

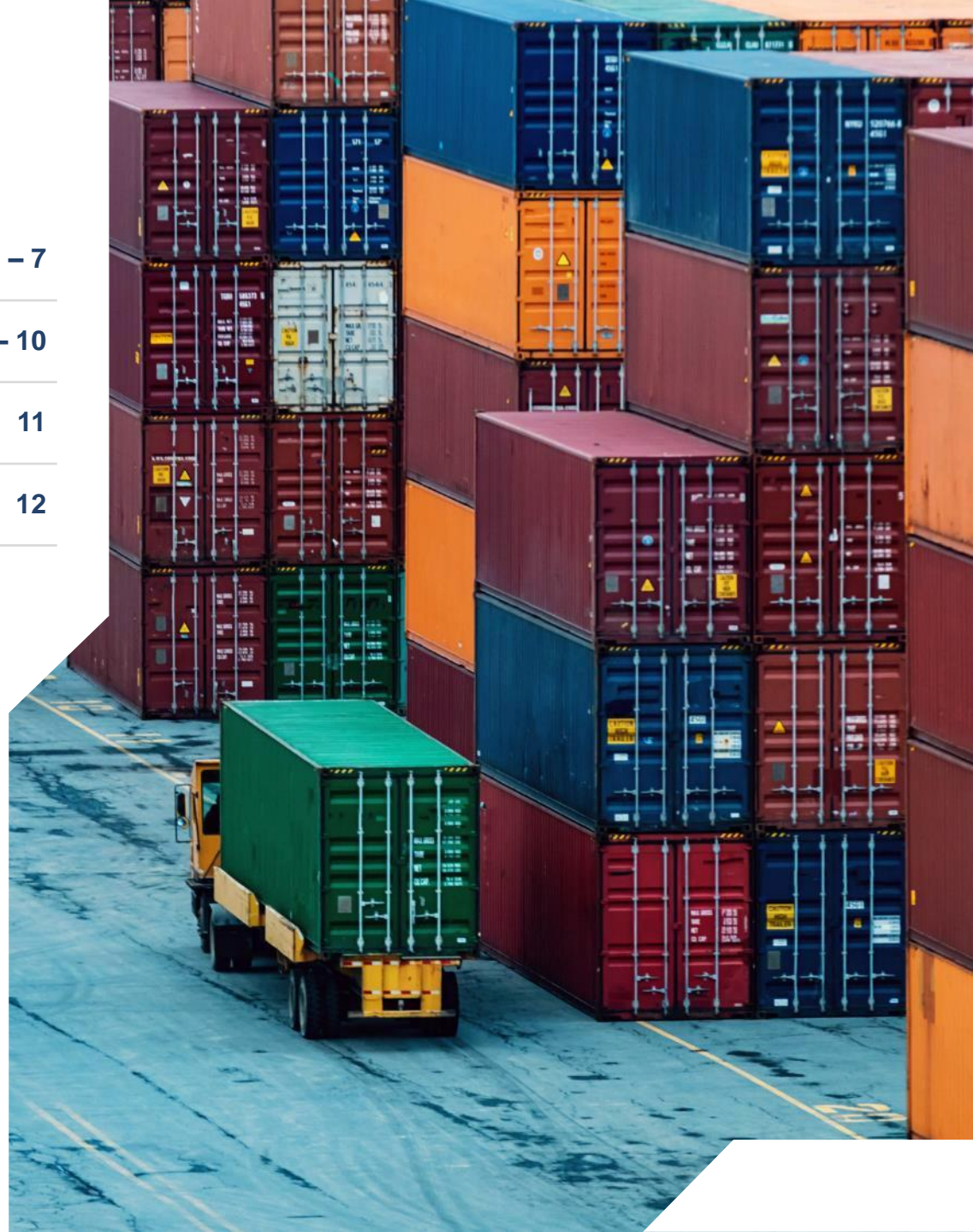
→ Deal Advisory

Overview of the transport and logistics sector investment market in Uzbekistan

May 2024

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Transport is a fast-growing sector in the Uzbek economy

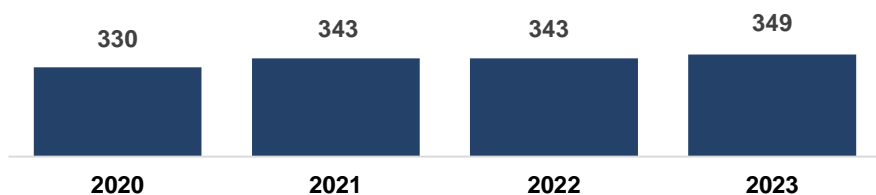
Transport sector in Uzbekistan

At the heart of The Silk Road Initiative, Uzbekistan encompasses the shortest transport corridors between the west and east and north and south, connecting Europe to Asia. These are the Transport Corridor Europe-Caucasus-Asia (TRACECA) corridor and three of the six Central Asia Regional Economic Cooperation (CAREC) corridors. Uzbekistan is becoming a key traffic connector between China and Europe, with a constantly increasing transit cargo trade volume (by road and rail; 11.2 million tons in 2023) and freight volumes, with a compound annual growth rate of 4%

Main economic indicators for 2023 (with average data for past 15 years)

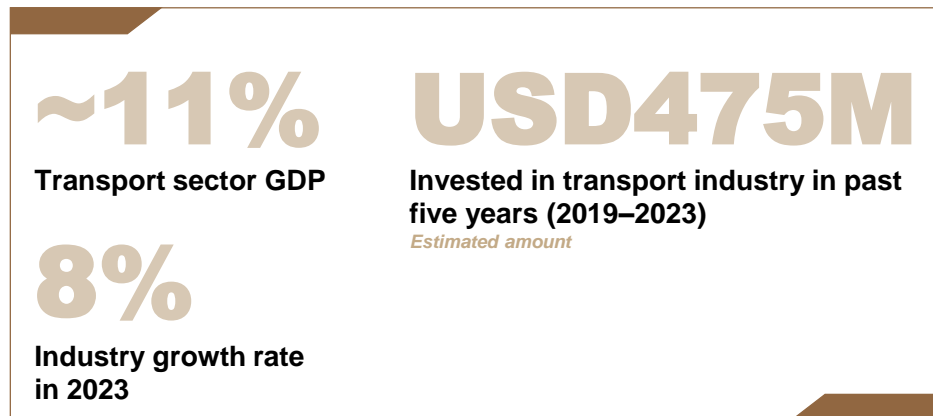
+6.0% <i>average +6.3%</i>	Real GDP growth (vs previous year)
8.8% <i>average 9.3%</i>	Inflation rate
14.0% <i>average 13.0%</i>	Central Bank Interest rate
1,803¹ <i>average 1,442</i>	FDI volume across industries (USD mln)

Total freight turnover, million tons

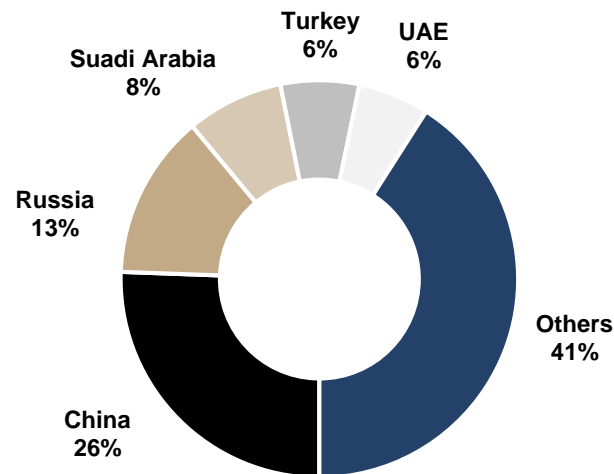


Note: (1) Approximation based on 1st - 3rd quarter results
Source: World Bank, SIAT - statistics portal of Uzbekistan, TENET analysis

Transport industry in 2023



Leading countries making foreign investments in Uzbekistan, %



Source: STATISTICS AGENCY UNDER THE PRESIDENT OF THE REPUBLIC OF UZBEKISTAN, TENET analysis

Largest infrastructure facilities in the transport sector



Transport and logistics overview:



3 transit corridors
7,400 km of railways
11 railway corridors
> 90% of the volume of transported goods



6 international airports
11 open sky airports



14 road transport corridors
> 44 thousand km roads with hard surface



1 river port (Termez Daryo)
Capacity 30 thousand tons
Cargo storage & Terminal
Container handling

Source: Open sources, TENET analysis

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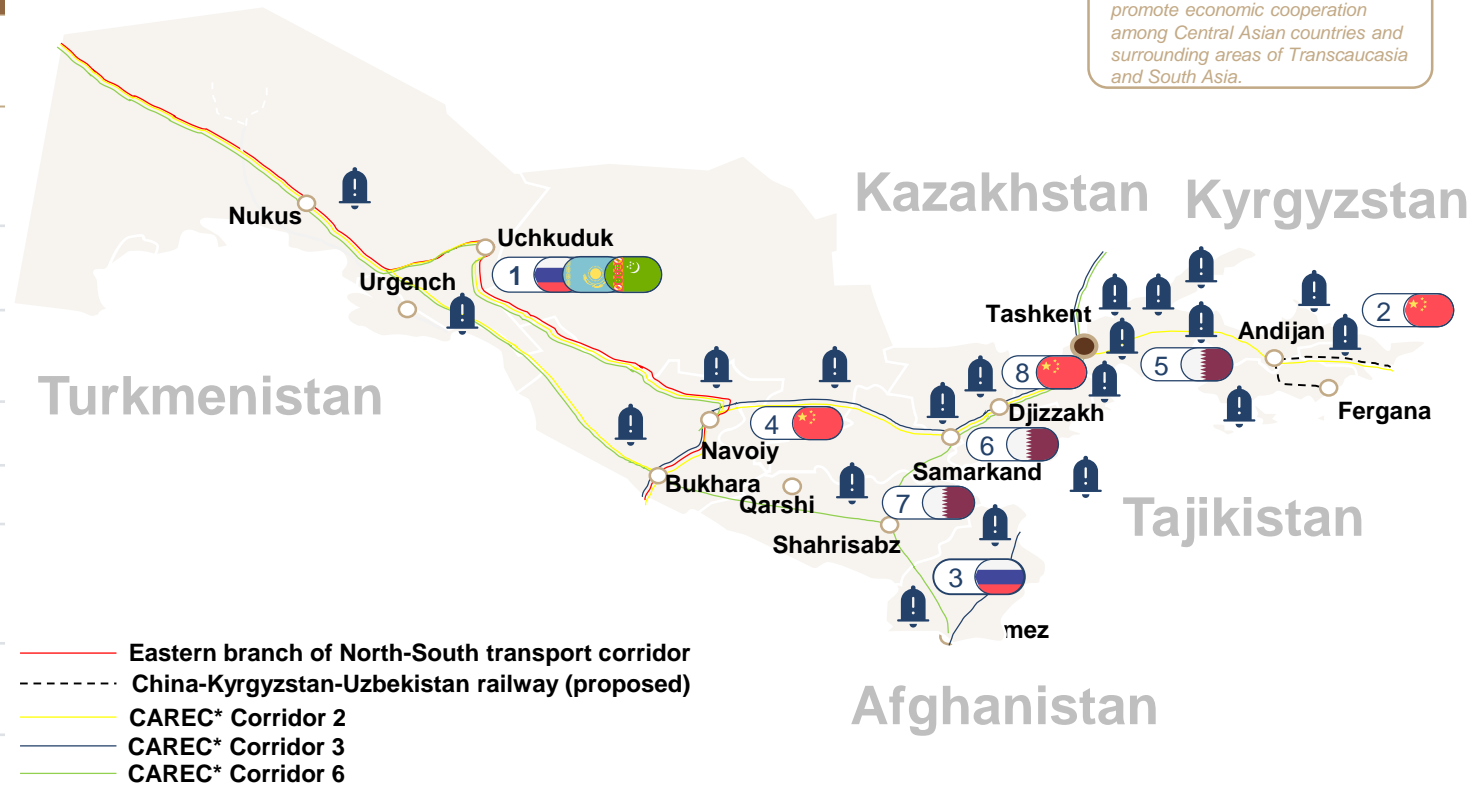
Current transport and logistics projects



The Special Economic Zones (SEZ) Law of 18 February 2020 establishes SEZ as a territory in Uzbekistan that enjoys special tax and legal regimes and has all necessary infrastructure to be able to carry out priority business activities for up to 30 years. The law defines five types of zones: free economic zones, special scientific and technological zones, tourist and recreational areas, free trade zones, and special industrial zones). Most promising transport projects are concentrated in the eastern and southern regions of the republic

Transport infrastructure projects

No	Investment project	Participants
1	Development of eastern branch of North-South ITC	Russia, Kazakhstan, Turkmenistan
2	Construction of China-Kyrgyzstan-Uzbekistan railway	China
3	Refurbishment of hydraulic structures on Tupalang reservoir	Russia
4	Development of a logistics centre in Navoiy SEZ	China
5	Logistics centre in Tashkent region	Qatar
6	Construction of high-speed railway line along Tashkent-Samarkand route	Qatar
7	Renovation of transport infrastructure	Qatar
8	Construction of agrologistic centre in Syrdarya region	China



* CAREC – ABD programme to promote economic cooperation among Central Asian countries and surrounding areas of Transcaucasia and South Asia.

Source: Open sources, TENET analysis

The ABD, AIIB, and EBRD are the main active investors in Uzbek transport infrastructure



International Financial Institutions (IFIs) are global organisations that have been set up to provide financial and technical support to countries and regions across the globe. Their main objective is to promote economic development and stability and to reduce poverty. In Uzbekistan there are number of projects supported by the Asian Bank of Development (ABD), the European Bank of Reconstruction and Development (EBRD), and the Asian Infrastructure Investment Bank (AIIB)

IFI Project List

No	Description	Loan provider	Investment amount
1	Programme to Invest in roads of the CAREC 2 Corridor, USD 255 mln	ABD	USD 255 mln
2	Rural Roads Resilience Sector Project, USD 240 mln	ABD	USD 240 mln
3	Renovation of 81 km road section in Horezm region and construction of bridge crossing Amu Darya River	EBRD	USD 240 mln
4	Renovation of 77km of Karshi-Shakhrisabz-Kitab highway	ABD	USD 198 mln
5	Bukhara Road Network Improvement Project (Phase 1)	AIIB	USD 165 mln
6	Bukhara-Miskin-Urgench-Khiva Railway Electrification Project	ABD	USD 162 mln
7	Renovation of 87km of A-380 Guzar-Bukhara-Nukus-Beineu road	ABD	USD 150 mln
8	Bukhara-Miskin-Urgench-Khiva Railway Electrification Project	AIIB	USD 108 mln
9	Investments in Tashkent International Airport and selected regional airports	EBRD	EUR 28 mln



Source: Asian Development Bank, European Bank of Reconstruction and Development, Asian Infrastructure Investment Bank, TENET analysis

For additional information about loans issued by IFIs see Appendix 1

Transport and logistic projects

The North-South Transport Corridor. This is an international transport corridor designed to ensure the delivery of goods between countries of North-West Europe and the countries of the Caspian Basin, Persian Gulf, and Central, South and South-East Asia. The eastern branch of the corridor provides a direct rail link through Kazakhstan, Uzbekistan, and Turkmenistan, with access to the Iranian rail network. The eastern branch of North-South ITC is projected to boost transport capacity and improve transport communications along connecting directions of the entire corridor

The Southern Transport Corridor stretches from Kyrgyzstan via Uzbekistan and the sea port of Turkmenbashi in Turkmenistan to the port of Astrakhan in Russia. The main objective is to be the shortest route bypassing obstacles on the border between Kyrgyzstan and Kazakhstan. In addition, the Southern Transport Corridor contributes to the development of the entire transport infrastructure with China within the One Belt, One Road project



Source: Investment promotion agency under Ministry of Investments and Foreign trade of the Republic of Uzbekistan, TENET analysis

For additional information about projects see Appendix 2

SWOT analysis of transport and logistics sector in Uzbekistan

Strengths

- **Favourable geographical location**, boasting an important transport route between Western Europe and China
- **Favourable regulatory environment** for investors. Actively pursuing economic reforms aimed at liberalising and opening up the economy. Removal of foreign exchange restrictions, tax cuts, and an improved investment climate
- **Progressive investment policy**, in particular special economic zones (SEZ) all around the country
- Membership within large international transport and logistics alliances such as **CAREC and TRACECA**



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Weaknesses

- **Overall low rail terminal capacity**
- **High underdevelopment of rail infrastructure**
- **Red tape**



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Opportunities

- **Permanent growth in Europe-China trading volumes**
- **Greater demand for logistics services** from international companies and investors
- Elaboration of a unified tariff policy for cargo export and transit within the **Middle Corridor**
- A Central Asian region country with **constant demographic net population growth**
- **Constant growth in energy resources extraction**, including natural gas, oil and thermal coal and, consequently, an **increase in freight turnover**

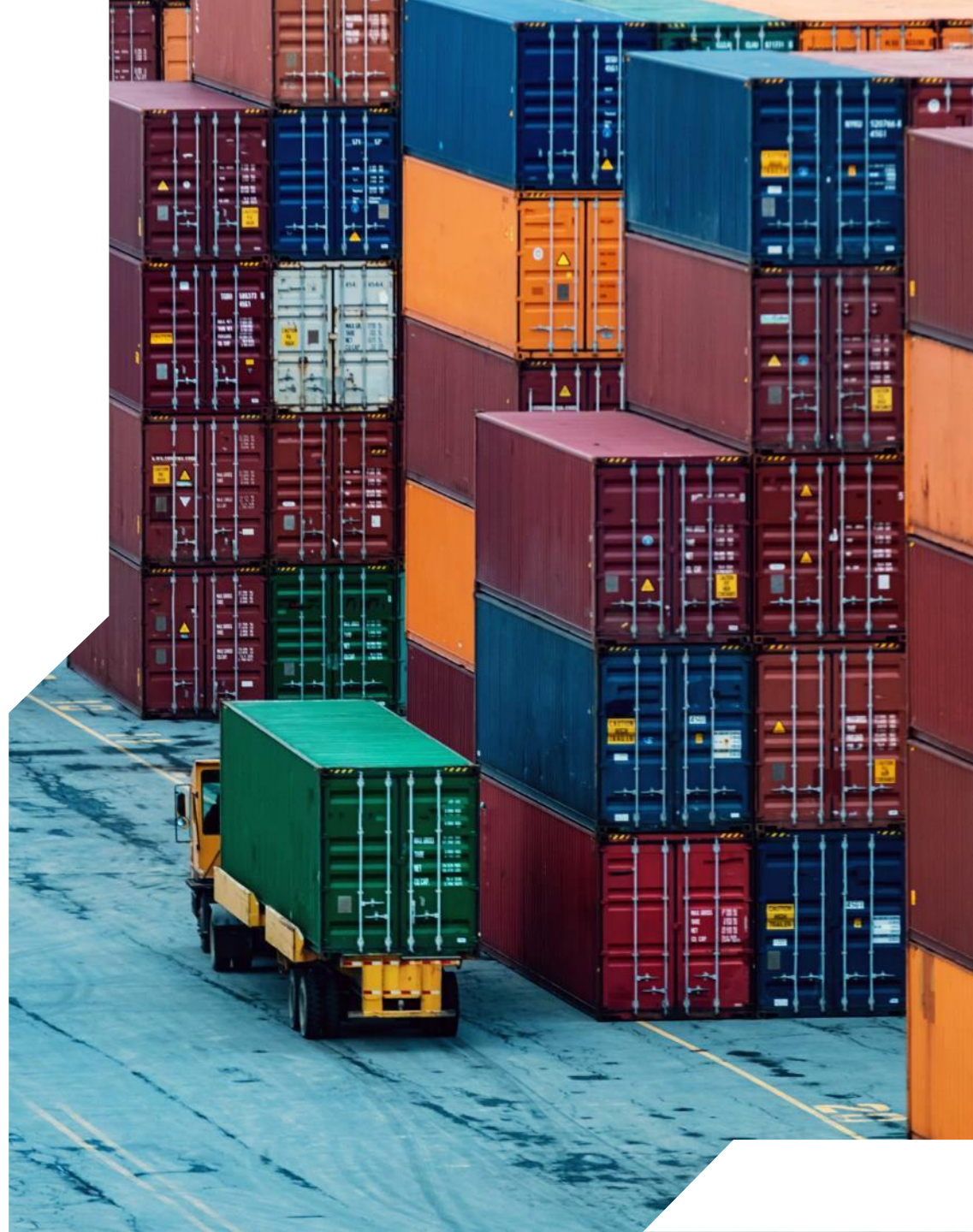


Threats

- **Risk of secondary sanctions by the EU** due to economic relations with Russia
- **Historically high Central Bank interest rates**; currently at 14%, the lowest rate since 2017
- **Historically high inflation**; currently at 9%, the lowest since 2016
- **Lack of a qualified workforce to execute projects**
- **China's economic slowdown** as a major trading partner for the Uzbek economy



Appendices



IFI investments in Uzbek transport sector

<p>Programme to invest in roads of CAREC 2 Corridor, USD 255 mln</p> <p>Asian Development Bank</p> <p>Goals:</p> <ul style="list-style-type: none"> Renovation of a bypass section of the 4-lane dual 92 km carriageway of the A380 develop capacity of the Committee for Roads under the Ministry of Transport 	<p>Rural Roads Resilience Sector Project, USD 240 mln</p> <p>Asian Development Bank</p> <p>Goals:</p> <ul style="list-style-type: none"> improve part of the larger national rural road programme, outlined in Uzbekistan's Rural Road Strategy 2035 	<p>Renovation of 81 km road section in Horezm region and construction of a bridge crossing Amu Darya River, USD 240 mln</p> <p>EBRD</p> <p>Goals:</p> <ul style="list-style-type: none"> improved resilience of the road to climate change, road safety, connectivity between settlements and reduced travel times
<p>Refurbishment of 77km of Karshi-Shakhrisabz-Kitab highway, USD 198 mln</p> <p>Asian Development Bank</p> <p>Goals:</p> <ul style="list-style-type: none"> boost capacity, quality, connectivity and climate-resilience of road section 	<p>Bukhara Road Network Improvement Project (Phase 1), USD 165 mln</p> <p>Asian Infrastructure Investment Bank</p> <p>Goals:</p> <ul style="list-style-type: none"> boost road efficiency, safety, and climate-resilience of major international cross-border roads 	<p>Bukhara-Miskin-Urgench-Khiva Railway Electrification Project, USD 162 mln</p> <p>Asian Development Bank</p> <p>Goals:</p> <ul style="list-style-type: none"> add electrification, signalling, and telecommunication and traction power management systems
<p>Refurbishment of 87km of A-380 Guzar-Bukhara-Nukus-Beineu road, USD 150 mln</p> <p>Asian Development Bank</p> <p>Goals:</p> <ul style="list-style-type: none"> boost capacity, quality, connectivity and climate-resilience of road section 	<p>Bukhara-Miskin-Urgench-Khiva Railway Electrification Project, USD 108 mln</p> <p>Asian Infrastructure Investment Bank</p> <p>Goals:</p> <ul style="list-style-type: none"> improve freight and passenger rail services by electrifying the existing rail line 	<p>Investments in Tashkent International Airport and selected regional airports, EUR 28 mln</p> <p>EBRD</p> <p>Goals:</p> <ul style="list-style-type: none"> address growing demand for good-quality airport services in Uzbekistan, in particular at Tashkent International Airport

Source: Open sources, TENET analysis

Transport and logistic projects

Transport industry projects					
No	Investment project title	Region	Project cost, USD million	Project capacity	IRR, %
1	Organisation of logistics refrigerator complex	Jondor district Bukhara region	150	Area 23 hectares Annual production volume: 5 mln pcs (finished products) Annual production of raw materials in the district: 10,000 tons (vegetables and fruits)	n/a
2	Construction of logistics centre for agricultural products	Termez district Surkhandarya region	102.6	Storage capacity 50,000 tons of vegetables and fruits	10.4
3	Production of semi-trailers (wagons)	Gallaorol district Djizzakh region	20	Annual volume of production: 2 thousand of units per year	10.2
4	Organisation of logistics complex	Jondor district Bukhara region	20	Area 2.6 hectares Annual volume of production: 50,000 tons (processing, conservation, and transport) Resources of raw materials in the district: 1.6 mln tons	n/a
5	Construction of agricultural centre with access to Caspian Sea	Urgench district Khorezm region	20	Area 2.6 hectares Annual volume of production: 50,000 tons (processing, conservation, and transport) Resources of raw materials in the district: 1.6 mln tons	n/a
6	Construction of storage centre	Xatirchi district Navoi region	5	Area 3 hectares Storage capacity: 10,000 tons	88.1
7	Construction of international rail logistics centre	Djizzakh region	2.9	Warehouses: 1,000 m ² Storage capacity: 1,000 tons Customs warehouse: 1,200 m ²	15.4

Source: Investment promotion agency under Ministry of Investments and Foreign trade of the Republic of Uzbekistan, TENET analysis

Sources of information

Open sources of information

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- Uzbek internet publication portal – Sputniknews // <https://uz.sputniknews.ru/>
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