



Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 14-Oct-2025 | Report No: PIDDC01397

**BASIC INFORMATION****A. Basic Project Data**

Project Beneficiary(ies) Uzbekistan	Operation ID P509487	Operation Name Connectivity and Transport Sector Improvement Project	
Region EUROPE AND CENTRAL ASIA	Estimated Appraisal Date 12-Jan-2026	Estimated Approval Date 25-Nov-2025	Practice Area (Lead) Transport
Financing Instrument Investment Project Financing (IPF)	Borrower(s) Ministry of Economy and Finance	Implementing Agency Avtoyulinvest Agency, Committee for Roads, Ministry of Transport, Uzbekiston Temir Yullari	

Proposed Development Objective(s)

To improve road connectivity, safety and climate resilience in Surhandarya region and to strengthen transport sector institutions in Uzbekistan.

PROJECT FINANCING DATA (US\$, Millions)**Maximizing Finance for Development**

Is this an MFD-Enabling Project (MFD-EP)?	Yes
Is this project Private Capital Enabling (PCE)?	Yes

SUMMARY

Total Operation Cost	200.00
Total Financing	200.00
of which IBRD/IDA	200.00
Financing Gap	0.00

DETAILS**World Bank Group Financing**

International Bank for Reconstruction and Development (IBRD)	200.00
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Environmental and Social Risk Classification

Substantial

Concept Review Decision

The review did authorize the preparation to continue

Other Decision (as needed)

B. Introduction and Context

Country Context

1. Uzbekistan, with a population of 37.8 million as of July 2025, is the most populous and fastest-growing country in Central Asia. Its double-landlocked geography is offset by a strategic location bordering all Central Asian states and Afghanistan, and proximity to major global economies such as China and India. This positioning offers significant potential for Uzbekistan to diversify beyond natural resources and become a regional hub for trade, economic growth, and clean energy. Over the past decade, Uzbekistan has maintained robust economic growth, averaging 5.8 percent annually, supported by a series of market-oriented reforms since 2017 that have improved the business environment and increased private sector participation. In 2024, GDP per capita reached US\$3,170, and the country remains classified as lower middle-income. Despite global headwinds, including regional instability and higher food prices, Uzbekistan has sustained macroeconomic stability and set ambitious goals to halve poverty by 2026 and achieve upper-middle-income status by 2030.

2. **The government's reform agenda has focused on liberalizing trade, exchange rates, and domestic prices, reducing resource misallocations, and expanding social safety nets.** These efforts have contributed to a sharp decline in poverty and inequality, with the national poverty rate falling from 17.3 percent in 2022 to 10.9 percent in 2024, driven by rising household incomes, remittances, and targeted social programs. Structural reforms have also supported the development of micro and small businesses, which now account for a significant share of employment. However, challenges remain, including the need for faster job creation to match a rapidly growing working-age population, and further efforts to reduce the dominance of state-owned enterprises in key sectors.

3. **Uzbekistan's economic structure is gradually shifting from reliance on primary commodities to higher value-added goods and services.** The share of raw materials in exports has declined, while exports of processed goods, textiles, and ICT services have increased. Imports are increasingly composed of machinery and equipment, reflecting ongoing industrialization. Despite this progress, Uzbekistan's double-landlocked status continues to pose significant logistical and transport challenges, raising costs and limiting access to major markets. The government is addressing these constraints through ongoing reforms in the transport and logistics sectors, aiming to improve efficiency and regional integration.

4. **Looking ahead, Uzbekistan's Development Strategy 2030 prioritizes continued economic liberalization, trade integration—including WTO accession—energy sector modernization, and human capital development, particularly for youth and women.** These reforms are critical for sustaining growth, spreading its benefits more widely, and achieving the country's long-term development objectives.

Sectoral and Institutional Context

5. **Uzbekistan's transport connectivity remains a significant challenge, limiting the country's access to global markets.** Improving transport and logistics is seen as a key driver for job creation and economic growth across various sectors. To address these issues, Uzbekistan has intensified cooperation within Central Asia, upgraded border posts, eased visa requirements, and revitalized transport links, such as the reopening of the rail connection to Tajikistan. The number of border crossings has increased to 37 (from



19 in 2023), alongside 14 bilateral crossings, reflecting the country's commitment to regional integration and diversification of trade routes, including the exploration of maritime options.

6. **The railway sector is also undergoing transformation, as it faces increasing competition from road transport** and civil aviation, especially for time-sensitive goods. Although railways have historically dominated international and regional trade, reforms are underway to enhance the sector's productivity and competitiveness. GoU's objective is to transform Uzbekistan Railways (UTY) into a financially sustainable, profit-oriented company capable of competing without protectionist measures or subsidies.

7. **The World Bank has played a pivotal role in supporting Uzbekistan's transport sector reforms through a combination of investment project financing, development policy operations, and technical assistance.** In the road sector, the Bank has financed the rehabilitation of regional roads in the densely populated regions of Tashkent, Ferghana, Namangan, and Andijan, and has provided institutional strengthening support to the Committee for Automobile Roads (CAR) under the Regional Roads Development Project (RRDP, P146334). The Bank is also supporting the preparation of the Tashkent-Andijan Toll Road Project (P181937), which represents Uzbekistan's first PPP in the road sector. In the railway sector, the Bank has supported key reforms, including the issuance of a Presidential Decree on Railway Sector Reform and amendments to the Railway Law. The Bank has also financed the Pap-Angren Railway Project (PARP, P146328), improving connectivity between the national railway network and the Ferghana Valley. While railway reforms are still at an early stage, ongoing and past World Bank support has informed the strategic direction for the sector's transformation, as set out in recent Presidential Resolutions.

8. **Overall, Uzbekistan's transport sector is undergoing significant changes to improve efficiency, competitiveness, and connectivity, both domestically and internationally.** The government is transforming the sector through a range of activities that include reforms in the organization of transport state-owned enterprises, introduction of governance international best practices, private sector participation, among others. Ambitious reforms aim at rectifying institutional fragmentation, foster competition, and improve cost recovery mechanisms. The absence of long-term planning in the transport sector necessitates development of the sector strategy and masterplan that focuses on transitioning from fragmented to integrated multimodal planning, enhancing governance through the Ministry of Transport, and fostering market-based development. It aims to improve infrastructure connectivity, support economic growth, and ensure sustainable development by addressing environmental considerations and strategic infrastructure planning.

9. **This project will promote moving away from ad-hoc investments by developing a comprehensive transport sector master plan.** As identified by a recently completed Infrastructure Sector Assessment Program (InfraSAP) for the road and rail sectors, Uzbekistan's investments have been done without a broader-picture assessment that a transport sector master plan could provide. This project addresses this flaw by financing a transport sector master plan, which will sequence investments in a logical and most effective manner, increasing value for money and improving the use of available resources. The project also addresses other suggestions, by using a PPP innovative delivery model for the Tashkent-Andijan Road network, allowing the GoU to open the road sector to increased investment, increase accountability and quality of work performed. Finally, this project will introduce performance-based maintenance contracts, another recommendation of the Assessment.

10. **Given this context, the proposed project is designed to provide the flexibility needed for the Bank to continue supporting GoU** in a coordinated manner, building on the foundation of ongoing and previous engagements across the transport sector.

Relationship to CPF

11. **The Connectivity and Transport Sector Improvement Project, structured as a Series of Projects (SOP), is closely aligned with the World Bank Group's Country Partnership Framework (CPF) for Uzbekistan for FY22-26.** The project directly supports the CPF's high-level outcomes by fostering private sector employment and promoting greener, more resilient growth. It advances ongoing transport sector reforms, reflecting Uzbekistan's shift from a state-dominated economy to one that enables private sector development and social inclusion, in line with CPF objectives to improve infrastructure for competitiveness and connectivity through targeted investments and policy support.

12. **The project's design is informed by the recommendations of the Uzbekistan Country Climate and Development Report (CCDR),** emphasizing the need to decarbonize transport through vehicle electrification and integrated strategies for both freight and



passenger movement. Key measures include supporting Uzbekistan Railways' competitiveness and installing electric vehicle charging and multimodal freight transfer facilities, which together contribute to long-term decarbonization and energy security.

13. **Paris Alignment.** In terms of climate commitments, the project is consistent with Uzbekistan's Nationally Determined Contribution (NDC), which targets a 35 percent reduction in greenhouse gas emissions per unit of GDP by 2030 and carbon neutrality by 2060. It also aligns with the national Strategy on the Transition to a Green Economy (2019–2030), supporting the development of green transport, urban planning, and the adoption of electric vehicles.

14. **Finally, the project incorporates measures to reduce congestion and promote a shift to lower-emission transport modes, thereby improving air quality and reducing greenhouse gas emissions.** Climate and disaster risk assessments have guided the inclusion of resilience-enhancing features, and the installation of electric vehicle charging stations along the M-41 regional road corridor ensures readiness for future low-carbon technologies. The World Bank's Paris Alignment assessment methods will ensure that all investments and reforms under the program remain consistent with Uzbekistan's climate and development goals.

C. Proposed Development Objective(s)

15. To improve road connectivity, safety and climate resilience in Surhandarya region and to strengthen transport sector institutions in Uzbekistan.

Key Results (From PCN)

- Roads rehabilitated
- Increase in intermodal containers
- Number of beneficiaries at the passenger level, disaggregated by gender
- Proper corporate structure for railways
- Long-term commercial financing mobilized (US\$ equivalent).

D. Concept Description

16. **The Project aims to enhance existing road infrastructure and create conditions for further transport sector reforms.** The deteriorated southeast road infrastructure hampers regional economic growth. The Project will also focus on improving SOE practices, regulator effectiveness, and the overall environment for future private capital mobilization and commercialization.

17. **The total project cost of US\$260 million would be financed by IBRD's US\$200 million loan and the GoU's contribution of US\$60 million.** The government contribution covers the development of the project feasibility study, detailed design, and taxation costs. The IBRD loan will finance the following activities:

Component 1: Roads (US\$ 182 million)

18. **Subcomponent 1.1. M-41 Regional Road Corridor Reconstruction and Supervision.** It finances the reconstruction of 93 km of the Bishkek-Dushanbe-Termez corridor (M-41) road into a four-lane, climate-resilient highway, including enhanced drainage, pavement, and embankment protection. Also encourages the construction of parking facilities with charging stations and other amenities. The subcomponent includes consultancy services for supervision and monitoring.

19. **Subcomponent 1.2. Environmental and Social Compensation.** It covers compensation for environmental and social impacts resulting from the M-41 road works, including affected trees, irrigated land, and households. Environmental and social compensations will adhere to World Bank procedures.

20. **Subcomponent 1.3: Road Sector Commercialization Reform:** This supports Government of Uzbekistan reforms to introduce commercial practices and increase private sector participation in road design, construction, and maintenance. Activities include developing a commercialization roadmap, amending legislation to clarify asset management roles, modernizing contracting policies,



reviewing maintenance contracting options, and implementing long-term performance-based maintenance contracting in line with Presidential Resolution 330.

21. **Subcomponent 1.4: Private Capital Mobilization in Transport.** It supports preparatory activities for the country's first road sector PPP—the Tashkent-Andijan Tolling Road (TAR). Activities include geotechnical investigations, pre-investment studies for green alignment, transaction advisory services, environmental and social assessment, and establishment of a dedicated delivery unit for the PPP project, ensuring alignment with international standards.

Component 2: Development of the National Transport Strategy, Masterplan and Model. Technical assistance to establish a National Planning Process (US\$ 5 million)

22. **Subcomponent 2.1. Establishing a National Multimodal Transport Strategy and Planning Process.** This subcomponent provides technical assistance to the Ministry of Transport and public enterprises to develop a national transport strategy and planning process, strengthening government capacity for service optimization, infrastructure planning, and targeted subsidies. Key activities include support for the National Transport Strategy and Masterplan, development of a national transport model, planning process, and integrated pricing and service policy. The initiative aims to enhance logistics, resilience to disruptions and climate events, and facilitate adoption of lower-carbon, economically viable solutions.

Component 3: Transformation of UTY and the Railway Sector (US\$ 10 million)

23. **Subcomponent 3.1. Organizational Restructuring of UTY:** This subcomponent supports the transformation of Uzbekistan Railways (UTY) through technical assistance to: (i) strengthen sector governance, including institutional capacity for reform, implementation of OECD SOE management standards, and enhancement of the regulatory framework; and (ii) reorganize UTY's corporate structure by separating infrastructure management, freight, and passenger services into distinct business units. Each unit will have dedicated staff, assets, and financial statements, with an enhanced cost allocation system to ensure financial separation. The restructuring aims to improve efficiency, accessibility, and affordability of rail services, promote a shift from higher-emission transport modes, and enhance competitiveness through operational streamlining and adoption of modern technologies.

24. **Subcomponent 3.2. Strengthening Financial and Accounting Systems:** This subcomponent focuses on financial restructuring, including modernization of UTY's costing and tariff-setting systems, alignment of capital structure and financial management with the new organizational model, and preparatory work for accessing commercial financing.

25. **Subcomponent 3.3. Instruments to Facilitate Restructuring:** This activity provides technical assistance to strengthen contractual arrangements for infrastructure and operations funding—specifically through Public Service Obligation (PSO) and Multi-Annual Infrastructure Contracts (MAIC) — and to advance digitalization. The project will support phased implementation of an ERP system, prioritizing finance, accounting, HR, asset management, and analytics modules, to improve operational oversight, efficiency, and resource management.

Component 4: Project Management and Capacity Building (US\$ 3 million).

26. This component will support the financing of the Project Implementation Unit (PIU) and core team consultants, as well as capacity building initiatives for transport sector agencies. Activities to be financed under this component include training programs, study tours, and support for educational programs targeting transport sector institutions, among other related capacity development measures.

Component 5: Contingent Emergency Response Component (US\$ 0)

27. **Following an eligible crisis or emergency, the Borrower may request the Bank to reallocate project funds to support emergency response and reconstruction.** This component would draw from the uncommitted resources from other Project components to cover an emergency response. A Project Implementation Manual (PIM) acceptable to the Bank will be prepared for this Component.



Legal Operational Policies

Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Area OP 7.60	No

Summary of Screening of Environmental and Social Risks and Impacts

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28. **Environmental and Social risks.** The overall risk rating for the project is assessed as “Substantial,” with both environmental and social risks individually rated as substantial.

29. **Given that the corridor of activity includes investments for rehabilitation and expansion of M-41 road, a draft Environmental and Social Impact Assessment (ESIA) were prepared, consulted, and will be finalized and adopted by Project’s Negotiations.** Other ESF instruments that were prepared by the Borrower include SEP, RPF and LMP. For permanent land acquisition related impacts, Resettlement Action Plan (RAP) will be prepared which will include the details of impact on land, structure and livelihood, entitlements of the project affected people, provide an estimate the R&R budget. Further, the project will ensure implementation of necessary measures to address any SEA/SH risk, will have a separate grievance redress mechanism for managing SEA/SH related complaints to ensure privacy and confidentiality required in such cases and a referral pathway for the management of SEA/SH incidents in cooperation with local service providers. An Environmental and Social Commitment Plan (ESCP), drawn and agreed upon with the Borrower, set out the substantive measures and actions that will be required for the project to meet E&S requirements over the project’s lifetime. These measures shall be implemented within a specified timeframe and the status of implementation will be reviewed as part of project monitoring and reporting.

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