



Republic of Uzbekistan SDG BOND FRAMEWORK

July 2021

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1. Introduction



At 34.6 million inhabitants, Uzbekistan is second only to Russia (144.4 million) in terms of population in the Commonwealth of Independent States (CIS) and is by far the most populous state in Central Asia proper. Bordering on Afghanistan, Kazakhstan, Kyrgyzstan, Tajikistan and Turkmenistan, Uzbekistan lies at a historical crossroads between East and West. The roots of cities like Bukhara, Samarkand or the capital, Tashkent, reach back into the days of the ancient Silk Road that spanned over 6,000 km to enable trade between Europe and China.

Under President Shavkat Mirziyoyev's administration, Uzbekistan has gone through a significant number of important reforms that will lead to positive results for the country's long-term development. Many reforms were introduced through multiple strategies, policies, concepts, laws, and decrees. They include major structural reforms in public administration, the rule of law and judicial system, economic and social sectors along with security reforms, and a more open foreign policy.

The reforms have been welcomed by the public and the international community with some visible positive impact. The country ranks amongst the world's top 20 most improved economies for ease of doing business¹ in the World Bank's Doing Business 2020 report. Diplomatic ties with neighbors have improved including a positive impact on economic exchange across borders.

Agenda 2030 is a governmental priority. The Government has adopted 16 national SDGs, 125 targets and 206 indicators, setting up an SDG monitoring framework composed of an SDG Coordination Council and a data / statistics repository. With support from the UN, the national SDGs and targets are being gradually integrated into the current and new national sectoral strategies and programs. The first results of this transformation of Uzbekistan into a modern, open and sustainable market economy can already be seen and serve to improve the lives of the Uzbek people, one step at a time.

1.1 Economic Development

In 2017, the authorities embarked on a wave of economic reforms to transition towards a more open and market-based economy. The key policy measures included liberalizing prices, trade tariffs, and the exchange rate, opening the economy to private initiative and international trade, reducing the rates of direct taxes on businesses and households, reducing the role of the Government in economic activity, and commencing civil service reform¹.

Real GDP growth accelerated slightly in 2019 to 5.7%, supported by a 34% year-on-year increase in investment, largely driven by direct lending to SOEs, and growth in the agricultural and manufacturing sectors². However, in the wake of the COVID-19 crisis growth slowed down significantly in 2020 to 1.7%.

Uzbekistan has one of the more diversified export baskets in Central Asia and trades with a wider range of countries than most of its regional peers. Strong export growth and remittance contributions have contributed to a narrowing of the current account deficit from 7.1% in 2018 to approximately 5.0% in 2020. Uzbekistan has built up substantial external buffers and external debt is moderate at around 35% of GDP at end-2020.

¹ World Bank (2019), <https://www.worldbank.org/en/news/press-release/2019/10/24/doing-business-2020-reforms-propel-uzbekistan-to-place-among-worlds-top-20-business-climate-improvers>

² OECD (2020), <https://www.oecd.org/coronavirus/policy-responses/covid-19-crisis-response-in-central-asia-5305f172/>

1.2 COVID-19 Response

Uzbekistan responded swiftly to the first wave of COVID-19 infections by establishing an Anti-Crisis Fund to finance containment measures, expand social protection and support businesses and key sectors of the economy. To some extent, this Anti-Crisis Fund contained both COVID-19 response and recovery measures, including a significant share of investment for infrastructure and support to SMEs.

Monetary policy: The Central Bank of the Republic of Uzbekistan (CBU) decreased its policy rate twice in 2020 from 16% to 15% in April and from 15% to 14% in September. The Bank also offered several targeted refinancing operations for commercial banks, but did not change regulatory, capital or liquidity requirements. The CBU also suggested banks defer loan payments for firms in sectors affected by COVID-19. Consequently, state-owned banks extended maturities of loan repayments for the affected sectors.

Economic support measures: An Anti-Crisis Fund of UZS 13.4 tn was set up to cover immediate medical and quarantine expenses, increase the number of social benefit recipients, provide liquidity, interest subsidies, loan repayment deferrals and guarantees to businesses, and finance infrastructure work in regions to sustain employment. In doing so, the Fund financed an allocation of UZS 300 bn to the Public Works Fund, UZS 224 bn to the Employment Promotion Fund and UZS 117 bn to the pension fund under the Ministry of Finance.

Additional fiscal measures: Tax deferrals for most affected SMEs and individual entrepreneurs; a moratorium on tax audits and on bankruptcy procedures; a deferral of the scheduled increase of tax rates; an extension of tax declaration submission; an ease of VAT calculation and payment requirements for small businesses; no excise tax and customs duties for the import of 20 types of basic consumer goods; and the suspension of rent payments for the use of state property by business entities that have been forced to suspend their activities. The Central Government also asked local governments to reduce taxes by 30% and provide a 6-month grace period on paying property tax. With regard to households, parents were granted a 100% temporary disability benefit, and childcare benefits and material assistance were automatically extended for all beneficiaries. The Government also identified a reduction of illicit financial flows and cited detection / recovery of stolen assets as a priority for Agenda 2030 to unlock these resources for SDG investment.

1.3 Uzbekistan's National Development Strategy & ESG Report

The Government of Uzbekistan based its Development Strategy for 2017-2021 on five strategic pillars, which are (1) Development of State Governance, (2) Rule of Law and Legal Reforms, (3) Development & Liberalization of the Economy, (4) Development of the Social Sphere and (5) Financial Security of the Country:

1. **Improvement of State and Social Construction**, aimed at further strengthening the role of Parliament and the political parties in deepening democratic reforms and modernization of the country, the reform of public administration, development of the institutional framework of the public service, improvement of the "e-government" system, improvement of the quality and efficiency of public services, practical implementation of public control mechanisms, and strengthening the role of civil society institutions and the media;
2. **The Rule of Law and Further Reform of the Judicial System**, aimed at strengthening the real independence of the judiciary and guarantees protection of the rights and freedoms of citizens, improvement of administrative, criminal, civil and commercial law, improving the efficiency of combating crime systems and crime prevention, the full realization of the adversarial principle in the trial, and the improvement of the provision of legal aid and legal services;
3. **Development and Economic Liberalization**, aimed at further strengthening macroeconomic stability and the maintenance of high economic growth, increasing its competitiveness, modernization and intensive development of agriculture, continuation of institutional and structural reforms to reduce the state presence in the economy, further strengthening the protection of rights and priority role of private property, stimulating the development of small businesses and private entrepreneurship, comprehensive and balanced socio-economic development of regions and municipalities, active attraction of foreign investments into certain sectors of the economy and certain regions of the country by improving the investment climate;
4. **Development of the Social Sphere**, aimed at reducing poverty and inequality with a focus on health and well-being, education, hunger, clean water and sanitation;
5. **Financial Security of the Country**, aimed at ensuring high growth rates of gross domestic product through maintaining macroeconomic balance, deepening structural and institutional reforms by means of implementation of medium-term programs; ensuring a balanced state budget at all levels while maintaining social orientation of expenses, improving inter-budgetary relations, focusing on raising the revenue part of local budgets; further improvement of monetary policy using instruments in line with best international practices and gradual introduction of modern market mechanisms of monetary regulation, ensuring stability for the national currency.

In February 2021, Uzbekistan published its first Environmental, Social, and Governance (ESG) report, "Progress in Uzbekistan", to measure and assess the country's advancement of a reform program that has transformed the country since 2017. While ESG, or sustainability reports, are common in the corporate setting, no nation has ever produced a report such as this that provides context for non-financial, value-based policy goals. The annual report shows how a sharp turn toward good governance, sustainability and a strong civil society under the Mirziyoyev administration has enhanced the country's ability to compete in world markets.

This report examines three core pillars of economic development to include: Infrastructure for Growth, Active Governance & Strong Civil Society, and Sustainable Livelihoods. It identifies significant development programs the country is pursuing to boost infrastructure, education, and internet access. It outlines the steps being taken to address crucial social and governance

issues, including forced labor, civil rights, human rights, transparency, and electoral and judicial reforms. It also includes third-party country rankings to provide context and external verification of the progress made, amongst other data. Key findings from the report include:

- In historical context, Uzbekistan made a sharp and dramatic turn toward a more open society in recent years and the progress accelerated in 2017
- Uzbekistan is rapidly moving up independent world rankings and indices that measure good governance, civil liberties, economic activity, and development
- Uzbekistan is becoming a sustainability leader in Central Asia on a number of fronts
- Since 2017, Uzbekistan has made great strides in transforming its centralized economy to a liberal market economy
- New digital, financial, and transportation infrastructure, along with more attractive economic conditions, has increased business activity in Uzbekistan, including a steep rise in foreign direct investments
- Cooperation with acknowledged international organizations has led to more transparency, legal certainty, and better enforcement of existing laws
- New laws have been created in accordance with internationally accepted legal standards to provide more civil and economic rights
- Efforts to work with international NGOs to eradicate forced labor in the agricultural sector are re-positioning the country to become an attractive partner for reliable sourcing for cotton-based textiles, a crucial cash crop for the economy
- Efforts to use the natural resources of Uzbekistan more sustainably are well underway, putting Uzbekistan on track to achieve the goals of the Paris Agreement and transform its economy in a sustainable manner in the long run

1.4 Social Development

Uzbekistan has made great progress in reducing poverty and inequality as the poverty rate declined from 27.5% in 2001 to 11.4% in 2018. What's more, the latest available data estimates the official Gini coefficient dropped from 0.39 in 2000 to 0.25 in 2019³.

Pillar number four, Development of the Social Sphere, has focused on diverse initiatives aimed at the following SDG goals:



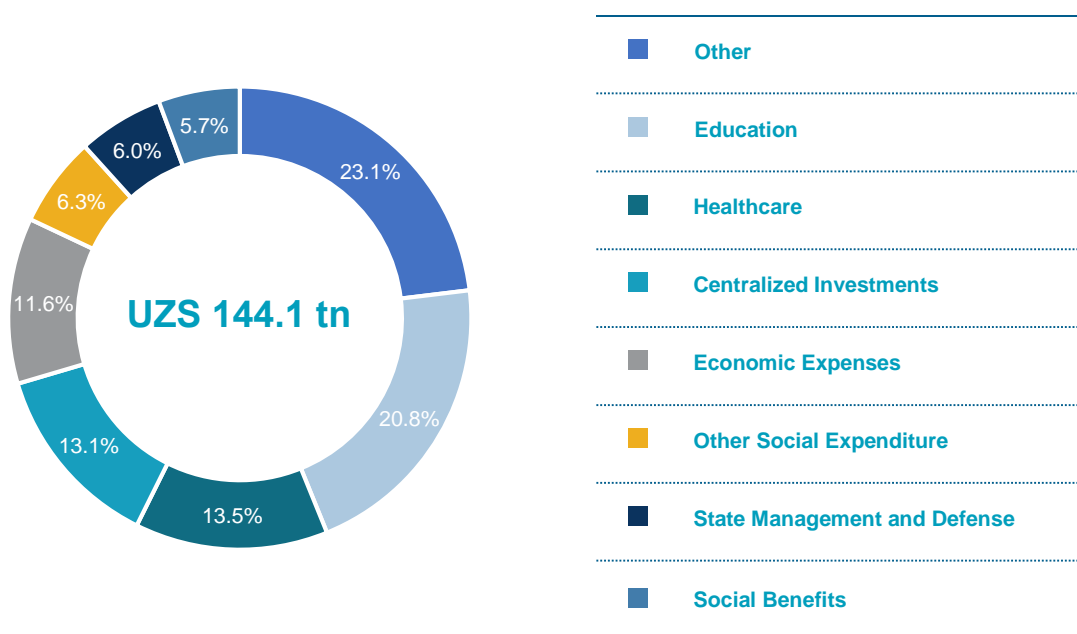
³ UN (2020), https://sustainabledevelopment.un.org/content/documents/26424VNR_2020_Uzbekistan_Report_English.pdf

In order to work on these goals, the Government has adopted several measures, including:

- Development of the “Youth of Uzbekistan –2025” conception
- Development of the Project of Mitigating Poverty
- Formulation of the concept of “Social Protection of Citizens”
- Adoption of the Law on Cinematography
- Provision of special grants for female students
- Reduction of the period of study in some universities from 4 to 3 years
- Establishment of 141 private schools
- 10 institutes & universities of Uzbekistan switched to a self-financing system
- Advancement of the mechanisms of financial support for women and families in difficult social situations, as well as women with disabilities

In 2018, Uzbekistan ranked 71st among 113 countries in the global food security rating and generated growth in pre-school education coverage from 27.7% in 2017 to 52% in 2019. Regarding the health and well-being goal, the incidence of Hepatitis B decreased from 29.8 in 2000 to 0.8 in 2018 and the life expectancy increased from 73.5 in 2015 to 74.6 in 2018. Child mortality decreased from 13.9 in 2014 to 13.1 in 2018⁴.

As demonstrated by the figure below, social spending on education, healthcare and other social expenditures constitutes a large share of government expenses (% of total State Budget Expenditures by category, 2020).



⁴ UN (2020), https://sustainabledevelopment.un.org/content/documents/26424VNR_2020_Uzbekistan_Report_English.pdf

Eight clear priorities emerged from the 2020 Review of Implementation of National Sustainable Development Goals:

- Poverty Reduction - high regional differences in poverty levels
- Food Security - low proportion of available agricultural land areas
- Health and Well-Being – shortage of medical personnel and uneven distribution
- Quality Education – shortage of highly qualified teachers, lack of education quality and low enrolment in higher education
- Gender Equality – higher level of female unemployment and gender disparities in higher and technical education
- Pure Water and Sanitation – Lower levels of centralized water sanitation and a need to improve overall efficiency of cleaning waste-water
- Sustainable and Reliable Energy - Loss of energy in transportation and penetration of renewable energy
- Decent Work and Economic Growth – Slowdown in real GDP growth per employed person and a high proportion of informally employed people in agricultural sectors

Uzbekistan continues building capacity to collect statistics on the SDG indicators in collaboration with UN Agencies and the international community, and set 2030 target values for the SDG indicators. Going forward, it also looks to increase involvement of civil societies, business communities, international organizations, NGOs and other stakeholders to strengthen dialogue and partnership in the implementation of national SDGs.

Impact of COVID-19 on Progress in the SDGs and the Mitigation Measures Taken

The COVID-19 pandemic threatens to slow Uzbekistan's progress towards the SDGs as GDP decreased from 5.7% in 2019 to 1.7% in 2020. As a result, the majority of small businesses were temporarily closed and poverty increased. The Government has a particular concern with the disproportionate impacts on vulnerable groups of the population (persons with disabilities, the elderly and people in closed institutions, including children). Employment declined sharply, especially amongst the self-employed and labor migrants, and there has been a negative impact on the access to education despite the strong efforts of the Government to introduce distance-learning opportunities.

To mitigate this, the Government of Uzbekistan has undertaken several initiatives to help all those affected by the crisis to recover effectively and resume the transition to sustainable development. It has adopted a package of anti-crisis measures to provide social and economic support to the population, which includes (i) support for low-income families, disabled people and single pensioners (ii) an increase in the recipients of benefits and the provision of tax benefits (iii) the expansion of allowances for families with children under 14 years of age, childcare for children under 2 years of age, and financial assistance.

In tandem with these measures, the Anti-Crisis Fund was created and assigned UZS 13.4 tn, to help contain the spread of COVID-19, support entrepreneurship and employment, expand the measures of social protection and ensure the sustainable functioning of economic sectors. On the side of healthcare expenditure, focus was placed on significantly increasing testing (as well as the formation of the potential for the production of domestic test kits), the purchase of new medical equipment, increasing the salaries of first-line workers and creating temporary medical infrastructure facilities. Social measures included expanding the benefits for low-income individuals and the number of beneficiaries, unilateral expansion of the period of targeted social assistance, expansion of disability benefits for people who are quarantined or infected, regulations to protect parents and other categories of infected people, provisions to expand unemployment insurance payments, and measures to simplify the application and eligibility assessment procedures.

1.5 Environmental Development

Uzbekistan is the only country in Central Asia where greenhouse gas (GHG) emissions have remained relatively stable since 1990 and even started to decrease towards 2018. Despite this, the nation has experienced an average increase in temperature of 0.3°C per decade since the 1950s, a figure that is double the global average⁵. Uzbekistan therefore acknowledges that its traditionally resource-based economy is vulnerable to threats if the proper attention is not paid to the sustainable use of its resources and the mitigation of climate change. Such threats include the deficiency of water resources, growth in land desertification and degradation, and an increase in the occurrence of droughts, all of which could lead to the instability of its agricultural economic base and further push rural populations into poverty.

In response, the Government of Uzbekistan signed the UN Paris Agreement to combat climate change in 2017, which it then ratified in 2018. In doing so, it has taken several steps to implement appropriate policy and regulatory measures to combat climate change and its detrimental impact. This includes the adoption of key policy documents, namely 2019's "Strategy on the Transition to a Green Economy" and 2020's "Concept for Ensuring Reliable Energy Supply to Uzbekistan Towards 2030", both of which are promoted and implemented by the Ministry of Economic Development and Poverty Reduction. Its strategy to transition to a green economy is focused on two main areas:

1. The reduction of GHGs
2. More efficient energy usage in combination with the development of renewable energy generation capacities

Both these areas of focus are supported by overarching targets. Respectively, Uzbekistan aims to reduce GHG emissions by 10% per unit of GDP and reduce energy usage in comparison to

⁵ UNDP (2021), <https://www.uz.undp.org/content/uzbekistan/en/home/library/development-finance-analysis-for-uzbekistan.html#:~:text=Development%20Finance%20Assessment%20for%20the%20Republic%20of%20Uzbekistan,-Jan%2022%2C%202021&text=The%20DFA%20Report%20provides%20a,country%20considering%20current%20SDG%20progress.>

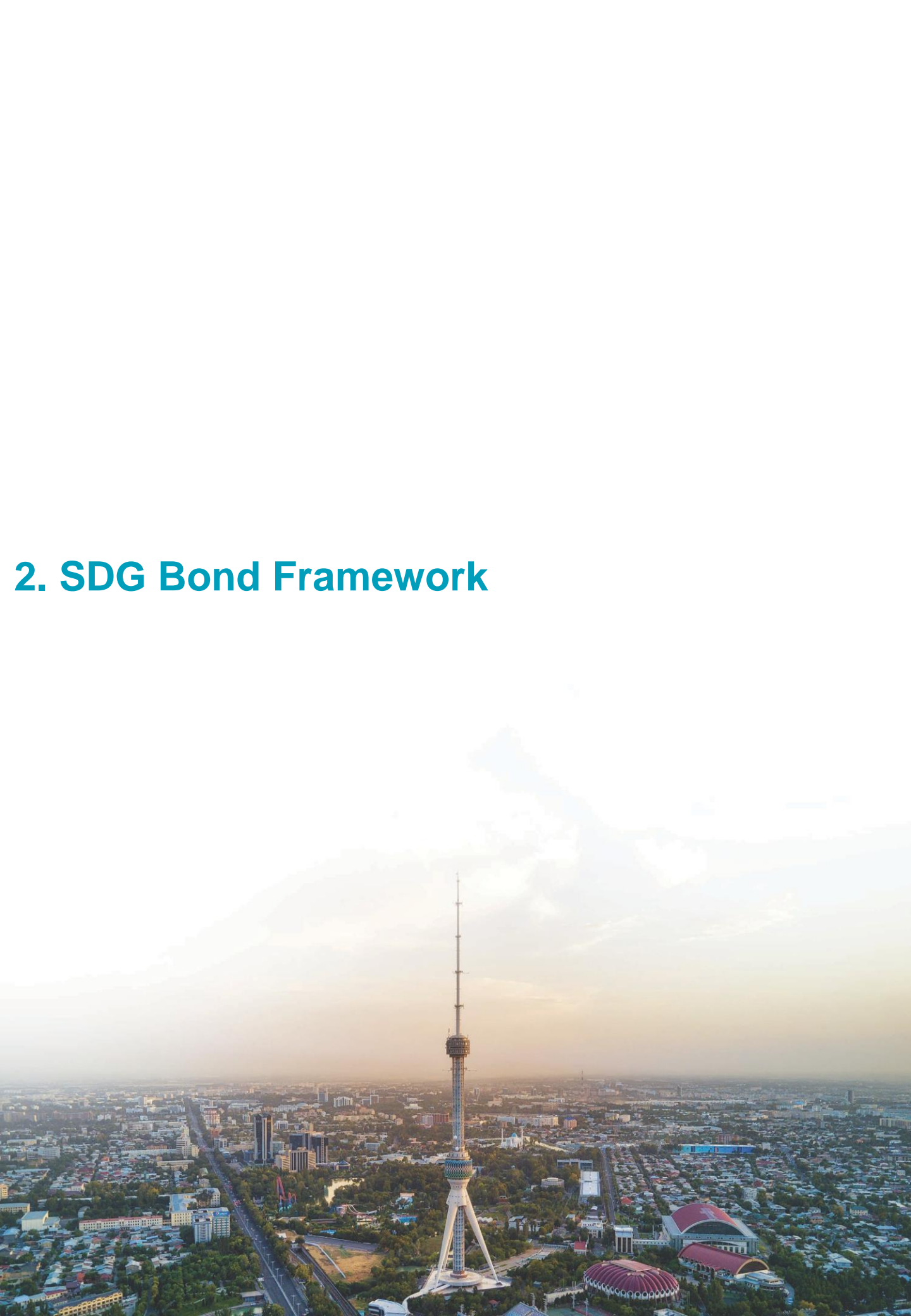
GDP by 50% until 2030⁶. In order to achieve these goals the Government has implemented a raft of demand response measures including the modernization of industrial equipment and buildings, reducing fuel consumption for power generation, subsidies for the implementation of a wide range of energy saving technologies and an increased role of renewable energy for power generation. Already, these responses have manifested themselves into a number of key projects that support Uzbekistan's transition to a green economy including:

1. **Saving of the Aral Sea:** The European Investment Bank (EIB) and the Uzbek Ministry of Investment and Foreign Trade have signed a EUR 100 mn double-phase investment program that will lead international efforts to save the Aral Sea. This will involve the renovation and modernization of the antiquated irrigation systems in the Amударja valley region followed by the restoration of salt-covered land in the surrounding region to normal levels of salinization.
2. **Improvement of Water Management:** The Government of Uzbekistan has implemented plans to conserve and better manage water resources with an overall aim of connecting all households to the sewage system as well as modernization of the existing water supply infrastructure. Several projects are already complete or underway, which has resulted in the centralized water supply supplying 67.8% of the population in 2019 as opposed to 64.5% in 2017. The Government's target for 2030 is to boost this figure to above 90%.
3. **Increased Energy Efficiency:** In August 2019 the Government passed a landmark resolution on energy efficiency requirements. As a result, compulsory energy efficiency requirements were introduced for new buildings, the development of normative technical indicators for measuring the energy efficiency of production equipment and consumer goods were announced, and the Ministry of Energy were tasked with sanctioning legal entities for inefficient use of fuel resources regardless of ownership. Simultaneously, the Government established incentives for individuals to make energy-efficient upgrades including covering up to 30% of the costs of solar water heaters and other energy saving equipment.
4. **Sustainable Power Generation:** As of 2018 Uzbekistan relied on 3 power sources with a very heavy weighting towards the use of fossil fuels for power generation. However, by 2030 the Government aims to have made the power generation mix more diverse and have increased the proportion accounted for by renewable sources to almost a third. To that end, several outstanding projects in wind and photovoltaic (PV) energy are underway including:
 - ✓ A 500 MW wind farm in the Navol region. The farm is being built by Masdar, a United Arab Emirates developer, which will invest USD 110 mn into the project. Once complete it will be one of the largest wind farms in the world
 - ✓ A 100 MW PV plant in the Navol region. The plant is also being built by Masdar, which will invest a further USD 100 mn into the project
 - ✓ A 100 MW PV plant in the Saramkand region. The plant is being built by Total Eren, a French operator and utility

⁶ Government of Uzbekistan (2021),

https://uzbekembassy.com.my/eng/news_press/the_environmental_social_and_governance_report_2020_progress_in_uzbekistan.html

2. SDG Bond Framework



This SDG Bond Framework (the “Framework”) has been developed to demonstrate how Uzbekistan intends to select and finance and / or re-finance Eligible Projects that will deliver social and environmental benefits, which are in close alignment with SDGs. This Framework is designed to align with the Green Bond Principles⁷ (GBP), Social Bond Principles⁸ (SBP) and Sustainability Bond Guidelines⁹ (SBG) published in June 2021 by the International Capital Market Association (ICMA). In this regard, the Framework details the four core components of the ICMA principles, which are as follows:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

The Framework also covers External Review.

This Framework may be updated from time to time to ensure continued alignment with voluntary market practices, emerging standards and taxonomies. Any updated version of this Framework will either maintain or improve the current levels of transparency and reporting disclosures, including the corresponding External Review.

2.1 Use of Proceeds

Under this Framework, Uzbekistan will issue SDG Bonds – the proceeds of which are allocated to projects aimed at advancing progress against targets in the National Development Plan, which are aligned with Uzbekistan’s Sustainable Development Goal Targets.

An amount equivalent to the net proceeds from Uzbekistan SDG Bonds will be exclusively used to finance or re-finance, in part or in full, Eligible Assets (as defined below) providing distinct social or environmental benefits that further one or more of the United Nations Sustainable Development Goals (UN SDGs). Uzbekistan will follow the process described in the Framework along with its professional judgement, discretion and sustainability expertise when identifying the Eligible Assets, and, where relevant, may also work with external agencies.

Eligible Projects could include investment expenditures, fiscal expenditures (tax forgone), subsidies and operating expenditures as well as any other spend deployed to meet the Government of Uzbekistan’s eligible environmental and social projects that have taken place not more than three years prior to the issuance of any the SDG Bond. For the avoidance of doubt, expenditures already financed via a dedicated funding source will not be eligible under this framework in order to avoid any double counting.

⁷ ICMA (2021), <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-140621.pdf>

⁸ ICMA (2021), <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Social-Bond-Principles-June-2021-140621.pdf>

⁹ ICMA (2021), <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Sustainability-Bond-Guidelines-June-2021-140621.pdf>

The following are considered eligible expenditures that may be linked to the proceeds of SDG Bonds.

1. **Investment Expenditures:** capital investments, including facilities, structures, networks systems, plant property, equipment or physical assets
2. **Subsidies, Grants and Loans:** Financial incentives in the forms of grants or lower interest rate loans to guarantee basic services
3. **Tax Expenditures:** Tax forfeitures and any exceptions to normal taxation policies (including rates, fiscal base) to pursue or encourage social or environmental objectives
4. **Operating Expenditures:** Expenditures from Central Government to run public services and provide public goods. These expenditures are restricted to direct costs associated with eligible projects
5. **Intervention Expenditures:** Financial Transfers or contributions from Central Government to public entities with their own legal status. For example, state-owned enterprises and Public-Private Partnerships (PPPs)

Through the issuance of SDG Bonds, Uzbekistan will finance public expenditures intended to contribute to the achievement of one or more of the following Sustainable Development Goals:


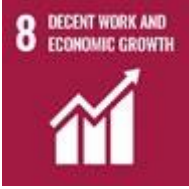











Uzbekistan will finance or re-finance public expenditures intended to contribute to the achievement of one or more of the following objectives:









1. Access to Education
2. Sustainable Water Supply and Waste-Water Management and Flood Defense Systems
3. Access to Essential Health Services
4. Delivery of Essential and Clean Transportation Services
5. Pollution Prevention and Control
6. Sustainable Management of Living Natural Resources and Land Use
7. Clean and Efficient Energy Production and Consumption

2.1.1 Eligible SDG Expenditure

The tables below set out the primary focal areas that the expenditures seek to address within this Framework, utilizing the proceeds of SDG Bonds issued. They further outline eligibility criteria for inclusion of a project under the Framework, key environmental and societal benefits, target population and alignment with priority Sustainable Development Goals needed to deliver on Uzbekistan’s priorities. The final indicators used for a specific budgetary program and expenditure will be detailed in an annual Impact Report.

Eligible Category	Eligibility Criteria	Social or Environmental Benefits	Target Population	SDG Contributions
Access to Education	Construction, reconstruction, maintenance and operation of:	Provide affordable, equitable, and quality education	Universal access to all	
	Public primary and secondary schools	Improve the proportion of literacy and numeracy	Children with special needs or disabilities	
	Public kindergartens and early childhood development facilities			
	Public education facilities to cater for children with special needs or disabilities			
	Public and national libraries			
				

Eligible Category	Eligibility Criteria	Social or Environmental Benefits	Target Population	SDG Contributions
Sustainable Water Supply and Waste-Water Management and Flood Defense Systems	<p>Promote sustainable water management including enhancing water efficiency and waste water treatment to guarantee the water supply</p> <p>Development and upgrade of water irrigation systems</p> <p>Development of flood defense systems</p>	<p>Conservation of water resources and reduction in water consumption</p> <p>Reduce the number of people suffering from water scarcity</p> <p>Decrease the economic losses caused by water-related disasters</p> <p>Improve agricultural productivity and increase the number of people provided with safe, nutritious and sufficient food</p> <p>Decrease the economic losses caused by water-related disasters</p> <p>Climate change adaptation</p> <p>Climate change adaptation and resilience, considering extreme meteorological events</p>	<p>Universal access to all</p> <p>Small-holder farmers</p>	  
Access to Essential Health Services	<p>Construction, reconstruction, maintenance and operation of public health care institutions</p> <p>Financing of public vaccination programs</p>	<p>Improve healthy life expectancy</p> <p>Provide access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines</p>	<p>Universal access to all</p>	 
Delivery of Essential and Clean Transportation Services	<p>Construction, reconstruction, maintenance and operation of clean public transportation services, such as electrified railway and electrified metro infrastructures (including railway systems, carriages, stations, signaling equipment, direct passenger access)</p>	<p>Affordable and equitable access to clean transportation</p> <p>Support economic development and improve human well-being</p>	<p>Universal access to all</p>	  

Eligible Category	Eligibility Criteria	Social or Environmental Benefits	Target Population	SDG Contributions
Pollution Prevention and Control	<p>Expenditures related to waste collection projects</p> <p>Development, maintenance and operation of waste sorting and treatment centres</p>	<p>Effective and cost- efficient waste management collection and treatment</p>	<p>Universal access to all</p>	 
Sustainable Management of Living Natural Resources and Land Use (Terrestrial and Aquatic)	<p>Expenditure related to programs and projects for conservation and restoration of protective trees in the region.</p> <p>Expenditures related to sustainable management and maintenance of national parks and conservation areas</p>	<p>Climate change mitigation</p> <p>Conservation and sustainable use of terrestrial ecosystems</p> <p>Conservation of biodiversity and protection for terrestrial and aquatic ecosystems</p>	<p>Universal access to all</p>	  
Clean and Efficient Energy Production and Consumption	<p>Construction, reconstruction, maintenance and, operation of renewable energy solar energy, wind power, hydro-power, with life cycle emissions of less than 100g CO₂e / kWh, declining to 0g CO₂e / kWh by 2030, including:</p> <ul style="list-style-type: none"> • Production of renewable energy • For new hydro energy projects eligible projects will undergo appropriate environmental and social impact assessments and ensure no significant controversy • Storage and transmission through distribution networks of renewable energy 	<p>Energy savings</p> <p>Greenhouse gas reduction</p> <p>Climate change mitigation</p> <p>Long-term provision of low-carbon infrastructure</p>	<p>Universal access to all</p>	  

2.1.2 Exclusions

For the avoidance of doubt, financing related to the following activities are excluded from the financing by Uzbekistan's SDG Bonds:

Any projects or assets related to the following budgetary activities will not be eligible under this Framework as Eligible Expenditures:

- Exploration, production or transportation of fossil fuels
- Generation of nuclear power
- Alcohol, weapons, tobacco, palm oil, cattle / beef production, conflicted minerals or adult entertainment industries

In addition, all expenditures will be screened to ensure that they do not involve any of the following activities:

- Deforestation or degradation of biodiversity
- Child labor or forced labor
- Breach of anti-corruption laws, and all environmental, social and governance laws, policies and procedures

2.2 Process for Evaluation and Selection

The Evaluation and Selection Process ensures that the proceeds from any SDG Bonds are linked to Eligible Expenditures, in accordance with the definitions and alignment with the eligibility criteria as set forth in Section 2.1.

The Ministry of Finance (MoF) of Uzbekistan, through the Public Debt Department (PDD), is the primary responsible unit for reporting and project evaluation processes. The PDD will oversee the implementation of the Framework and has established a decision-making process to determine the eligibility of projects, assets and expenditures as part of the SDG Bond Framework, including:

- A declaration about the social and environmental objectives of the bond
- A process to determine the eligibility of the project, assets and expenditures
- The associated eligibility criteria, criteria for exclusion or any other process used to identify and manage environmental and / or social risks associated with the project
- Delivery of the reports to investors, which is referred to in the Report section

The PDD will draw on representatives from inter alia, the following ministries in conducting its duties under this Framework:

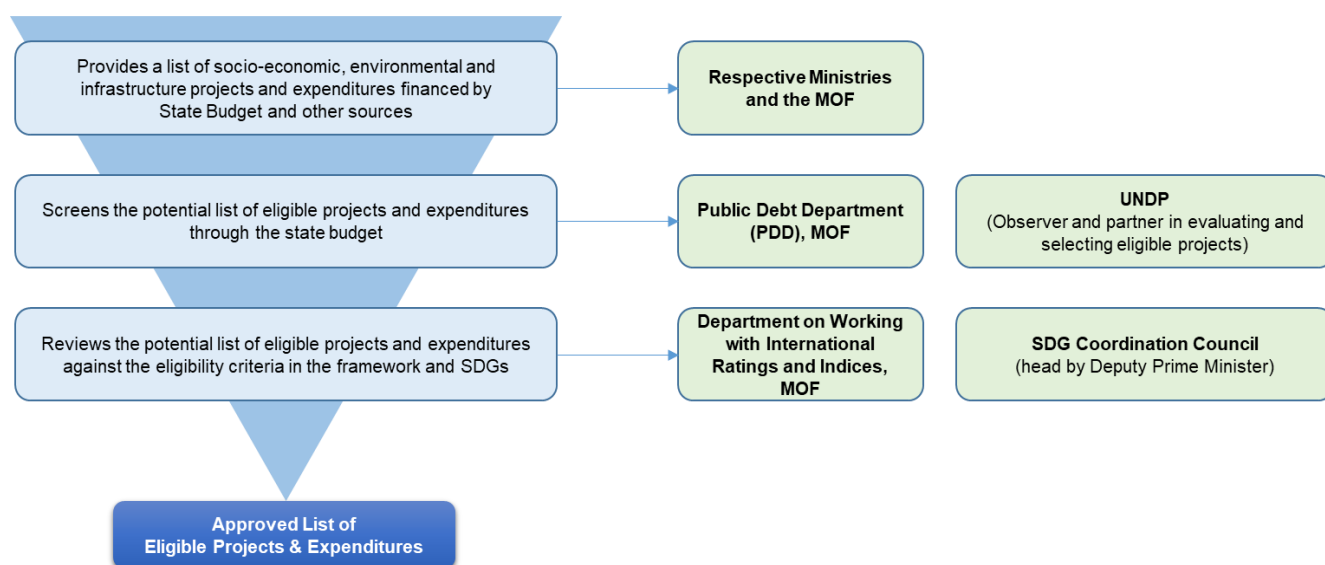
- Ministry of Finance
- Ministry of Economic Development and Poverty Reduction
- Ministry of Public Health
- Ministry of Preschool Education
- Ministry of Public Education
- Ministry of Higher and Secondary Special Education
- Ministry of Energy
- Ministry of Transport
- Ministry for Support of Makhalla and Family Ministry of Water Resources
- Ministry of Agriculture
- Ministry of Construction
- Ministry of Innovative Development
- State Committee on Ecology and Environmental Protection
- State Statistics Committee

The MoF with the assistance of the PDD will provide recommendations for approval to the SDG Coordination Council, which will approve expenditures that are consistent with the eligibility criteria in this Framework. The resulting projects will then be eligible for allocation. PDD and MoF will provide reporting to the SDG Coordination Council on progress of expenditure and implementation under this Framework.

The United Nations Development Program (UNDP) will be involved as an observer and partner during the evaluation and selection process. In addition, other international organization think-tanks or research institutes dedicated to advancing the SDGs may be involved in the evaluation and selection process of projects. These groups would be invited to provide an independent and publicly available opinion regarding the framework's eligibility criteria and relevance of the projects to the SDGs.

The following schematic shows a high-level overview of the selection, approval and governance of eligible projects under this Framework.

Evaluation and Selection Process



2.3 Management of Proceeds

In accordance with the evaluation and selection process described above, an equivalent to the net proceeds of any SDG Bond will be allocated to eligible expenditures. Uzbekistan will aim to allocate 100% of the SDG Bond within 24 months from the date of issuance.

The Republic of Uzbekistan, acting through the MoF, will be responsible for the issuance of SDG Bonds. The MoF will oversee the allocation and tracking of expenditures on Eligible Projects up to an amount equal to the net proceeds of SDG Bond issued. The proceeds of SDG Bonds will be deposited in the general funding accounts and earmarked for allocation.

Uzbekistan will establish an SDG Bond Register to manage the proceeds allocation of each SDG Bond, and make sure that the proceeds are used in accordance with this framework. The SDG Bond Register will be reviewed annually by the MoF. The Register will contain relevant information including:

Details of Eligible Use of Proceeds, including:

- Summary of projects details
- Amount of proceeds allocated to each eligible project
- Expected environmental and /or social impacts of eligible expenditures
- Aggregate amount of proceeds of SDG Bond allocated to eligible expenditures
- Remaining balance of unallocated proceeds
- Other necessary information so that the aggregate of issuance proceeds allocated to the Eligible Use of Proceeds is recorded at all times

The respective ministries utilizing the proceeds shall track and monitor and report to the MoF and the Republican Council, the environmental and social benefits of the Eligible Expenditures in their portfolio, which are funded by SDG Bonds.

In case of asset divestment or where projects cease to be eligible, the MoF will mark the proceeds as “unallocated” until the proceeds are used to finance and / or refinance other eligible expenditures.

Pending its allocation to Eligible Projects, Uzbekistan will temporarily hold an amount equal to the unallocated proceeds of the SDG Bond issuance in its Treasury.

2.4 Reporting

Under this Framework, Uzbekistan will provide investors with both an Allocation Report and an Impact Report. The Allocation Report will be published annually on www.mf.uz and as necessary thereafter in the event of material developments. The Impact Report will also be published annually for as long as any SDG Bond is outstanding.

2.4.1 Allocation of Reporting

An annual Allocation Report will be provided to investors until the total amount of budgetary resources expended on eligible expenditures equals the total amount of the net proceeds of the SDG Bond. The allocation report will include the following details:

- Net proceeds of outstanding SDG Bonds
- Aggregate amount of net proceeds allocated to Eligible Categories as defined in Section 2.1
- Examples of social or environmental projects from each Eligible Categories (subject to confidentiality disclosures)
- The proportional allocation of proceeds between existing projects (refinancing) and new projects
- The remaining balance of unallocated proceeds, if any

2.4.2 Impact Reporting

In addition, impact reporting on the expected impacts of the Eligible Expenditures will be provided and will be made available on at least an annual basis, subject to the availability of the relevant data.

Subject to the nature of Eligible Expenditures and availability of information, Uzbekistan aims to include, but not limited to, the following Impact Indicators:

Eligible Category	Potential Impact Metrics
Access to Education	<p>Number of students reached (enrolment rate)</p> <p>Number of students reached with disabilities and special needs</p> <p>Number of education facilities and / or initiatives</p> <p>Number of teachers trained</p> <p>Area of classroom space that was built, converted, or expanded for use within educational facilities (m²)</p> <p>Decrease in proportion of youth (aged 15-24 years) not in education, employment or training</p>
Sustainable Water Supply and Waste Water Management	<p>% of the population that has daily access to piped water and basic sanitation</p> <p>Yield improvement of basic crops in areas with irrigation infrastructure</p> <p>Reduction in water consumption</p> <p>Km of waste water piping installed</p> <p>Quantity of waste water treated</p> <p>Volume of potable water supplied</p>
Access to Essential Health Services	<p>Number of hospital beds per capita</p> <p>Number of patients reached</p> <p>Number of places and beds</p> <p>% population with an inability to access medical care</p> <p>Reduction in maternal mortality and neonatal mortality</p> <p>Increase in the number of:</p> <ul style="list-style-type: none"> • Hospitals and other healthcare facilities built / upgraded • Medical consultations per year (General Practitioners, Specialists) • Number of patients treated by program / vaccinations
Delivery of Essential and Clean Transportation Services	<p>Length of railway construction with equitable access (km)</p> <p>Increase in passenger km</p> <p>GHG emissions reduced / avoided</p>
Pollution Prevention and Control	<p>Number of waste treatment centres commissioned</p> <p>Volume of waste collected and processed</p>
Sustainable Management of Living Natural Resources and Land Use (Terrestrial and Aquatic)	<p>Protected areas and reserves</p>
Clean and Efficient Energy Production and Consumption	<p>MW of installed renewable power</p> <p>GHG emissions reduced / avoided</p>

3. External Review



3.1 Pre-Issuance External Review

Uzbekistan has retained Sustainalytics to provide a Second Party Opinion on the SDG Bond Framework, to confirm alignment with the ICMA 2021 Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines. The Second Party Opinion is available on the Ministry of Finance's website.

3.2 Post-Issuance External Review

Uzbekistan will request on an annual basis, starting one year after issuance of each SDG Bond and until full allocation, an Assurance Report on the allocation of the SDG Bond proceeds to Eligible Projects, provided by an external auditor.