The Bank's appropriate standard procurement documentation will be used.

Individual advisors for the PIU will be procured through direct contracting in accordance with para 3.24(f) of the PP&R.

Current procurement advisory contracts for the Project were signed in accordance with the Bank's CPP as contracted by the Bank upon the client's request supported by the respective waiver letters.

All Client-led loan- and grant-financed contracts will be subject to prior review by the Bank. [REDACTED].

ANNEX 3 – IMPLEMENTATION PROGRESS OF GrCF / GrCF2

Since 2016, the GrCF and GrCF2 have mobilised nearly EUR 5 billion in EBRD and donor funding. The Green Cities Framework (GrCF), approved by the Board in November 2016, set an ambitious agenda for the Bank's municipal business, with the over-arching aim being 'to serve as a sector-wide catalyst for addressing environmental challenges at the City level'. [REDACTED] [i]n October 2018 a new Framework was approved by the Board, Green Cities Framework 2 (GrCF2) [REDACTED].