

**THE ROLE OF INTERNATIONAL FINANCIAL INSTITUTIONS IN SUPPORTING  
PPPS IN UZBEKISTAN'S INFRASTRUCTURE****Eshquvatova Pokiza**University of World Economy and Diplomacy  
+998991433973**INTRODUCTION**

A Public-Private Partnership (PPP or P3) is a long-term arrangement where a government entity collaborates with a private-sector company to deliver public infrastructure and services. Through this arrangement, the public and private sectors pool their resources and expertise to provide a service or facility that the general public can use. Each partner shares in the potential risks and rewards associated with providing the service and/or facility, in addition to sharing resources. PPPs are developed in fields where a collaborative effort between public and private organizations offers effective solutions to significant societal problems.

Public-Private Partnerships are the best solution for developing countries that need infrastructure development. Since, infrastructure projects are usually nation-scale and requires a great deal of resources, expertise and finance, PPPs offers division of responsibilities and liabilities. This makes high scale projects effective and accomplishable. Emerging economies which lack in financing and providing required expertise for the infrastructure projects could use PPPS as effective solution.

Along with other transition economies, Uzbekistan have been using PPPs effectively in covering of infrastructure requirements. Since 2017, many projects have been started, some of them are completed while others are being continued. Most projects are in sectors as green energy, transportation, healthcare and education. International financial institutions as World Bank, EBRD, IMF and IFC play crucial role in realization of these projects. By taking part in financing, risk-sharing and capacity building, these organizations are helping Uzbekistan to make reforms and changes in PPP framework as well as completing successful projects.

This article aims to define the role and contribution of IFIs in PPP development in Uzbekistan by clearly stating each organizations efforts and case study of projects with participation of IFIs

**Overview of Uzbekistan's Infrastructure and PPP Needs**

Despite the efforts being made since reforms in 2017, Uzbekistan has still infrastructural gaps. According to World Bank<sup>1</sup> Uzbekistan faces substantial investment needs to maintain service quality, particularly in transport, water supply, and energy. Water access challenges persist, with less than half the population having access to clean drinking water. The country's strategic location for transit between China and Europe is hindered by infrastructure bottlenecks, and the road sector needs substantial maintenance investment. Energy inefficiencies cost the economy \$1.5 billion annually. The country's infrastructure requirements are estimated at around 10% of GDP annually until 2030. External financing covers most public investments due to limited fiscal space. Attracting private and foreign investment is a priority, with recent legal improvements. Most

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<sup>1</sup> [INFRASTRUCTURE GOVERNANCE ASSESSMENT 2023- World Bank](#)

investment in infrastructure since 2017 has come from international financial institutions (IFIs) and bilateral creditors, and not from the private sector or the Government of Uzbekistan. Uzbekistan's infrastructure development goals focus on building a sustainable, resilient, and modern economy by investing in transportation, energy, digital, and irrigation infrastructure, with a strong emphasis on attracting private investment and leveraging Public-Private Partnerships (PPPs) to achieve key objectives like boosting economic growth, increasing regional connectivity, achieving green energy targets, and improving service delivery across sectors. The government aims to upgrade roads, expand high-speed railways, modernize airports, increase renewable energy capacity, and enhance the efficiency of irrigation systems to address energy shortages, promote trade, and adapt to climate change. The government's development priorities under the "Uzbekistan – 2030" strategy foresee mobilizing at least USD 30 billion in private investment by 2030 through PPPs in sectors such as highways, energy, water, education, and health, accompanied by targeted projects like the Tashkent–Samarkand toll road and the transfer of energy distribution networks to private operators.<sup>2</sup>

Uzbekistan's domestic financial system, while developing, lacks the depth and capacity to meet the vast infrastructure investment needs estimated at billions of dollars annually. Local banks typically have short-term funding bases and limited balance sheet capacity, which restricts their ability to finance long-term, capital-intensive projects such as power plants, highways, and hospitals. Moreover, interest rates in the domestic market are relatively high, which increases the cost of borrowing for both the government and private sector investors. The capital market is still underdeveloped, with insufficient liquidity and limited issuance of long-term bonds that could support infrastructure financing. The outsized role of the state in Uzbekistan's economy and its underdeveloped domestic capital market act as significant constraints and call for a diversification of sources to finance the green transition.<sup>3</sup>

At the same time, the scale of infrastructure modernization required under Uzbekistan's national strategies (such as energy transition, transport connectivity, and digitalization) far exceeds what domestic resources can provide. Fiscal constraints also limit the government's ability to fund projects directly, as maintaining macroeconomic stability and debt sustainability remain priorities. Given these constraints, Uzbekistan cannot rely on domestic financing alone to meet its ambitious infrastructure development needs. To bridge this gap, international financial institutions emerge as key partners, not only by mobilizing long-term and affordable capital but also by providing technical expertise, risk-mitigation instruments, and advisory support. Their involvement enhances investor confidence and creates the institutional framework necessary for successful public-private partnership projects.

### **Role of International Financial Institutions in Supporting PPPs**

An international financial institution (IFI) is an organization established by multiple countries with the purpose of promoting economic development and financial stability through the provision of funding, technical assistance, and policy advice. These institutions are usually created by international agreements and are owned by member states, which contribute capital and

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<sup>2</sup> <https://azizovpartners.uz/en/legislativenews/ppp-project-for-2024-2030-in-uzbekistan>

<sup>3</sup> [https://www.oecd.org/en/publications/financing-uzbekistan-s-green-transition\\_27d2489d-en.html](https://www.oecd.org/en/publications/financing-uzbekistan-s-green-transition_27d2489d-en.html)



collectively govern their operations. Unlike purely commercial lenders, IFIs are mandated to support long-term development objectives such as poverty reduction, infrastructure modernization, and regional integration.

Their operations extend beyond financing; they also provide guarantees, risk-mitigation instruments, and expertise that help countries attract private investment. In the context of public-private partnerships, IFIs play a catalytic role by bridging investment gaps, strengthening legal and institutional frameworks, and ensuring that projects are implemented according to international standards of transparency and sustainability.

International financial institutions play several interconnected roles in supporting PPP development. Their primary contribution lies in providing long-term financing and equity investments that are often unavailable in domestic markets, while also mobilizing additional private capital through co-financing arrangements with commercial banks and investors. Beyond financing, they reduce uncertainty by offering guarantees and insurance against political, regulatory, and currency risks, thereby making projects more attractive to private partners.

Equally important is their advisory and technical assistance. IFIs support governments in preparing feasibility studies, structuring contracts, and ensuring that projects meet international standards. They also assist in strengthening the policy and institutional environment by contributing to the development of PPP laws, procurement frameworks, and specialized PPP units, while at the same time training officials and building local expertise.

Another essential role is the transfer of knowledge and best practices. By bringing in international experience and lessons from other countries, IFIs encourage the adoption of sustainable, transparent, and socially inclusive project standards. In Uzbekistan, these functions are particularly significant because the domestic financial system is still developing, and investor confidence depends heavily on the credibility and involvement of trusted international institutions.

Key international financial institutions engaged in Uzbekistan's infrastructure development include the World Bank Group (particularly IFC and MIGA), the Asian Development Bank, the European Bank for Reconstruction and Development, the Islamic Development Bank, the Eurasian Development Bank, and the Asian Infrastructure Investment Bank. Each of these institutions contributes not only capital but also technical expertise and risk-sharing mechanisms essential for PPP implementation.

### **Case Studies of IFI-Supported PPP Projects in Uzbekistan**

The **Zarafshan Wind Power Project**, located in the Navoi region, is a 500 MW wind farm developed through a PPP model led by Masdar and structured with significant support from IFC, exemplifying a major leap in Uzbekistan's renewable energy ambitions. IFC anchored a combined financing package of USD 94 million for the Shahom Zarafshan Energy SPV, complemented by parallel loans from the Japan International Cooperation Agency (JICA), the Dutch Entrepreneurial Development Bank (FMO), the Asian Development Bank (ADB), EBRD, Natixis, and First Abu Dhabi Bank. This consortium structure ensured both project scalability and risk diversification<sup>4</sup>.

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<sup>4</sup> <https://www.ifc.org/en/pressroom/2022/ifc-provides-financing-for-the-first-wind-farm-in-uzbekistan>

Upon completion, the wind farm is projected to power approximately 500,000 households and avert over one million metric tons of CO<sub>2</sub> emissions annually, aligning with Uzbekistan's target to derive 25 percent of its electricity from renewables by 2026<sup>5</sup>

IFC's role extended beyond financing: it provided structured advisory on PPP contracting and institutional frameworks, ensuring policy alignment and investor confidence, while the multilaterals collectively mitigated financing risk and offered long-term, low-cost capital. This collaboration epitomizes how a combination of financial instruments and advisory mechanisms from IFIs can enable a landmark renewable PPP in an emerging market.

In the energy sector, the European Bank for Reconstruction and Development (EBRD) has taken a leading role in advancing several landmark wind energy initiatives. One of the earliest among them was the **Karatau Wind Power Plant**, a 100 MW facility in Karakalpakstan developed by ACWA Power. With EBRD financing of approximately USD 19.3 million—co-financed by European development institutions such as DEG and Proparco—the project set a pioneering precedent under Uzbekistan's PPP framework and paved the way for competitive bidding, gender-responsive workforce development, and low-cost renewable electricity. Supporting the government's green transition objectives and reducing CO<sub>2</sub> emissions by over 178,000 tons annually, the Karatau project has been described as a critical milestone in the country's renewable energy transformation.<sup>6</sup>

Building on this momentum, the EBRD has also been instrumental in financing **larger-scale wind power capacities**, including two 500 MW wind farms in the Bukhara region—the Bash Wind and Dzhankeldy Wind projects. Financing these greenfield projects required syndicated loans totaling USD 520 million, mobilizing both EBRD A-loans and B-loans from commercial banks. These initiatives deliver substantial environmental benefits—reducing carbon emissions by nearly a million tons annually—and introduce advanced environmental monitoring technology to protect biodiversity.<sup>7</sup>

In the healthcare domain, one of the most socially impactful PPPs is the **dialysis services pilot**, where the IFC advised the Ministries of Finance and Health in structuring a tender that awarded operations to NephroPlus, Asia's largest dialysis provider. The agreement covers four clinics across Tashkent, Karakalpakstan, and Khorezm, delivering care to over 1,100 patients with significantly improved quality, reduced costs, and home-based peritoneal dialysis options for the first time. This project introduced transparent patient selection criteria, cost-saving innovations such as single-use filters, and improved patient outcomes—shifting the dialysis tariff to approximately USD 48 per session from USD 60 previously. It has been celebrated as a "market-changing PPP" that delivers both service quality and equity.<sup>8</sup>

## CONCLUSION

<sup>5</sup> <https://www.ifc.org/en/pressroom/2022/ifc-provides-financing-for-the-first-wind-farm-in-uzbekistan>

<sup>6</sup> <https://www.ebrd.com/home/news-and-events/news/2023/ebrd-finances-landmark-wind-project-in-western-uzbekistan.html>

<sup>7</sup> <https://www.ebrd.com/home/work-with-us/projects/psd/52773.html>

<sup>8</sup> <https://www.ifc.org/en/pressroom/2020/uzbekistan-set-to-deliver-improved-dialysis-services-to-patients-with-ifc-support>

Public–private partnerships (PPPs) have emerged as a cornerstone of Uzbekistan’s infrastructure modernization strategy, offering a mechanism to attract private capital, share risks, and improve service delivery in critical sectors such as energy, transport, and healthcare. International financial institutions (IFIs) have played a decisive role in this process, not only by providing long-term financing but also by enhancing institutional capacity, promoting good governance, and introducing global best practices into project preparation and implementation.

The evidence shows that without IFI involvement, many of Uzbekistan’s large-scale PPPs—particularly in renewable energy and healthcare—would not have reached financial close or achieved international investor confidence. Instruments such as credit guarantees, blended finance, and viability-gap funding have mitigated risks that the local financial system is not yet equipped to absorb. At the same time, IFIs have helped shape Uzbekistan’s policy and legal frameworks, reducing uncertainty and aligning PPP practices with international standards.

Looking forward, Uzbekistan’s success in leveraging PPPs will depend on moving from a pilot-phase approach toward a holistic and sustainable PPP ecosystem. IFIs are uniquely positioned to support this transition by catalyzing green and inclusive investments, strengthening fiscal governance, and promoting regional integration projects. By strategically aligning IFI support with national development priorities, Uzbekistan can ensure that PPPs not only bridge the infrastructure gap but also contribute to long-term economic resilience, social equity, and environmental sustainability.

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