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NEWS

EBRD wrestles with balancing needs of Ukraine, CEE and Africa

By Jon Hay

When governors of the European Bank for Reconstruction and Development meet in Marrakech on Wednesday, top of their agenda will be how to cope with the unprecedented crisis of the war in Ukraine.

But they will have to juggle this with a host of competing demands that must be handled diplomatically, as the EBRD strives to secure its relevance.

"It's about finding a balance between three or four strategically really key priorities," said Manfred Schepers, CEO of development finance firm ILX Management and a former CFO of the EBRD. "One is the role of the Bank in climate finance in its existing countries of operation; the second supporting those countries in the region being

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Odile Renaud-Basso, president of the EBRD, has to address a knot of problems and deliver a fresh sense of purpose for the bank

Emerging markets cling on amid rate hikes but central banks 'risk credibility'

By Oliver West

Central banks in emerging and developed markets are scrambling to fight against an array of external challenges this year, and this has prevented EM fixed income from underperforming most major global markets, say some market participants. But monetary authorities will not have the tools to avert a crisis if the war in Ukraine continues, warned economists.

The US Federal Reserve has faced criticism from some quarters for being slow to react to the price pressures, with inflation reaching its highest level in 40 years in the US. But some in the market have sympathy for the position in which the Fed and other central banks find themselves.

"We are heading into a big global crisis, but it is no longer about the Fed and central banks, it really is existential," said Simon Quijano-Evans, chief economist at Gemcorp. "The invasion is taking things completely out of the hands of central banks everywhere, and central banks cannot be blamed.

"Central banks have been standing there as the last bastions of credibility given the failures of global politics, but they are at the mercy of these politics. Right now they are being pushed into a corner where they

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Jerome Powell, Fed chair. Economists worry central banks are losing their grip

Food price spike threatens instability in SEMED and sub-Saharan Africa

By Phil Thornton

The war on Ukraine is having an enormous impact on the agrifood sector, both in terms of national economies and on global food security.

A surge in agricultural food prices due to tight supply and the Ukraine crisis is threatening to bring a new hunger crisis in developing countries — including current and potential countries where the EBRD is engaged.

According to the World Bank, global agricultural food prices jumped by 36.6% in March 2022 compared with a year earlier, an acceleration from the 28% rise seen in 2021. In contrast, prices were up by just 0.1% on average in the previous three years.

Economists at Bank of America (BoA) see a worrying potential for further rises in key grain prices. They cite reduced planting this spring, damage to port and farm infrastructure, prolonged disruptions to Ukraine exports and rising risks to Russian exports hitting the prices of cereals and oilseeds.

"Given the additional surge in prices because of the Russia-Ukraine war, global food inflation should remain extremely elevated for the rest of the year," says sub-Saharan Africa economist Tatonga Rusike.

Abebe Aemro Selassie. director of the IMF's Africa department, says higher fertiliser and oil prices will also increase the cost of harvesting, the cost of production and provision of goods and services which together will "erode living standards quite a bit" in many countries.

In 2019, Russia and Ukraine together exported more than a quarter of the world's wheat. As a result, some 50 countries depend on those two countries —currently pitted against each other in a ferocious war — for a third of their wheat supply.

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Central banks

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could risk losing their credibility as a result of the failures of others."

The EBRD's latest economic forecast published on Tuesday highlighted the economic pressures deriving from higher food and energy prices caused by Russia's invasion of Ukraine *(see story on page 3)*. Yet Sergei Guriev, professor of economics at Sciences Po university in Paris and a former chief economist of the EBRD, said at the launch of the forecast on Tuesday that he was not pessimistic about central bank policy.

"The increase in gas prices [this year] is higher than the one in the 1970s, and yet we talk about inflation as a problem — not as an existential crisis as we did then," said Guriev. "Why? First, economies have become more resilient, and secondly central bankers have learned a lot.

"People criticise the Federal Reserve for being slow, but we are talking about Fed being slow by half a year, not by a decade as would have been the case in the 20th Century. In that sense I'm less pessimistic."

Rather, Guriev is concerned about matters that are out of the hands of central banks.

"When we talk about the war, the oil price shock, or the grain price shock, these are very real concerns and I'm very worried," said the Russian economist. "It pains me that in addition to issues like access to finance and human capital challenges, we now have these additional problems that shouldn't have been here in the first place."

'VOLATILE COCKTAIL'

Though EM has, like all markets, been badly hit by war and inflation-related volatility, it has not underperformed. Indeed, EM dollar bonds are down 17% so far in 2022, versus over 19% for the S&P 500 equity index.

"EM hasn't been the worst affected asset class because EM central banks themselves have learnt from the past and been as proactive as they could be," said one EM bond investor. "And most of that drop in EM dollar bonds has been down to US Treasuries selling off, rather than the spread."

Moreover, Quijano-Evans at Gemcorp highlighted that EM local currency bonds, which have underperformed other asset classes for several years but done better than most so far in 2022. Again, he said this was down to "EM central banks being proactive". ●

EBRD wrestles with balancing needs

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affected by the Ukraine war. Thirdly, what do you do in Ukraine — everybody feels the bank should do its utmost, but that's very difficult at the moment. And the fourth, long term issue is a very logical discussion about the role of the EBRD in Africa."

How the Bank addresses this knot of problems while satisfying its disparate shareholders is likely to determine whether Odile Renaud-Basso, the EBRD's president since November 2020, can establish it in stakeholders' eyes with a fresh sense of purpose.

Public opinion will expect the EBRD to be at the forefront of trying to help Ukraine.

In early March it set up a €2bn Resilience and Livelihoods Framework to support Ukraine and countries hosting refugees. Further announcements are expected this week.

The EBRD has been talking to its shareholders about support to increase help to Ukraine, including possibly shareholder guarantees for some assets, or means to share the burden. During Tuesday, member governments were pledging donations to support the EBRD's efforts, including $500m expected from the US government.

WRITING OFF RUSSIA

Before that, the Bank faces financial loss from the war. Analysis by Chris Humphrey, a senior research associate at the Overseas Development Institute (ODI), in April showed that Russia, Belarus and Ukraine respectively accounted for 0.5%, 1.7% and 7.2% of the EBRD's loan balances and 15.4%, 0.8% and 5.9% of its equity portfolio.

Much of this may have to be written off or restructured. "This will have implications for its development activities in other countries in the coming years," Humphrey argued, saying it would "tighten lending headroom… The exact scale is difficult to predict at this stage, but EBRD's currently solid capitalisation levels give it breathing space."

The Bank ceased making new investments in Russia in 2014 when it invaded Crimea and southeastern Ukraine, and is exiting its portfolio, though this will take time. It has also reduced its activity in Belarus.

Privately, some close to the EBRD voice misgivings that its explicit commitment to democracy and free markets — which separate it from other MDBs — are anachronistic, a relic of its foundation at the end of the Cold War. The Bank is sometimes seen in recipient countries as ideologically driven by Western capitalism.

That stance is hardwired into the Bank, as is the EBRD's commitment that at least 60% of its investments in each country must be in non-state recipients. In practice, about 80% of the EBRD's money goes to the private sector and municipalities.

The ODI paper argued for relaxing this, particularly to help Ukraine. "Many borrower countries have substantial public investment needs that EBRD could support at a much greater scale than it does currently," Humphrey said.

But the EBRD sees its expertise in private and municipal sector lending as a strength. "There are other institutions very well equipped at the sovereign lending level," said Schepers. "Potentially the EBRD could do some of it, but the EBRD is not so large, and the amounts needed are vast. What is a scarce resource? Effective private sector finance. That's the real contribution of the EBRD, and the amount of business to be done post-war in Ukraine in the private sector is very significant, particularly if private sector financiers are not engaging."

SUB-SAHARAN AFRICA DECISION

Despite the urgent needs of Ukraine, the Bank is expected to decide in principle on Wednesday to go ahead with beginning to operate in sub-Saharan Africa.

There is a plan for how to implement this, but it will not be on the table this week. African countries would have to become EBRD members before they could receive funding, so any financing is a way off still. ●

Food price spike

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These include low-income countries in northern Africa such as Egypt, Lebanon, Morocco and Tunisia that are part of the EBRD's southern and eastern Mediterranean (SEMED) region.

"We're just emerging from Ramadan, where in our region people look at food prices every day," said Heike Harmgart, the EBRD's managing director for SEMED. "People have talked about meat prices in previous year, but this year was the first in a long time that people are talking about bread, vegetables, and other domestically produced ingredients for Ramadan.

"It is a sign that expectations of food price inflation are enormous in the region, and food price inflation makes up a huge price of the basket."

BoA warns that the impact will also be felt further south in sub-Saharan Africa, a region where the EBRD has planned a "limited and incremental" expansion of its activities. It says Kenya and Ghana are the most vulnerable as a third of their wheat imports came from Russia.

It warns that lower-income countries may soon confront social unrest and potential political turmoil as a result of soaring prices. It highlights Nigeria as a country vulnerable to political instability in the face of soaring food inflation. Its government has already delayed removing fuel subsidies to keep transportation prices and overall domestic prices in check.

The issue will be high on the agenda at this week's EBRD meetings. On Wednesday, it will hold a discussion panel on food security at times of crisis, with a special focus on SEMED. It will also publish new figures on the impact of the crisis in SEMED in particular and will highlight key policy and investment priorities for the region.

But Harmgart at the EBRD said that solutions to diversify or increase private sector efficiency "may come too late for this year". ●

War in eastern Europe is undermining stability in the Middle East and Africa

Russia-Ukraine war set to worsen CEE's inflation problem

By Phil Thornton

The Czech central bank set the tone for the economic debate at the EBRD's annual meetings with an unexpectedly large hike in interest rates late last week. The rise of 0.75 percentage points to a 23-year high of 5.75% was more than analysts had expected.

The move was a response to the latest jump in inflation, which hit 12.7% in March and looks set to rise further in the coming months — the central bank expects inflation to top 14.5% this quarter.

This pattern can be seen across the EBRD's area where the outbreak of war between Russia and Ukraine looks set to add to inflationary pressures that have already been building across the world.

The International Monetary Fund forecasts inflation in emerging European economies — but excluding Russia, Ukraine, Belarus and Turkey —will accelerate 9% this year, 3.4 percentage points up from its January projections.

The current episode of inflation started with a mismatch between supply and demand, as spending patterns shifted away from services and towards goods. This was exacerbated by the so-called "great resignation" as many workers chose not to return to the labour market when the pandemic hit leading to tight labour markets. And then the war in Ukraine sent commodity prices sky high.

Beata Javorcik, the EBRD's chief economist, says taming inflation caused by this "triple whammy" will certainly not be easy. "My greatest fear is inflation spiralling out of control, resulting in social unrest and political instability," she says.

A period when central banks viewed the rise in inflation as transitory has ended — last week the US Federal Reserve ordered a 0.5 percentage point hike in rates to 1% and its chairman, Jerome Powell, said additional half-point rises "should be on the table at the next couple of meetings".

Javorcik says tight monetary policy in advanced countries will increase the cost of servicing foreign debt for emerging markets. "Moreover war, uncertainty [and] sanctions may lower risk appetite on the part of investors, leading to capital outflows from emerging markets," she said last week in a discussion with her predecessor Professor Sergei Guriev.

The trend towards tighter monetary policy is visible across Europe. The Polish national bank matched its Czech counterpart with a 75bp rise to 5.75% but held back from a forecast 100bp rise saying "a gradual slowdown of economic growth is forecast".

Jiri Rusnok, governor of the Czech central bank

All eyes will be on the European Central Bank, which is finally signalling the need for higher interest rates after months of messages from its president, Christine Lagarde, playing down the prospect.

At its April meeting the bank said inflation had broadened across the economy with pressures intensifying "across many sectors", and Lagarde conceded that inflation was "key of all our concerns".

Capital Economics anticipates eight 25bp rate hikes between July and the end of 2023, bringing the deposit rate to 1.5%. Andrew Kenningham, its chief Europe economist, says while that would be slightly faster than investors anticipated, particularly during 2023, it is slower than the bank's two previous significant tightening cycles. "If policymakers wanted to slam on the brakes, they would need to go even higher." ●

Will war finally bring true unity to the EBRD?

By Phil Thornton

Thirty-one years after the inauguration of the European Bank for Reconstruction and Development, could the crisis triggered by the Russia-Ukraine war strengthen unity among European beneficiaries of the development bank and its shareholders? Or will it act as a wedge to open up new divides?

The immediate reaction to the invasion pointed to a rallying around the European flag. The European Commission has adopted five rounds of sanctions against Russia and key figures in the regime of Vladimir Putin and opened its coffers to provide €1.2bn in financial and humanitarian aid.

MEPs in the European Parliament have called for more EU defence, reduced energy dependence on Russia and solidarity with Ukraine, released billions of euros to EU countries sheltering people fleeing the conflict and called for further sanctions against Russia.

The leaders of Estonia, Hungary, Latvia, Lithuania and Poland have called for a special EU membership process for Ukraine. Meanwhile, a survey by pollsters YouGov in March showed there was net support for Ukraine joining the EU among the public in the four largest member states — Germany, France, Italy and Spain.

However here the unanimity breaks down. France's newly-elected president Emmanuel Macron has said it is not possible to open an accession procedure with a country at war.

Holland's Mark Rutte has said western European nations do not believe an accelerated admission process is possible while Olaf Scholz, Germany's chancellor, suggested the EU was not ready for enlargement as its decision-making was still based on unanimity.

As one investment strategist puts it: "As long as the veto system is in place, the EU continues to run the risk of being bogged down in lengthy negotiations among its 27 member states."

The EU's proposed sixth round of sanctions aimed at stopping crude oil imports in six months and refined products by the end of 2022 has hit opposition from Hungary and other member states that import oil via a pipeline. However, the EU is confident that the concerns are over logistics and finance rather than principle and so will be overcome through negotiation.

But perhaps the nuanced views among Europe's governments and citizenry were highlighted by another finding in the YouGov survey. A majority of people in the three core EU countries — Germany, France, and Italy — are opposed to EBRD member Serbia's path towards EU entry. The former Yugoslav republic has been asking to join the EU since December 2009. ●

All post-Covid recovery gains at risk as EBRD cuts growth forecast again

By Oliver West

The speed at which the Russia-Ukraine war is hurting economic prospects in Europe and other regions where the EBRD operates was laid bare on Tuesday as the multilateral lender cut its aggregate growth forecast for these countries to just 1.1%.

This is 0.6 percentage points lower than its previous forecast, made just two months ago, and 3.1 points below the EBRD's pre-war predictions. Though most of the latest downgrade is down to a continued lowering of expectations for Ukrainian GDP as Russia's invasion of the country continues, the war has worsened the outlook in all but two EBRD region countries.

Yet the situation could get a lot tougher. Beata Javorcik, the EBRD's chief economist, admitted on Tuesday that the bank's forecasts were made on "relatively optimistic assumptions". Most notably, the bank is assuming that the war ends in late summer, allowing the recovery and reconstruction of Ukraine to begin towards the end of this year. Indeed, the EBRD estimates that Ukraine's economy will shrink by 30% — versus forecasts of 35% from the IMF and 45% from the Vienna Institute for International Economic studies.

Moreover, Javorcik warned that if the war ultimately leads to interruptions to the gas supply, then the region's entire post-pandemic rebound could be lost.

"If we take a more pessimistic view of there being gas supply interruptions, then we expect all the post-Covid recovery gains to be wiped out this year," said Javorcik. "GDP [would] not return to pre-pandemic level until towards the end of next year."

Without an end to the war, it seems inevitable that the outlook will only continue to deteriorate, with policymakers powerless against food and energy inflation directly caused by the war.

"Any economic forecasts made today are likely to be cut again," Simon Quijano-Evans, chief economist at Gemcorp Capital in London, told *GlobalMarkets*. "Whether it's the IMF, EBRD, or market participants, we're going to be in a continued process of revising forecasts downwards if the invasion doesn't stop. ●

North African bond issuers face spell on the sidelines amid volatility

By George Collard

Economic and political problems in North African countries mean unless international investors change their minds on risk, prospects for bond issuance are dim.

Dollar or euro issuance is never heavy from North Africa, and no deals have come from the region in 2022 so far, although Egypt did tap the Japanese market in March for ¥60bn ($496bn).

Last year there were just four deals, including two from Egypt, totalling $9.5bn. And in 2020 there were also four deals worth $9.9bn, again with two from Egypt.

Countries in the region are vulnerable to high commodity prices, higher since the war in Ukraine began. Tunisia, Morocco and Egypt are all heavily reliant on wheat imports from the Black Sea.

Consumer prices in Egypt were 13% higher in April than in the same month the year before, driven by a 26% rise in food prices. The country may be on the cusp of securing IMF help and has also received heavy investment from Gulf neighbours, which could make it more attractive to foreign bond investors.

"It's difficult for anyone in EM to issue right now but very difficult for North African sovereigns," said a London-based EM fund manager.

"Egypt will benefit from a possible IMF deal and support from the Gulf. Morocco could print a bond. But we would need a rebound in risk sentiment for either to come to market."

Morocco (Ba1/BB+/BB+) may be best placed in North Africa, the investor continued, even though Egypt (B2/B+/B) is a more familiar issuer. Francophone Morocco last issued a bond in December 2020, selling a $3bn note, its first in dollars in seven years.

"Morocco has better ratings, although they did lose investment grade," said the investor. "They come rarely and usually in euros, so if they came in dollars there would be support. Egypt is fundamentally stronger economically, but investors are overweight Egypt so that works against them."

EM bankers and investors agree Tunisia is locked out of the international bond market. It avoided default in April after meeting a $1bn redemption, but default fears persist. Fitch Ratings in March cut Tunisia's rating to CCC and Moody's has a Caa1 rating with a negative outlook.

North Africa is especially vulnerable to rising wheat prices

The Tunisia $1bn 5.75% January 2025 note was quoted at a cash price of 65 to yield 23%, reflecting default worries. By comparison, Egypt's $1.75bn 7.625% May 2032s were quoted at 73/78, yielding 12%.

"There is zero market access for Tunisia with a yield at that level on a three year," said the investor. "You'd still need a meaningful return of risk sentiment for Egypt to print. But for Tunisia, there are other issues to solve before they can return to the market."

Economic problems in North Africa are increasing the risk of political turmoil, with the Arab Spring between 2010-2012 still fresh in the memory of politicians and investors.

"It's something that keeps coming up," said the investor. "It's not just investors worried about the political situation in North Africa. The last time food prices spiked like this the Arab Spring happened. If foreign governments are worried about it, so are investors." ●

Baby steps: Poland's securitization market edges forward despite hurdles

The securitization market in Poland is beginning to build up. But progress is slow, with one banker told *GlobalMarkets* that the market is taking "baby steps".

The most advanced part of the Polish securitization market is in leasing, in particular equipment leasing, as the country's economy and industry becomes more fully developed, a banker involved in a Polish securitization said.

"Those companies are growing quite significantly so they need easier funding," she said. "They need local funding too, in Polish zloty, so securitization is quite a good source of funding through the EIB [European Investment Bank]."

The EIB is crucial for the development of the Polish securitization market. Investing in securitization transactions falls under the EIB's mandate to invest in Polish small and medium sized companies to aid Europe's post-pandemic recovery. The EIB and European Investment Fund were involved as lead investors and underwriters in Europejski Fundusz Leasingowy's two deals, most recently a Z2.2bn (£400m) lease receivables securitization in November.

Outside of EIB involvement, there is also more activity in the significant risk transfer space, with mBank completing a Z9bn (£1.65bn) credit risk sharing transaction in March.

Another banker said that the local investor base was also starting to mature. Polish banks and local subsidiaries of foreign banks had zloty funding needs as they started lending more products suitable for securitization, such as auto leases. As a result, securitization was becoming more necessary, he added.

SIGNIFICANT HURDLES

Despite the growing sense of optimism, the bankers admitted that developing the market further would take a long time.

The zloty is a major stumbling block, the first banker said. She explained that the investor base for assets in zloty was small and this made growing the Polish market difficult. At the same time, however, doing a euro transaction of Polish assets would likely be too expensive to be worthwhile.

"It's not a big currency," the second banker added. "And so, it's difficult for a non-local investor to have access to competitive zloty funding."

The zloty, relative to the euro and sterling, made it hard to reach the "critical mass" crucial for the economics of securitization to work, he said. ●

Polish IPO pulled amid terrible market

By Victoria Thiele

Polish e-commerce logistics firm 3LP on Monday pulled what would have been Poland's first initial public offering in 2022, blaming market conditions.

The company had launched the deal on April 26 and planned to raise Z100m (€21.4m). Trigon Dom Maklerski was global co-ordinator.

Market backdrop was poor on Monday, with the Warsaw stock exchange index WIG losing 2.4%.

The Cboe Volatility Index, a measure of the expected volatility of the S&P 500, surged more than 15% to highs of 34.9. IPOs are widely considered possible below 20.

However, issuers in western Europe are beginning to feel a bit more confident that markets would support a smaller, sensibly priced IPO in a profitable niche sector. On Monday, Eureking Spac and the green hydrogen producer Lhyfe opened books to list in Paris while the Swiss property company Epic Suisse launched an IPO in Zurich.

But the cancellation of 3LP's deal is a reminder that investors are not yet ready to look east.

"Inflation and interest rates are the deciding factor at the moment," said Bernd Maurer, head of institutional equity company research at Raiffeisen Bank International (RBI). "Then there is the war of course, with direct and indirect effects on supply chains or commodities supply and cost."

Inflation fuelled by rising energy prices is hitting the region harder than the West. For Poland, ING predicts inflation to peak at 13%-15% in 2022 and expects the Polish central bank to raise interest rates to 6.5%.

The proximity of countries in the CEE area to Russia and Ukraine means investors are nervous about the war spilling over.

But in the longer term, "potential is there, and it's huge," said Maurer at RBI.

Between 2010 and 2019, in the 10 years before the pandemic, the GDP of eastern European countries grew by 2.6% per year on average, according to Statista data.

"The impact of Covid-19 was also smaller in some countries, or they recovered faster," added Maurer. "This offers opportunities for privatisation on the one hand, but private equity portfolios of companies have also grown in the past years, where listings are always an option." ●

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Uzbekistan

Special Report

Public-Private Partnerships: Building for the Future

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Foreword by Deputy Prime Minster – Minister for Economic Development and Poverty Reduction **H.E. Jamshid Kuchkarov**

PPP AT THE HEART OF UZBEKISTAN'S DEVELOPMENT STRATEGY

Government to focus on seven priority areas that are critical to achieving Sustainable Development Goal targets and transforming Uzbekistan into a middle-income country by 2030

"By attracting investors to the energy, transport, health, education and other sectors, we plan to implement more than 200 public-private partnership projects with a total value of $14bn over the next five years."
— President Mirziyoyev

The government of Uzbekistan is committed to transforming the country and setting the economy on a new trajectory of growth and development to bring enhanced prosperity, wellbeing and opportunities to its people.

Key to this transformation strategy is the comprehensive reform process that was launched under the direction of the President of Uzbekistan in 2017. The first phase of our reforms, over the period 2017-2021, has already achieved much success in incorporating the latest innovations, expanding the role of the private sector, enhancing the delivery of critical public services and modernising the role of government and its relationship with its citizens.

In the second phase of our reforms, we will be implementing the 'Development Strategy of New Uzbekistan for 2022-2026', where we will focus on seven priority areas that are critical to achieving our Sustainable Development Goal (SDG) targets and transforming Uzbekistan into a middle-income country by 2030.

The PPP programme, launched in late 2018, forms a key component of government's overall delivery strategy for implementation of the planned reforms. Through PPPs we are targeting an alternative mechanism for attracting much needed financing and to on-board private sector expertise to deliver improved public services.

"We are committed to developing and delivering this infrastructure modernisation programme and the PPP initiative forms a key part of our strategy to deliver the public service needs of our citizens.."
— H.E. Jamshid Kuchkarov

Delivery of our SDG targets will require an additional $6bn of investment every year till 2030. Much of this additional investment will be required to upgrade and add additional capacity to our infrastructure assets. Investment in infrastructure will need to be increased by 8.7% of GDP per year, focusing on key sectors such as health, education, sanitation and wastewater, electricity and transport. We are targeting around 50% of the additional financing requirements to be met by the PPP programme with an estimated $14bn pipeline of projects to be developed over the next five years.

We have developed and delivered 312 projects with an investment value of more than US$10bn across different sectors of the economy. The PPP Development Agency is working with line ministries and agencies, with close support from our development partners, Asian Development Bank, European Bank for Reconstruction and Development and the World Bank Group, to identify priority socio-economic infrastructure needs and prepare these projects for implementation on a PPP basis.

We have already implemented a dedicated regulatory and institutional framework for PPPs and are further strengthening the enabling environment by processing a number of policy interventions, supporting provisions and incentives. Structured training programmes, guidelines and toolkits are being developed to enhance capacity within our ministries and agencies; stakeholder engagement workshops are being launched to build understanding and promote participation of our local contractors and financiers.

We are also approaching global sponsors and investors through our international outreach programmes and our participation in and arrangement of international events. Financing support facilities are being considered including the development of a local Infrastructure Finance Development Company to support project financing and the establishment of a Project Development Facility to support the appointment of subject matter experts and specialists for preparation of bankable PPP projects.

Our focus is not only the rapid expansion of the PPP programme but also ensuring long term sustainability of our fiscal commitments. We are working closely with the International Monetary Fund and our development partners to establish a robust fiscal and contingent liabilities framework and control rigor around it to ensure acceleration of investments in our infrastructure is executed in a prudent and planned manner.

The scale of economic development needed to bring the transformative change to the country can only be built on the foundation of a strong infrastructure platform. We are committed to developing and delivering this infrastructure modernisation programme and the PPP initiative forms a key part of our strategy to deliver the public service needs of our citizens. ●

PPPDA: UZBEKISTAN'S PPP CHAMPION

The country's Public-Private Partnership Development Agency may only a be few years old, but it is already demonstrating its value to the nation and potentially providing a development model to the broader region.

"The PPPDA has essentially unified the PPP policy framework in the country and acts as the main vehicle through which investment is coordinated and projects are processed."

Dilnavoz Kuldashova, head of PPP project analysis across healthcare, defence and law enforcement

For ambitious, aspiring countries, the capability to identify, coordinate and channel investment and expertise toward upgrading key infrastructure and public services is critical to achieving socio-economic advancement.

Not all such countries understand this, but Uzbekistan, which is undergoing huge socio-economic transformation under President Mirziyoyev, grasped the need early, leading to the creation of the Public-Private Partnership Development Agency (PPPDA) through presidential decree in 2018.

The agency, which operates under the auspices of the Ministry of Finance, is essentially the nerve centre of the government's ambitious plans to substantially upgrade the nation's infrastructure and public services with private sector involvement and investment through public-private partnerships.

It's an important role, which, at its simplest, involves the PPPDA ultimately supporting line ministries – from energy to education – to identify, develop, tender and finance PPP projects in the country, says Zokir Bozorov, acting director of the PPPDA.

He adds that the primary objective of the PPPDA is to increase "the quality, attractiveness, and sustainability of PPP projects while implementing them in an efficient and cost-effective manner."

Importantly, the PPPDA also offers a transparent, centralised system "designed to attract and facilitate investment from foreign investors who are looking for high quality assets," says Dilnavoz Kuldashova, head of PPP project analysis across healthcare, defence and law enforcement.

She adds: "The PPPDA has essentially unified the PPP policy framework in the country and acts as the main vehicle through which investment is coordinated and projects are processed."

Indeed, the agency was instrumental in helping to shape the country's first PPP law, adopted in May 2019, and its subsequent amendment in January 2021, which further enhanced it, creating a more internationally acceptable and bankable PPP legal framework in the country.

Key to developing that was the cooperation and partnerships the PPPDA has developed with international financial institutions including the Asian Development Bank, the European Bank for Reconstruction and Development, the International Finance Cooperation and the World Bank.

All of these institutions have helped advise the Uzbek government on the law, which is fundamentally important for any country to succeed in engaging the private sector to support their PPP programme. Each of the IFIs have also provided advice on specific transactions and provided project financing, which, taken together, form some of the main services they provide to governments: policy advisory work; capacity building; transaction advisory; and finance.

The added distinction for the ADB in its work with the Uzbek government, is that it seconded two of its most experienced PPP consultants – Syed Uddin, PPP policy advisor to the Uzbek MoF and PPPDA, and Erk Ozbelge, PPP commercial advisor to the MoF and PPPDA – to help establish the PPPDA, provide in-house policy and reform advice as well as direction on capacity building, among other responsibilities.

For Uddin, there are several reasons why the PPP opportunity in Uzbekistan and the approach by the government is different to what he has experienced in other countries. What's particularly powerful is that the PPP programme was not conceived in isolation. Rather it is "very much embedded at the core of the country's socio-economic transformation programme, which makes a big difference to the opportunity and how compelling the Uzbekistan story is to international investors," says Uddin.

Investors are almost always attracted to investment opportunities where there is plenty of upside, but in PPP projects it is just as important for them to be able to see how they can build a scalable operation, says Ozbelge. "These are not one-off projects. Within the schools programme, for example, we are currently working on 16 schools. The overall programme, however, is for hundreds of schools, and once that's achieved, we will probably need to expand the programme even further. Foreign investors like to see this level of commitment by the government. It's very important."

At its core, the PPPDA is involved in nation-building, and so far, it has had very promising success across the full range of industry sectors. In fact, since it was established, the PPPDA, in cooperation with ministries and agencies, has led to the implementation of 312 PPP projects worth over $10bn.

Within that, projects in the energy (24 projects worth a combined $8.2bn) and utilities sectors (3 projects worth $1.7bn) command the highest valuations, but there is still plenty of PPP activity in other sectors, including ecology (62 projects worth $103m), transport (1 project worth $83m) healthcare (32 projects worth $44m), and education (49 projects worth $39m), among many others.

Some notable successes in signed PPP agreements include the construction of the 100MW Koraozak wind farm project, located in the Republic of Karakalpakstan, with Saudi investor and developer ACWA Power, and the modernization of Samarkand International Airport with Air Marakanda. Also noteworthy is the PPP with Veolia, the French energy services group, to modernize the heating systems of Tashkent, and the establishment and maintenance of hemodialysis service centres in the capital, the Republic of Karakalpakstan, and Khorezm region, in partnership with India's NephroPlus.

What's impressive is that the PPPDA is only just getting going. The agency's pipeline of 154 PPP projects between 2022 and 2026 is valued at just under $14bn, and covers the energy, transport, healthcare, education, ecology, utilities, irrigation and water resources management sectors.

The single largest of those projects is the $2.83bn Tashkent to Andijan toll road PPP project.

While no one project is more important than any other, Uzbekistan's transport infrastructure is not only critical to the double land-locked country as it transforms, but also to the wider region given it is at the crossroads of central Asia. ●

Nukus Hemodiaysis centre

PPPs propel Uzbekistan's infrastructure transformation

The country's embrace of public-private partnerships to transform the nation's infrastructure is drawing interest from international investors, who are taking confidence from the government's approach to the programme and the compelling size of the investment opportunity

After decades of under investment, Uzbekistan's infrastructure has in recent years been receiving the government attention and capital it needs to undergo the type of modernization that can support the socio-economic transformation of the central Asian country.

This mission, supported by the comprehensive reform process launched under the direction of President Mirziyoyev in 2017, has at its core the ambition of enhancing the prosperity, wellbeing and opportunities of Uzbekistan citizens.

To achieve that, investment in the nation's infrastructure – from agriculture, education, energy, and healthcare, to transport and utilities – is critical, and important in enabling that is an ambitious and comprehensive programme of public-private partnerships.

Launched in late 2018, Uzbekistan's PPP programme forms a key component of the government's overall delivery strategy over the next five years, providing an alternative mechanism for attracting much needed financing, and private sector expertise, to the country.

So far, the progress Uzbekistan has made on this programme is both promising and impressive.

Fundamentally important to this has been the implementation of the country's PPP law – first passed in 2019 before being amended in 2021 – the founding of the PPP Development Agency, and the requirement of ministries and line agencies to promote PPPs for key infrastructure projects.

To date, the PPPDA has, together with various ministries and agencies, implemented over 300 PPPs worth over $10bn since 2019. It also boasts a near $14bn pipeline of PPP projects to be implemented during 2022-2026, the largest of which include the $3.8bn modernization programme of the country's international airports, and the Tashkent to Andijan toll road, valued at an estimated $2.8bn.

Of the many recent project successes, one standout is the 100MW Koraozak wind farm project, located in the Republic of Karakalpakstan, a region in northwest of Uzbekistan.

Last December, ACWA Power, a Saudi developer, investor and operator of power generation, desalinated water and green hydrogen plants worldwide, beat 11 other international bidders for the construction and operation of the farm after proposing a tariff of US 2.5695 cents per kilowatt hour.

The successful tender, which was supported by European Bank for Reconstruction and Development, is a landmark achievement; it's the first competitively procured wind power project in Uzbekistan, and the first renewable energy project to be procured under the country's recently amended PPP law. "Uzbekistan is an excellent example of a country that is proving itself to be committed to PPPs," says Matthew Jordan-Tank, director, sustainable infrastructure policy and project preparation at the EBRD. "They are doing the work needed – setting up an enabling environment, investing in people, and following through on tenders all the way to commercial and financial close."

> **"They are doing the work needed – setting up an enabling environment, investing in people, and following through on tenders all the way to commercial and financial close"**
>
> Matthew Jordan-Tank, director, sustainable infrastructure policy and project preparation at the EBRD

TIME TO INVEST

The progress Uzbekistan is making on its

> “Considering where the economy is at the moment, if you look at future projections, the time to invest in Uzbekistan is right now”

Odilbek Isakov, Deputy Finance Minister, Ministry of Finance, Republic of Uzbekistan

PPP programme is due to several important factors, not least the involvement of prominent international financial institutions (IFIs) from the Asian Development, International Finance Corporation and World Bank, to the EBRD.

All four have been engaged with the country on its programme at an early stage, and while this is not rare, the level of their engagement and proactivity is quite distinctive, says Syed Uddin, a senior consulatant for the ADB who is acting as PPP policy advisor to the Uzbek Ministry of Finance and PPPDA.

“Beyond the geographic reasons for their involvement, I think all the IFIs see the huge potential of the country, and specifically how the PPP programme is embedded at the core of the government’s development strategy. This is compelling to them and increasingly to international investors,” he says.

Some of the key qualities underpinning Uzbekistan’s potential include the size of its population – it is the most populous country in the region – its substantial land mass and enviable quantities of natural resources, from gold, copper deposits and uranium, to natural gas and oil, says Odilbek Isakov, Deputy Finance Minister, Ministry of Finance, Republic of Uzbekistan.

“Considering where the economy is at the moment, if you look at future projections, the time to invest in Uzbekistan is right now,” he says. “This is undoubtedly one of the drivers of interest. And as investors see the successful, transparent implementation of these PPP projects, more and more companies are becoming interested to invest. We’re seeing this with every new tender.”

IFIs do play an important role in helping to attract international investors, but there is a huge amount of engagement by them with governments before that materializes. In Uzbekistan, this has included policy and legal support for the regulatory framework, transaction advisory, financing, and providing the training to ministries to sustain the government’s PPP programme over the long term.

All of the roles IFIs perform are important, but their work with the Uzbek government and PPPDA on amending the PPP law in 2021 has been crucial to help ensure the overall success of the programme.

Enrico Pinali, principal in charge of the ADB’s work in Uzbekistan across finance, the private sector, and PPP, says the new law is based on international market standards for a fast-growing economy and focuses on facilitating foreign investment, including through a streamlined and transparent tender process, balanced foreign exchange risk protection, and international arbitration.

He adds that this “is providing momentum for forays into new sectors, the creation of contract templates, and building PPP capacity to deliver more projects in years to come.”

A DIVERSITY OF SECTORS

Up until the end 2021, projects in the energy and utilities sectors (27 projects worth a combined $9.9bn) commanded the highest valuations, but there has still been plenty of PPP activity in other sectors, including ecology (62 projects worth $103m), transport (1 project worth $83m) healthcare (32 projects worth $44m), and education (49 projects worth $39m), among others.

Initially there was a focus on energy sector PPPs, and for good reason, says Khasan Khasanov, head of the energy and transport division at the PPPDA. “Uzbekistan’s current electricity generation capacity is quite old and inefficient, which can cause blackouts. This combined with the country’s ambitious growth targets,

President Mirziyoyev at the Navoi solar plant means there has been a tremendous need for immediate and long term investment in power generation capacity."

The PPPDA has closed some large-scale gas-fired power plant projects, which are an important contributor to the country's energy mix. There is, however, great expectation, and ambition, for renewables, and solar and wind in particular, to power a big part of Uzbekistan's economy.

In fact, come 2030, Uzbekistan aims for renewable energy to account for over a quarter of the country's power generation capacity, supported by the new targets of 7GW in solar and 5GW in wind energy.

These are ambitious, but the country is making good progress, evidenced by the success of two photovoltaic solar plant tenders in the Jizzakh and Samarkand regions, which will add over 400MW of clean and renewable energy to the country's energy mix, and the 100MW Koraozak wind farm project.

IFC was transaction advisor on the solar plant PPPs, which have been tendered out with record low tariffs, according to Muneer Ferozie, IFC's regional manager and head for transaction advisory services, PPP, for the Middle East, Central Asia, Turkey, Afghanistan and Pakistan region.

The tenders form part of a bigger 2GW solar and 500MW wind programme the IFC is transaction advisor to the government on. It is also advising on PPPs in social sectors such as healthcare and education.

While the energy sector remains a big focus in the PPPDA's 2022-2026 pipeline, other important sectors include transport, healthcare, education, ecology, utilities, irrigation and water resource management.

"Uzbekistan is a socially-minded country. The building of schools and hospitals is so important for its citizens now and in the future," says Khasanov.

He adds that transport projects will also feature prominently, benefiting the country and the broader region. "Uzbekistan is at the crossroads of central Asia. The transportation sector is therefore not only critical to connect the country to the outside world and facilitate the movement of people and trade within its borders, but also facilitating trade in the region and between east and west."

A BRIGHT FUTURE

Uzbekistan is competing with other countries for foreign investors' interest and capital, but it is distinguishing itself and attracting investment flows as a result.

In the main that is down to what the government has done and is doing under its reform programme, including creating a comprehensive series of bankable, world-class PPP projects that can be delivered under a robust, transparent, and internationally recognised framework.

Such developments do not, however, happen overnight. Governments need to have the long term vision, drive, commitment and enthusiasm to bring about change, and know precisely where and how a PPP programme can help achieve that.

The Uzbekistan government is showing many of these characteristics, which is making it stand out from other countries, says ADB's Pinali. He adds that the government's reformist mindset and pragmatism in pursuing needed reforms in certain sectors before introducing PPPs is also commendable.

Overall, Uzbekistan is now building a successful track record in PPPs, helped by choosing to "partner closely with multilateral development banks (including ADB) from the beginning to get their advice on developing a sustainable PPP programme, including bankable projects," says Pinali. ●

"Uzbekistan is at the crossroads of central Asia. The transportation sector is therefore not only critical to connect the country to the outside world and facilitate the movement of people and trade within its borders, but also facilitating trade in the region and between east and west"

Khasan Khasanov, head of the energy and transport division

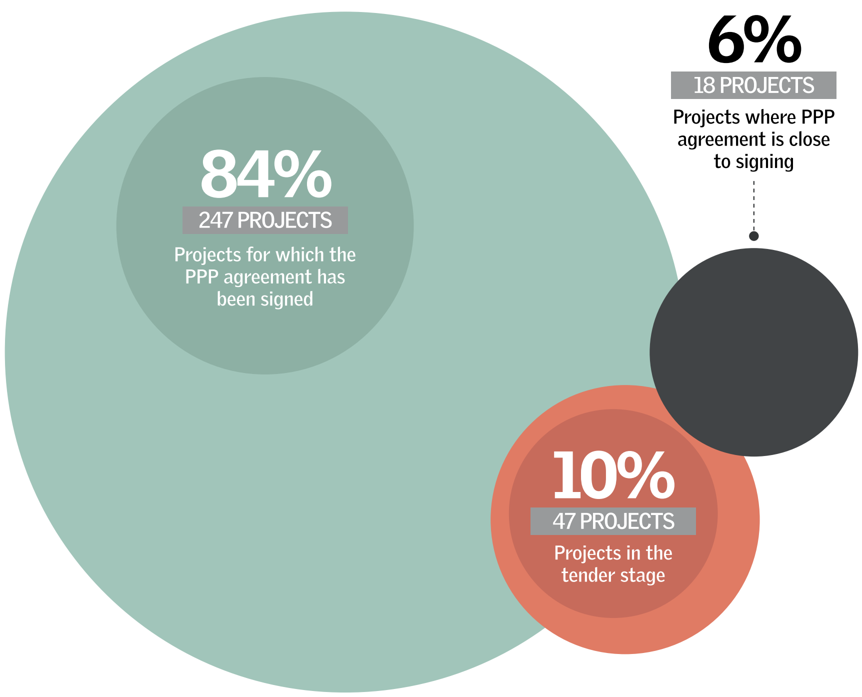
Modernising the country's international airports.

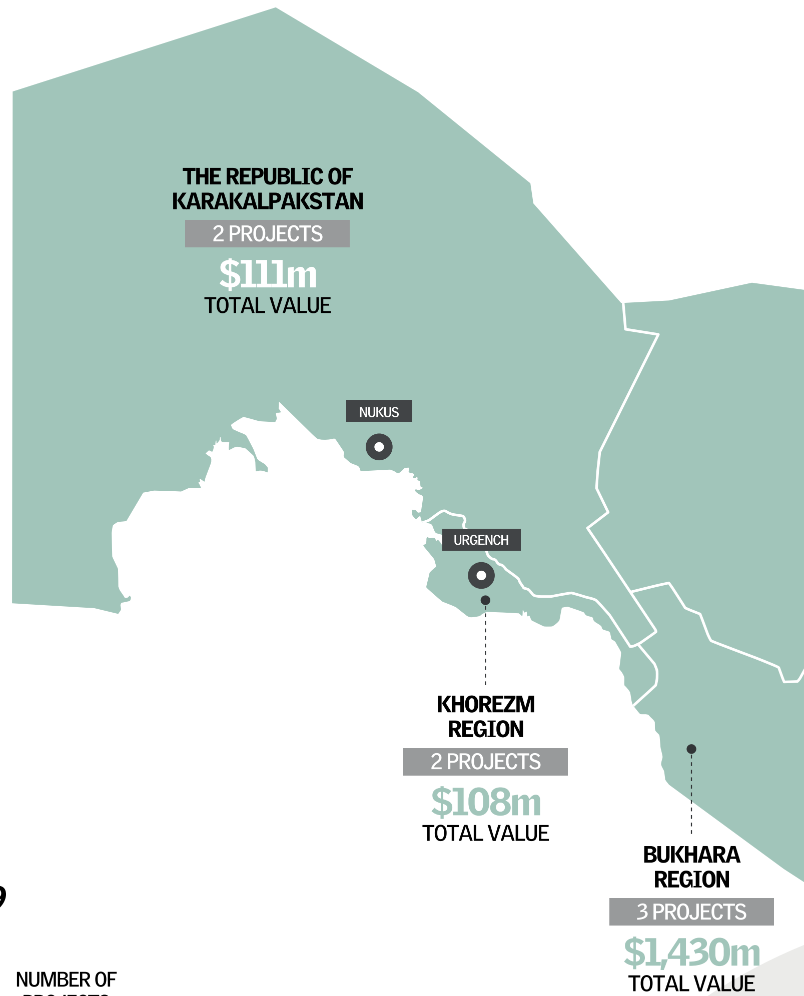
Ministry of Finance of the Republic of Uzbekistan

As of April 2022, the PPPDA, in cooperation with ministries and agencies, has implemented 312 projects since it was established in 2019, which is worth more than...

$10bn

Completion Status of PPP Projects





Value and Number of PPP Projects Implemented Since 2019

SECTOR	VALUE OF PROJECTS BY SECTOR	NUMBER OF PROJECTS	SECTOR	VALUE OF PROJECTS BY SECTOR	NUMBER OF PROJECTS
ENERGY	$8,180m	24	UTILITIES	$1,670m	3
TRANSPORT	$83m	1	HEALTHCARE	$44m	32
IRRIGATION	$28m	105	ECOLOGY	$103m	62
EDUCATION	$39m	49	SPORTS & CULTURE	$8m	20
INFO TECH	$20m	1	AGRICULTURE	$5m	14

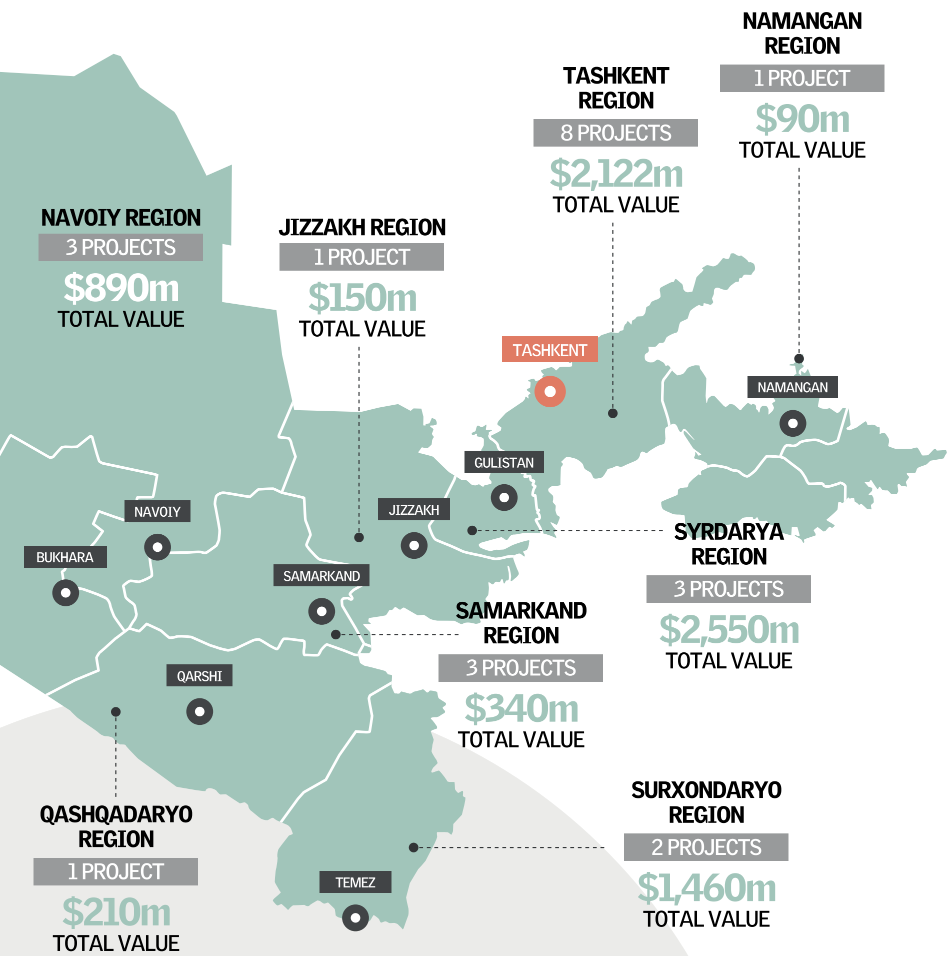
2022	2023
$800m	$740m

The PPPDA, together with ministries and agencies, has identified projects to be established on a PPP basis during 2022-2026 with a portfolio value of about...

$14bn

PPPDA
PPP Development Agency

Large PPP Projects Awarded by Regions



Estimated Value ($m) of PPP Programme (2020-26)

2024	2025	2026
$4,450m	$2,860m	$5,140m

$13,990m

TOTAL

PPP Projects Forecast (2022-2026)

2022

- $213m — 250 Mwt solar plant in Bukhara region
- $61m — 100 Mwt solar plant in Khorezm region
- $92m — 150 Mwt solar plant in Namangan region
- $90m — Namangan wastewater treatment plant
- $38m — Solid waste management in 32 regions
- $300m — Guzar 300 Mwt solar

2023

- $150m — 100 dormitories
- $200m — 200 Mwt Wind in Karakalpakstan
- $80m — Tashkent schools
- $234m — Tashkent wastewater treatment plant
- $50m — 15 schools (IFC)
- $75m — Radiotherapy centres in regions

2024

- $100m — 100 Mwt solar in Fergana region
- $85m — Multiprofile hospitals in Fergana region
- $50m — Medical centers in Andijan and Bukhara regions
- $300m — Tashkent city and region solid waste management
- $2.830m — Tashkent-Andijan toll road
- $250m — Construction of 65 schools
- $780m — Establishment of 4 thermal cogeneration stations
- $50m — Pre-schools

2025

- $100m — Gas distribution in Tashkent
- $700m — 700 Mwt Wind Farm (ERBD)
- $450m — Modernisation of heat supply system in Jizzakh and Bukhara
- $40m — 31 Irrigation projects in regions
- $1,370m — Tashkent-Samarkand toll road
- $100m — 58 social projects
- $100m — Modernization of Bukara and Urgench international airports

2026

- $88m — Gas distribution in Jizzakh region
- $484m — Establishment of Takhtakoracha tunnel
- $100m — Electricity distribution in Tashkent
- $150m — 150 Mwt solar in Jizzakh regions
- $3.814m — Modernization of international airports
- $500m — 500 Mwt Wind farm

Large scale projects supported by our partners:

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SPONSORED REPORT

POWERING THE COUNTRY'S RENEWABLE ENERGY AMBITIONS

Uzbekistan's first competitively procured wind power project forms an important piece in the government's efforts to significantly increase the share of renewable energy in the country's power-generation mix.

"One of the core objectives in preparing the 100MW wind project was adopting a robust, standardised approach to its design so that it could be easily replicated in future larger-scale projects, which can hopefully be delivered faster as a result"

Akshay Sathya Kumar, principal, PPP specialist, at the EBRD

The Uzbekistan government does not lack ambition. After initially targeting the installation of 5GW of solar and 3GW of wind power generation by 2030, the Ministry of Energy decided last year to raise its sights even higher in an effort to achieve its similarly ambitious renewable energy targets.

Come 2030, Uzbekistan aims for renewable energy to account for more than a quarter of the country's power generation capacity, supported by the new targets of 7GW in solar and 5GW in wind energy.

A huge amount of development and investment is needed before that can be realised, but the government has been making some significant strides in renewables in recent years, fuelling its ambition.

One of several important success stories is the 100MW Koraozak wind farm project, located in the Republic of Karakalpakstan, a region in northwest of Uzbekistan.

Last December, ACWA Power, a Saudi developer, investor and operator of power generation, desalinated water and green hydrogen plants worldwide, beat 11 other international bidders for the construction and operation of the farm after proposing a tariff of US 2.5695 cents per kilowatt hour.

The successful tender, which the European Bank for Reconstruction and Development provided technical assistance to, represents a landmark achievement as it is the first competitively procured wind power project in Uzbekistan, and the first renewable energy project to be procured under the country's recently amended PPP law.

Akshay Sathya Kumar, principal, PPP specialist, at the EBRD, who has been involved in each stage of the project, says its success has laid the groundwork for other, larger wind projects – one twice the wattage of 100MW Koraozak wind power plant – to come through. And that was precisely the plan.

"One of the core objectives in preparing the 100MW wind project was adopting a robust, standardised approach to its design so that it could be easily replicated in future larger-scale projects, which can hopefully be delivered faster as a result," says Kumar.

The Koraozak project has not yet reached its financial close, but it is expected to soon, marking the completion of a multi-stage engagement process for the EBRD, which has been providing assistance to the Ministry of Energy, Ministry of Finance and the Ministry of Investment and Foreign Trade for the preparation and procurement of the project. As part of this, the Japanese government provided donor funds to support the EBRD.

For any government, the first stage in pursuing a similar wind power project is screening and identifying the potential sites for the plant, and conceptualizing the project itself, says Kumar.

"Once we have identified the site, we then set up wind masts and conduct bird and bat surveys. These are quite long, conducted over a period of at least 12 consecutive months, but they are important. This analysis feeds into the project's feasibility studies and eventually the structuring of the project."

For Kumar, the importance assigned to the bird and bat surveys by the Uzbek government was commendable, reflecting the focus and attention it is placing on environmental and social concerns. "It's very important to address these issues and focus on them upfront. If they are addressed comprehensively, this will help in mobilising financing and implementing a project that is commercially, environmentally and socially sustainable, while maximising the value realised by the government; both from the project itself, and from future projects," he says.

Uzbekistan's focus on environmental and social issues in this project can be extended to all other projects, underlining its commitment to nation-building in a sustainable and responsible way.

It's an approach that other countries in the region and beyond can learn from. And some countries are watching Uzbekistan's renewables programme with interest.

Indeed, Veronika Krakovich, director and head of energy, Eurasia, at the EBRD, says that the tariff achieved on the Koraozak wind plant tender was not only competitively priced, "it serves as a regional benchmark for future auctions on what, in principle, can be achieved."

She adds: "Tajikistan and Kyrgyzstan have seen the successes of the Uzbek renewables programme and are now looking at developing something similar in this area, supported by the private sector." ●

IFIs CAN PLAY AN IMPORTANT ROLE IN NATION-BUILDING

International financial institutions including the Asian Development Bank, European Bank for Reconstruction and Development, International Finance Corporation and World Bank, are critical partners in enabling socio-economic advancement in developing economies.

At an early stage, the Uzbekistan government recognised that bringing in the support of international financial institutions (IFIs) was an important step in being able to successfully develop and execute its public-private partnership programme as part of its ambitious transformation plan.

Since before and after 2019, the year the country's PPP law was first adopted, the Asian Development Bank, European Bank for Reconstruction and Development, International Finance Corporation and World Bank, have been advising the government on the policy and capacity building side as well as providing transaction advice and financing on a range of major projects in the country across sectors.

Together they have been instrumental in helping Uzbekistan's Public-Private Partnership Development Agency (PPPDA) to implement 312 projects worth more than $10bn since 2019, with an emphasis on those large-scale assets in the energy, transport, healthcare and education sectors.

The three IFIs will play an equally important role in helping Uzbekistan implement 154 projects, worth about $14bn, over the next five years.

For Syed Uddin, PPP policy advisor, Uzbekistan Ministry of Finance and PPPDA, the importance of IFIs is that "they help bring sustainability to the PPP programme, support its integration with key areas of government, apply and contextualise the latest innovations and best practices, and help attract international investors and financing."

Zokir Bozorov, acting director of the PPPDA. adds: "The PPPDA has had comprehensive and highly-valuable support from all of the IFIs, from policy and legal support for the regulatory framework, to transaction advisory, financing, and in providing the training to ministries to sustain these programmes over the long term."

Indeed, this educational side of the IFI's work is crucial in capacity building, essentially enabling governments to continue growing, developing and executing their PPP project pipeline, supported by teams of PPP experts across ministries, agencies and regulatory bodies.

Importantly, all of this support is ultimately designed to help any country, not just Uzbekistan, "create bankable, world-class PPP projects that can attract experienced, international investors on a wholly transparent and compliant basis," says Erk Ozbelge, PPP commercial advisor to Uzbek MoF and PPPDA.

Uzbekistan is achieving this, with early-stage support from the IFIs important in that, a lesson for other countries considering engaging in a PPP programme.

"It's critical to have the right advice from day one. If it goes wrong the first time then this will set the programme back quite significantly for the future," says Muneer Ferozie, regional manager and head for transaction advisory services, PPP, for the Middle East, Central Asia, Turkey, Afghanistan and Pakistan region at the IFC, which is the transaction advisor to the government on a photovoltaic solar programme of over 2GW, a wind power programme of 500MW, and a programme of PPPs in social sectors including healthcare and schools.

Ferozie adds that having the right advisory team that can put together a bankable package, especially for the larger projects, is important because of how discerning international investors and financiers are about where they allocate capital. "If they see a stable political set up, a well-advised government with a good bankable set of documents, a well populated data room, a commitment to transparency – no hint of cronyism – and a tender that works through international best practice, then they're going to show interest," he says.

International investors are already showing such interest in Uzbekistan's PPP projects, especially the large-scale projects in the energy sector, where there have been multiple bidders on tenders.

Yet, such interest is earned by governments who demonstrate their commitment, and by taking take the right approach to conceiving a programme in the first place.

"Engaging in PPP first of all takes political will and understanding, and the government has shown it," says Enrico Pinali, principal in charge of the ADB's work in Uzbekistan across finance, the private sector, and PPP. He highlights the importance for governments to continue employing PPPs to seek better value than through traditional public procurement. "By pursuing value for money, they can reach the optimal combination of benefits and costs in delivering services the public needs" he says.

Takeo Koike, director of ADB's Office of Public-Private Partnership, says the government of Uzbekistan has, from the very top, clearly demonstrated how it sees PPP forming a core pillar of the country's 2022-2026 development strategy. Supporting that is a commitment and energy to pursuing a PPP programme, which stems from a clear and dedicated reform mindset.

"They're not afraid of thinking differently or bringing in new features to the system," says Koike.

ADB is particularly active in Uzbekistan and has closed transaction advisory mandates in renewable energy, water and wastewater, and district heating. It is now advising on new PPP projects in healthcare, solid waste, education, wastewater, and renewable energy

For its part, the EBRD has been just as proactive in its PPP engagement with Uzbekistan across sectors, including energy – it provided technical assistance to the 100MW Koraozak wind farm project – education and transport. For instance, the EBRD is running the feasibility study on the Tashkent-Samarkand toll road PPP, a project valued at $1.37bn.

This is one of the largest projects in Uzbekistan's PPP near $14bn pipeline, which in entirety is ambitious and a huge opportunity for international investors.

Indeed, it is the size and scope of the PPP opportunity in the country that distinguishes it, together with deep level of "political commitment," says Marcos Martínez, head of the PPP advisory unit at the EBRD. "We have advised on projects in other countries where the commitment has been similarly strong, but what really stands out in Uzbekistan is the commitment from the very top to bring in the private sector, and the capacity at management level to understand and solve complex issues."●

"The PPPDA has had comprehensive and highly-valuable support from all of the IFIs, from policy and legal support for the regulatory framework, to transaction advisory, financing, and in providing the training to ministries to sustain these programmes over the long term"

Zokir Bozorov, acting director of the PPPDA.