

**DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

Approved by the Board of Directors on 24 April 2024¹

TAJIKISTAN

**GRCF2 W2 E2 - DUSHANBE RIVERSIDE WEST
AVENUE**

[Redacted in line with the EBRD's Access to Information Policy]

[Information considered confidential has been removed from this document in accordance with the EBRD's Access to Information Policy (AIP). Such removed information is considered confidential because it falls under one of the provisions of Section III, paragraph 2 of the AIP]

¹ As per section 1.4.8 of EBRD's Directive on Access to Information (2019), the Bank shall disclose Board reports for State Sector Projects within 30 calendar days of approval of the relevant Project by the Board of Directors. Confidential information has been removed from the Board report.

For the avoidance of any doubt, the information set out here was accurate as at the date of preparation of this document, prior to consideration and approval of the project.

ABBREVIATIONS / CURRENCY CONVERSIONS.....	3
PRESIDENT’S RECOMMENDATION	5
BOARD DECISION SHEET	6
ADDITIONAL SUMMARY TERMS FACTSHEET.....	7
1. STRATEGIC FIT AND KEY ISSUES.....	9
1.1 STRATEGIC CONTEXT.....	9
1.2 TRANSITION IMPACT	10
1.3 ADDITIONALITY.....	11
1.4 SOUND BANKING - KEY RISKS	12
2. MEASURING / MONITORING SUCCESS.....	13
3. KEY PARTIES	17
3.1 BORROWER.....	17
4. MARKET CONTEXT	17
5. FINANCIAL / ECONOMIC ANALYSIS	18
5.1 FINANCIAL ANALYSIS.....	18
5.2 ECONOMIC INTERNAL RATE OF RETURN	18
5.3 SENSITIVITY ANALYSIS	18
5.4 PROJECTED PROFITABILITY FOR THE BANK.....	18
6. OTHER KEY CONSIDERATIONS.....	18
6.1 ENVIRONMENT	18
6.2 INTEGRITY.....	19
ANNEXES TO OPERATION REPORT	20
ANNEX 1 – GREEN ASSESSMENTS	21
ANNEX 2 – PROJECT IMPLEMENTATION AND PROCUREMENT PLAN	23
ANNEX 3 – PROJECT MAP.....	25
ANNEX 4 - IMPLEMENTATION PROGRESS OF GRCF / GRCF2.....	26

ABBREVIATIONS / CURRENCY CONVERSIONS

ADB	Asian Development Bank
CapEx	Capital Expenditure
CO ₂	Carbon Dioxide
CRB	Climate Resilience Benefit
CS	Construction Supervision
ECEPP	EBRD Client e-Procurement Portal
EIRR	Economic Internal Rate of Return
E&S	Environmental and Social
ESAP	Environmental and Social Action Plan
ESDD	Environmental and Social Due Diligence
ESMP	Environmental and Social Management Plan
ESMS	Environmental And Social Management System
ESP	Environmental and Social Policy
ETI	Expected Transition Impact
EUR	Euro
EURIBOR	Euro Interbank Offer Rate
EV	Electric Vehicle
FX	Foreign Exchange
GCAP	Green City Action Plan
GCF	Green Climate Fund
GDP	Gross Domestic Product
GET	Green Economy Transition
GHG	Greenhouse Gas
GoT	Government of Tajikistan
GrCF	Green Cities Framework
GrCF2 W2 E2	Green Cities Framework 2 – Window II Extension 2
H&S	Health and Safety
HPP	Hydroelectric Power Plan
IESC	Independent E&S Consultant
IFI	International Financial Institution
IMF	International Monetary Fund
ITP	Integrated Transport Planning
KPI	Key Performance Indicators
LGD	Loss Given Default
kWh	Kilowatt Hour
MDB	Multilateral Development Bank
MoF	Ministry of Finance of the Republic of Tajikistan
MoT	Ministry of Transport of the Republic of Tajikistan
NMT	Non-Motorised Transport
NPV	Net Present Value
NO _x	Nitrogen Oxides
NTS	Non-Technical Summary
OCCO	Office of the Chief Compliance Officer
OHS	Occupational Health and Safety
PA	Paris Alignment
p.a.	per annum
PD	Probability of Default
PEP	Politically Exposed Person
PIU	Project Implementation Unit
PIS	Project Implementation Support
PM	Particulate Matter

POM	PIU Operations Manual
PPG	Public And Publicly Guaranteed
PP&R	EBRD's Procurement Policies and Rules
PR	Performance Requirements
PT	Public Transport
RAROC	Risk-Adjusted Return on Capital
RF	Resettlement Framework
SDG	Sustainable Development Goals
SEP	Stakeholder Engagement Plan
SIF	Sustainable Infrastructure Fund
SO ₂	Sulphur Dioxide
SOE	State Owned Enterprise
SSF	EBRD Shareholder Special Fund
SSP	Shared Socioeconomic Pathways
SUMP	Sustainable Urban Mobility Plan
SW	Solid Waste
TC	Technical Cooperation
TI	Transition Impact
USD	United States Dollar
VAT	Value Added Tax
WB	World Bank
YE	Year End
y/y	Year-On-Year

CURRENCY CONVERSION (as of 16 February 2024)

EUR 1 = USD 1.08

USD 1 = TJS 10.92

PRESIDENT'S RECOMMENDATION

This recommendation and the attached Report concerning an operation in favour of the Republic of Tajikistan are submitted for consideration by the Board of Directors.

The facility will consist of a sovereign loan to the Republic of Tajikistan in the amount of up to EUR 28.45 million to finance improvements of public transport infrastructure in the riverside area of Dushanbe (the "Project"). The Project consists of: (i) the reconstruction of roads and a bridge over the Varzob river, and (ii) the development of infrastructure for sustainable mobility, including dedicated bus and trolleybus lanes as well as infrastructure for active (walking and cycling) and electric mobility.

The Project is the Bank's second follow-on investment under the Dushanbe Green City Action Plan ("GCAP") and the expected transition impact stems from transition impact qualities identified in the Green Cities Framework 2 – Window II Extension 2 ("GrCF2 W2 E2"). The *Green quality* will derive from the Project's contribution to the promotion of public transport, active and electric mobility, encouraging a modal shift away from private vehicles and emissions reduction. The *Well-governed* quality derives from the development of a Sustainable Urban Mobility Plan ("SUMP") for the city of Dushanbe (the "City"). This includes a transport model development, infrastructure planning and policy for further promotion of sustainable, inclusive and gender-responsive mobility and integration with urban planning and development needs.

The pre-signing technical cooperation ("TC") was funded by the Sustainable Infrastructure Fund ("SIF"). The post-signing TC package will be financed by an international donor, or the SIF and the EBRD Shareholder Special Fund ("SSF") and will cover the costs of: (i) appointing a Project Implementation Support consultant, (ii) providing advisory services to the Project Implementation Unit, and (iii) development of the SUMP for the City.

I am satisfied that the operation is consistent with the Bank's Strategy for Tajikistan, the Municipal and Environmental Infrastructure Sector Strategy, the Green Economy Transition Approach 2021-2025, Strategy for the Promotion of Gender Equality 2021-2025, and with the Agreement Establishing the Bank.

I recommend that the Board approve the proposed loan substantially on the terms of the attached Report.

Odile Renaud-Basso

BOARD DECISION SHEET

TAJIKISTAN – GRCF2 W2 E2 DUSHANBE RIVERSIDE WEST AVENUE – DTM 53842	
Transaction / Board Decision	Board approval ² is sought for a sovereign loan of up to EUR 28.45 million to the Republic of Tajikistan to finance improvements of public transport infrastructure in Dushanbe (the “Project”). The Project consists of: (i) the reconstruction of roads and a bridge over the Varzob river, (ii) the provision of infrastructure for sustainable mobility, including dedicated bus and trolleybus lanes as well as infrastructure for active (walking and cycling) and electric mobility. The Project will be the Bank’s second follow-on (i.e. third) investment under the GrCF2 W2 E2 and will address priority environmental challenges identified in Dushanbe GCAP.
Client	Republic of Tajikistan is the Borrower. The Project Implementation Unit for Roads Rehabilitation (“PIU”) under the Ministry of Transport (“MoT”) of the Republic of Tajikistan will implement the Project in coordination with the Dushanbe administration.
Main Elements of the Proposal	<p><u>Transition impact</u></p> <ul style="list-style-type: none"> • <i>Primary Quality – Green.</i> The Project supports a shift to public transportation and use of non-motorised transport to significantly reduce greenhouse gas emissions, tailpipe air pollutant emissions, noise pollution and to increase climate adaptation. • <i>Secondary Quality – Well-governed.</i> The Project aims to facilitate the development of a SUMP for Dushanbe, including a transport model development, infrastructure planning and policy for further promotion of sustainable mobility. <p><u>Additionality</u></p> <ul style="list-style-type: none"> • The Bank will provide long-term financing, presently not available from local commercial banks. The Bank will support the Borrower to achieve higher standards through its conditionalities (e.g. PP&Rs and ESAP). • The Bank will support mainstreaming gender in the SUMP to ensure it appropriately identifies the unique mobility needs and challenges faced by women and people with reduced mobility. <p><u>Sound banking</u></p> <ul style="list-style-type: none"> • The Bank is focused on improving its effectiveness of municipal institutions and policies by bringing high E&S standards, PP&Rs, etc.
Key Risks	<ul style="list-style-type: none"> • Sovereign risk. Despite a strong economic rebound from the COVID-19 crisis in 2021 and robust economic gains in 2023, Tajikistan remains at a [REDACTED] risk of debt distress, runs a fiscal deficit and continues to rely on grants and concessional loans for large-scale infrastructure projects like Rogun HPP. • Implementation risk. The risk is associated with [REDACTED] implementation capacity and will be mitigated by involving a Project Implementation Support consultant (PIS) and Construction Supervision (CS) consultant.
Strategic Fit Summary	The Project is in line with the Bank’s Strategy for Tajikistan, the Municipal and Environmental Infrastructure Sector Strategy and the Green Economy Transition Approach 2021-2025. The Project’s focus on the promotion of equality of opportunity for women in Tajikistan is in line with EBRD’s 2021 – 2025 Strategic Capital Framework, as well as the Bank’s Strategy for the Promotion of Gender Equality for 2021 – 2025.

² Article 27 of the AEB provides the basis for this decision.

ADDITIONAL SUMMARY TERMS FACTSHEET

EBRD Transaction	A sovereign loan of up to EUR 28.45 million (the “Loan”) to the Republic of Tajikistan.
Existing Exposure	Portfolio: EUR 482 million; operating assets: EUR 334 million.
Maturity / Exit / Repayment	A tenor of 20 years [REDACTED]
Potential AMI eligible financing	None.
Use of Proceeds - Description	Procurement and implementation will follow the EBRD Procurement Policies and Rules and the use of proceeds will be subject to full prior review by the EBRD including regular monitoring visits by the PIS&CS consultant. Progress reports will be submitted on a quarterly basis. Please refer to Annex 2 (<i>Project Implementation and Procurement Plan</i>) for more details.
Investment Plan /Financing Plan	[REDACTED]
Key Parties Involved	<u>Borrower</u> : the Republic of Tajikistan. <u>Project Beneficiary</u> : the city of Dushanbe. <u>Implementing Agency</u> : the PIU under the Ministry of Transport of the Republic of Tajikistan in coordination with the Dushanbe administration.
Conditions to subscription / disbursement	The PIU with adequate resources and suitably qualified personnel, all acceptable to the Bank, is established. The PIS and CSC are appointed.
Key Covenants	[REDACTED]
Security / Guarantees	N/A
Other material agreements	N/A
Associated Donor Funded TC and co-investment grants/concessional finance	<p>A. Technical Cooperation (TC)</p> <p><u>Pre-signing:</u> TC 1: Feasibility Study and Project Scoping: (i) review of the city/network planning, traffic surveys and demand forecasts; (ii) assessment of bus/trolleybus operations and street infrastructure and facilities; (iii) modelling of urban space and landscaping and sustainable mobility modes; (iv) design options, traffic and accessibility assessment; (v) climate adaptation assessment; (vi) analysis of the traffic management system; (vii) review of the current design and proposed design revisions; (viii) recommended option for project scoping; (ix) procurement plan and implementation strategy; (x) environmental and social due diligence and (xi) concept design of selected project, integrating all required components, and complete description of assignment for the design review task. The assignment’s cost is EUR 691,740 financed by the SIF.</p> <p><u>Post-signing:</u> TC 2: Project Implementation Support (“PIS”) to support the PIU with design review, procurement, preparation and evaluation of tenders, contract award and administration, financial control, project management and reporting including assistance to implement the ESAP and prepare the annual E&S reporting. The assignment’s cost is estimated at EUR 220,000; proposed to be financed by an international donor, the SIF or the SSF.</p> <p>TC 3: Institutional Support - development of the SUMP, including a transport model development, infrastructure planning and policy for further promotion of sustainable, inclusive and gender-responsive mobility, including public and shared mobility, city logistics, traffic management and parking policies, as well as digital and innovative technology and integration with urban planning and development needs. The assignment’s cost is estimated at EUR 900,000; proposed to be financed by an international donor, the SIF or the SSF.</p>

	<p>TC 4: PIU advisory to strengthen the PIU capacity with up to five individual experts, dedicated only to the proposed Project. The assignment's cost is estimated at EUR 150,000; proposed to be financed by the SIF or the SSF.</p> <p><u>Cost sharing:</u> The Borrower will contribute to the cost of the Project by financing the PIU costs of up to EUR 950, 000.</p> <p>B. Co-investment grants / Concessional Finance (Non-TC) N/A.</p> <p>B. Blended Concessional Finance None.</p>
--	---

[REDACTED]

INVESTMENT PROPOSAL SUMMARY

1. STRATEGIC FIT AND KEY ISSUES

1.1 STRATEGIC CONTEXT

This pilot project in Dushanbe is expected to have a catalytic effect in terms of facilitating modal shift to sustainable mobility, including public transport and active travel modes. The Project, the second follow-on investment under the GrCF2 W2 E2, contributes to initiating such a transformation within the Dushanbe transport system towards more sustainable modes, resulting in improved environmental conditions and reduction in air and noise pollution and greenhouse gas ("GHG") emissions, whilst mitigating the impacts of climate change.

Dushanbe (the “City”), the capital of Tajikistan, faces urban development challenges, particularly with traffic management and public transport network planning. The public transport system relies heavily on gasoline and diesel vehicles, contributing to high GHG emissions and air pollution. Moreover, the transport system is currently car-centric, favouring private vehicle users; leaving great opportunity to create better, more attractive, and safer spaces for non-motorised transport users. To address these issues, Dushanbe administration and the republican government promote a shift towards sustainable mobility, supported by measures such as the development of sustainable mobility planning methods and exempting electric vehicles from import duties and taxes. In engaging and supporting such transformation, the Project holds strategic importance in promoting sustainable mobility in Dushanbe. This Project is thus intended to act as a catalyst to encourage the shift towards sustainable mobility in Dushanbe by developing the first avenue in the city redefined on sustainable mobility principles.

The Project is also part of a broader programme to improve the City’s sustainability. It will be the second follow-on investment under the City’s Green City Action Plan (“GCAP”). The GCAP strives to address environmental and economic challenges through sectoral interventions, including the transport sector. The GCAP identified air quality, climate mitigation and adaptation as priority challenges, exasperated by the transport sector vehicle fleet emissions and limited incentives for clean mobility. The GCAP specifically includes actions advocating for better transport planning, safe connectivity, and carbon emissions reduction (‘GCAP Action 10: Develop pilot transport projects focused on sustainable urban mobility’) as well as (‘GCAP Action 9: Develop a Sustainable Urban Mobility Plan for Dushanbe’) emphasizing the need for a comprehensive SUMP. Further, through its involvement in the Project, the EBRD will support Tajikistan in implementing its strategy to transition to the green economy³, which sets phasing-out of hydrocarbon fuel and stimulating the development of electric transport among the transport sector priorities.

In terms of local policies, the General Plan for Transport in Dushanbe is driving significant development of its urban mobility network, to support the projected population growth and expanded administrative boundaries. The proposed Project, a central part of this plan, comprises the improvement of a critical arterial avenue, along with technical cooperation

³ Electric Transport Development Programme for 2023-2028, promoting electric vehicle adoption, featuring a multi-year plan for charging stations, stimulating electric public transport, supporting battery disposal, and boosting local electric vehicle production.

to support the City with the development of the SUMP for the city, including a transport model development, infrastructure planning and policy for further promotion of sustainable, inclusive and gender-responsive mobility, including public and shared mobility, city logistics, traffic management and parking policies, as well as digital and innovative technology and integration with urban planning and development needs.

The Project is Gender SMART through mainstreaming gender in the SUMP to ensure that the perspectives and needs of women and people with reduced mobility are an integral dimension of the design, prioritisation, implementation, monitoring and evaluation of policies and initiatives related to urban mobility and that women are actively involved in decision-making and can benefit equally from the opportunities created through the transport systems in the City.

The proposed Project is consistent with the Bank's Country Strategy for Tajikistan through: (i) improving the transport infrastructure quality and climate change resilience; and (ii) enhancing access to climate resilient infrastructure and services through the modernization and expansion of public transport for women and people with disabilities. The Project is consistent with the Bank's Strategy for the Promotion of Gender Equality 2021-2025 which includes a priority to promote gender equality in the infrastructure sector as a source of economic opportunities for women.

The Project is fully consistent with the Municipal and Environmental Infrastructure Sector Strategy (BDS19-069(F)), notably with the Strategic Directions of *Priority I: Provide access to enhanced infrastructure* and *Priority II: Drive sector sustainability*.

The Project is consistent with the GET approach and qualifies for 55 per cent GET. Climate risk assessment was included within the project-level technical due diligence. Recommendations to ensure the design and maintenance phases are climate-resilient, minimising damage to infrastructure and disruption to business and productivity in the region were developed. Please refer to Annex 1 Green Assessment.

The Project further contributes to a few UN Sustainable Development Goals (SDGs), namely: *SDG 5. Gender Equality, SDG 9. Industry, Innovation and Infrastructure, SDG 11. Sustainable Cities and Communities, SDG13. Climate Action, SDG17. Partnership for the Goals.*

Lesson learned since signing of the Dushanbe-Uzbekistan Border Road Project:
Issue – The limited institutional capacity of the MoT and Government in general resulted in a thinly-spread effort and prevented delivery on the priority TI objectives agreed originally. Lesson learned - Focus policy dialogue and achievable TI objectives on key sector issues relevant to the authorities to secure their buy-in during project preparation and implementation. The above lesson learned has been taken into account under the proposed loan. The TI objectives have been set to focus on a priority area for the Government.

1.2 TRANSITION IMPACT

The GrCF2 represents a strategic and multi-project approach seeking to help identify and address environmental challenges in selected large cities in our countries of operation. The primary goal is to achieve significant environmental improvements and to promote the Green transition quality within the relevant cities. In addition to the environmental objective, the GrCF2 also promotes sustainable cities through inclusive, resilient, well-governed and smart urban development. Depending on which area can generate the

strongest and most relevant transition impact, either Well-governed, Inclusive, Resilient or Competitive will be pursued and presented as the secondary transition quality for each sub-project under the framework. These transition objectives are supported by the development and implementation of a city-specific GCAP aiming to identify environmental challenges, facilitate better coordination and buy-in among stakeholders and help to prioritise and develop the best ways to address the environmental challenges through targeted investments, services and policy instruments.

The Project will *primarily* help to promote the **Green** transition quality via integration of sustainable mobility. The Project will improve the public transport network through a dedicated bus lane provision as well as improve non-motorised transport (“NMT”) provision. These improvements will lead to reduction in CO2 emissions by 37 per cent compared to the “Do Nothing Scenario” and will reduce air pollutants (namely NOx, PM and SO2) and will also limit heat absorption (through cool pavements), making the Project eligible for inclusion under the Green Cities Framework. The Project addresses the City’s priority environmental challenges identified in the Dushanbe GCAP, i.e. air pollution, climate mitigation and adaptation. The Project will further contribute to a reduction in noise pollution.

The Project will also support the **Well-governed** objective through assisting the City in developing the SUMP, as identified in GCAP (GCAP ‘Action 9’).

Delivery Risks

The main risk to achieve the transition impact is implementation capacity, which is mitigated by involvement of the PIU under the MoT, that has prior experience of road sector projects financed by International Financial Institutions (“IFIs”) and bilateral donors. The PIU will be further supported by TC funded PIS consultant. [REDACTED].

1.3 ADDITIONALITY

Identified triggers	Description
<i>No triggers identified</i>	N/A.

Additionality sources	Evidence of additionality sources
<i>Financing Structure</i> <ul style="list-style-type: none"> EBRD offers a tenor and a grace period, which is above the market average and is necessary to structure the project. Public sector: EBRD investment is needed to close the funding gap. At the same time, EBRD does not crowd out other sources, such as from IFIs, government, commercial banks and/or complements them 	EBRD will provide a loan with an 20-year tenor [REDACTED]. Such terms are not currently available from commercial banks.
<i>Risk mitigation</i> <ul style="list-style-type: none"> EBRD helps the client to mitigate carbon transition risks and take climate action, such as to move along a low carbon transition pathway. 	The Project will result in a reduction of CO2 emissions (37 per cent), as well as NOx, PM and SO2 emission reduction (29 per cent). Without the Bank’s participation, higher environmental standards might not have been pursued.

<p><i>Standard-setting: helping projects and clients achieve higher standards</i></p> <ul style="list-style-type: none"> - Gender SMART: the Client seeks/makes use of EBRD expertise on higher inclusion and gender standards and/or equal opportunities action plans. - Client seeks/makes use of EBRD expertise on best international procurement standards. 	<p>The Borrower will meet higher standards of inclusion through EBRD support in mainstreaming gender in the SUMP.</p> <p>The on-going procurement will follow the EBRD's PP&R to maintain eligibility for the financing.</p> <p>The Bank will support the Client in implementing the Environmental and Social Action Plan ("ESAP").</p>
<p><i>Policy, sector, institutional, or regulatory change</i></p>	<p>Via TC support for the SUMP development and adoption the Bank will support modal shift to a public transport centric traffic model for Dushanbe, promoting active mobility infrastructure, as well as further integration of EV charging infrastructure.</p>

1.4 SOUND BANKING - KEY RISKS

Risks	Probability / Effect	Comments
Sovereign risk	Medium/High	Tajikistan's public debt has significantly decreased from 46.5 per cent of GDP in 2020 to 34.8 per cent in 2023 due to strong economic growth and currency appreciation. However, the country remains at a [REDACTED] risk of debt distress, with a focus on medium-term fiscal discipline to control the fiscal deficit at 2.6 per cent of GDP, relying on grants and concessional loans for large-scale infrastructure projects like Rogun HPP. External debt constitutes about 90 percent of the outstanding PPG (Public and Public Guaranteed) debt, mainly owed to China, WB and ADB, while the USD 500 million Eurobond for Rogun HPP represents 15.5 per cent of the total outstanding external PPG debt at the end of 2023.
Implementation risk	High/High	The international PIS consultant(s) and PIU advisory will assist the PIU with the Project's implementation. Application of EBRD PP&R and the Bank's prior review of the key procurement documentation and decisions should ensure selection of experienced and creditworthy contractors and suppliers to perform the works and the balanced contracts conditions used.
Cost over-run risk	Medium/High	The Project's cost estimates have been validated in the Feasibility Study (September 2023) conducted by international consultants. A contingency allowance of 5 per cent is included for the prepared detailed design and 15 per cent for the design improvement measures.
Environmental risks	Low/Medium	This is a category B project. An ESDD for the Project has been conducted and relevant mitigation measures have been reflected in ESAP. PIS consultant will support the PIU with the implementation of the ESAP and compliance with EBRD PRs. PIU advisory consultants and supervision engineers will assist with close monitoring, and mitigation as relevant, of E&S risks.

2. MEASURING / MONITORING SUCCESS

Primary Quality: Green

Obj. No.	FW Monitoring Indicator	Corresponding Sub-Project Monitoring Indicator	Details (FW)	Details for Specific Sub-Project	Baseline (Sub-Project)	Target (Sub-Project)	Due date (FW)	TC-related?
1.1	Number of recommended policy or strategy agreed by relevant stakeholder(s)	Recommended policy or strategy or regulatory framework/ standard agreed by relevant stakeholder(s)	New Green City Action Plans: [REDACTED] new GCAPs finalised and submitted for approval by relevant authorities, and includes priority actions and a monitoring strategy in each participating City. [REDACTED].	Dushanbe GCAP was completed in July 2022 and approved in January 2023 by the city council.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
1.2	Performance or action plan implemented by the client	Performance or action plan implemented by the client	Strong follow-on support: 50 per cent of transactions (under GrCF2 and future extensions) are follow-on investments addressing priority environmental challenges identified in the GCAPs.	The Project is the City's second follow-on investment from the GCAP, which addresses the priority challenge of air pollution.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
1.3	Performance or action plan implemented by the client	Performance or action plan implemented by the client	Multiple green investments: Each participating city makes [REDACTED] investment (with or without EBRD financing) that address priority environmental challenges identified by the GCAP, where all EBRD financed projects will meet the extended Framework's eligibility criteria for investments.	The Project will be signed and implemented and meets the eligibility criteria for investment under GrCF2. The Project will reduce CO2 emissions, air pollutants by 37 percent compared to baseline and limits heat absorption (adaptation).	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

1.4	Performance or action plan implemented by the client	Performance or action plan implemented by the client	Effective GCAP implementation: The Framework achieves at least 50 per cent of all verifiable targets, set in the GCAP [REDACTED] (including both investments and well-defined policy measures).	Follow on – the Project addresses the GCAP targets of improving air pollution and GHG emissions in the transport sector and support the implementation of GCAP Action 9 - SUMP.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
1.5	Improved environmental standards	Improved environmental standards	Environmental impact: The Framework achieves significant environmental improvements for at least one priority environmental challenge, i.e. the promotion or protection of certain performance levels (colour codes) for priority environmental challenges as specified in the GCAPs, for more than 50 per cent of the Green Cities.	While the Project results in reduced CO2 emissions as well as climate change adaption measures as cool pavements, the relevant environmental improvements will not be monitored at project level.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Secondary Quality: Well-governed

Obj. No.	FW Monitoring Indicator	Corresponding Sub-Project Monitoring Indicator	Further Details Sub-Project level	Details for Specific Sub-Project	Baseline (Sub-Project)	Target (Sub-Project)	Due date (Sub-Project)	TC-related?
2.1	Institution-level capacity strengthened in target area	Institution-level capacity strengthened in target area	The project and associated TC activities will mandate the introduction of municipal or regional authority (i.e. multi-municipality) to plan and coordinate infrastructure provision where such arrangements are not common in the country	The Bank will assist the City in developing SUMP through a dedicated TC, thus supporting implementation of GCAP Action 9 -Develop a SUMP for Dushanbe.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Additional Indicators

Objective	FW level aggregate indicator	Indicator (sub-Project)	Details (sub project)	Baseline (Sub-Project)	Target (Sub-Project)	Due date (Sub-Project)	TC-related?
Core client indicators	Total Population benefitting (individuals)	Total Population benefitting from improved public infrastructure (individuals)	Daily citizens benefitting from improved public infrastructure (Total population of Dushanbe)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	Annual reduction in tonnes of CO ₂ equivalent savings (tonnes CO ₂ eq / yr)	Annual reduction in tonnes of CO ₂ equivalent savings compared to Do Nothing scenario (tonnes CO ₂ eq / yr)	Annual reduction of 23,969 tonnes of CO ₂ emissions (or 37 per cent compared to baseline).	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	Valorised Climate Resilience Benefit (EUR million)	Valorised Climate Resilience Benefit (EUR million)	Valorised Climate Resilience Benefit (CRB) is calculated in accordance to the internal EBRD GET climate adaptation methodology. Once the climate resilience measures (cool pavements or equivalent)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

			which ensure reduction of heat risk damage on NMT infrastructure are integrated into the construction, CRB is assumed to have been achieved.				
Gender SMART	Recommended policy or strategy or regulatory framework / standard agreed by relevant stakeholders	Recommended policy or strategy or regulatory framework / standard agreed by relevant stakeholders	The client will mainstream gender in the forthcoming SUMP.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

3. KEY PARTIES

3.1 BORROWER

The Republic of Tajikistan, represented by the Ministry of Finance, will be the Borrower under the proposed loan. The City, which is responsible for the administration of Dushanbe road network, will be the beneficiary. In a close coordination with the MoT, the PIU is responsible for the Project's preparation, including design approval, contracting, implementation, and reporting.

The PIU will implement the Project.

4. MARKET CONTEXT

Dushanbe, the capital of Tajikistan, is the country's largest city with the population of almost a million. As a fast growing City, it faces frequent traffic bottlenecks on its main connection points (South to West) and public transport network planning issues. Roads are the dominant transport mode in the City and for the country for both freight and passenger transport. However, the road density is approximately 20 km per 100 km², among the lowest in the region.

The City's public transport ("PT") system comprises of buses, trolleybuses, minibuses and taxis. Annually, around 288 million rides are taken using the public transport system. Vehicle fleets are heavily reliant on gasoline and diesel fuel, and have the highest impact on GHG emissions and air pollution in Dushanbe. The City's transport-related GHG emissions are expected to be 850,000 tCO₂ by 2030, with commercial vehicles contributing to more than 50 per cent of the volume of total emissions.

Tajikistan generates more than 95 per cent of its electricity through hydropower, being, at the same time, highly dependent on imported fuel. Given the steady upward trajectory in prices for fossil fuels (USD 1.1 cents/litre) and low cost of electricity (USD 0.2 cents/kWh), the shift to electric mobility from fossil fuel is regarded as a strategic direction for the transport industry from both an environmental and commercial perspective. This strategic modal shift was supported by the City and the government on the republican level, when the President of Tajikistan signed a Decree to exempt EVs from all import duties and taxes in December 2021. This became possible due to the Bank's active policy dialogue to facilitate measures for introduction of electric vehicles in public transportation as part of GrCF2 W2 - Dushanbe E-Mobility (52789) project.

These developments and market conditions are conducive to encouraging sustainable mobility in Dushanbe and the transition towards electric mobility which will be two key contributors to 'greening' the transport sector. The Project is thus of strategic importance to promote and integrate sustainable and electric mobility in Dushanbe.

5. FINANCIAL / ECONOMIC ANALYSIS

5.1 FINANCIAL ANALYSIS

[REDACTED]

5.2 ECONOMIC INTERNAL RATE OF RETURN

[REDACTED]

5.3 SENSITIVITY ANALYSIS

[REDACTED]

5.4 PROJECTED PROFITABILITY FOR THE BANK

[REDACTED]

6. OTHER KEY CONSIDERATIONS

6.1 ENVIRONMENT

This Project is Categorised B (2019 ESP). The environmental and social (E&S) impacts associated with the Project are assessed to be readily identified and managed via the implementation of good construction management practices and the Environmental and Social Action Plan (ESAP).

An Environmental and Social Due Diligence (ESDD) and Road Safety Audit were completed for the Project as part of a feasibility assignment conducted by independent consultants. The consultant prepared Environmental and Social Assessment and Audit Reports. In addition, an Environmental and Social Management Plan (ESMP), Stakeholder Engagement Plan (SEP), Non-Technical Summary (NTS) and Resettlement Framework (RF) have been prepared and disclosed by the Borrower. The ESAP has been prepared and agreed with the Borrower prior to Board consideration. The Borrower has limited management systems capacity. The ESAP reflects support that is anticipated to be required to enable the Borrower to implement the Bank's PRs.

Surveys undertaken to date indicate that no physical displacement is anticipated in the Project. Road safety will be key in construction and operation of the Project. Special attention to traffic management and road safety will be required including occupational road risk management arrangements. Recommendations from the Road Safety Audit will be implemented into the design and construction phase of the project.

Construction in the urban area will present labour, OHS and community health and safety risks. Appropriate waste management and pollution prevention measures will be taken during construction to protect the environment and avoid, minimise and mitigate nuisance issues for local residents and road users. The ESAP will require compliance with PR 3 through implementation of a suite of Environmental Management Plans (including dust and waste management). The ESAP will require the PIU and key contractors to complete the EBRD Asbestos Awareness Training.

Stakeholder engagement and disclosure has been conducted to date with national and local government authorities and agencies, civil society organisations and affected community representatives, during the preparation of the Project documents. A grievance mechanism was also disclosed. The Borrower will ensure that the SEP is implemented in line with

PR10 during the whole life-cycle of the project, and a third-party grievance mechanism is in place, operational and effective.

The ESAP includes actions for the client in relation to develop an environmental and social management system (ESMS) and related management plans for the construction and operation phases of the project. These will include management plans for: labour, OHS, water, waste, traffic management, road safety, community health and safety, stakeholder engagement, noise and vibration. It will also require the Borrower to dedicate E&S and H&S resources within the PIU to execute the Project in compliance with Bank's and local legislative requirements. Training support is anticipated in the ESAP to the PIU and the Construction Contractor workforce on Project implementation requirements.

The EBRD will monitor the Project's environmental and social performance and compliance with EBRD PRs by reviewing reports on environmental and social matters, and implementation of the ESAP. Site visits to monitor the Project will also be carried out periodically. An independent E&S consultant will be engaged to conduct monitoring of the Project during the construction phase.

6.2 INTEGRITY

In conjunction with OCCO, integrity due diligence was undertaken on the City, the MoT, the Ministry of Finance and other relevant parties, including key officials of the aforementioned government bodies and managers of the PIU, which already exists under the MoT. [REDACTED].

All actions required by the applicable EBRD procedures relevant to the prevention of money laundering, terrorist financing and other integrity issues have been taken with respect to the Project. In addition, the project files contain integrity checklists and other required documentation which have been properly and accurately completed to proceed with the Project.

ANNEXES TO OPERATION REPORT

ANNEX 1	GREEN ASSESSMENTS
ANNEX 2	PROJECT IMPLEMENTATION AND PROCUREMENT PLAN
ANNEX 3	PROJECT MAP
ANNEX 4	IMPLEMENTATION PROGRESS OF GRCF/GRCF2

ANNEX 1 – GREEN ASSESSMENTS

Introduction

- The Project entails a **sovereign loan** that will finance the rehabilitation of a road network and a bridge in the riverside area of Dushanbe, with the improvement of public transport network through a dedicated bus lane provision as well as improvement of NMT provision.
- The Project is assessed as **aligned with the goals of the Paris Agreement** based on the ‘direct finance’ methodology.
- The Project qualifies for **55 per cent GET** as climate, environment, and adaptation finance.
- **The Project is eligible for EBRD Green Cities as it meets the criteria for mitigation projects and will serve as a follow-on investment for Dushanbe GCAP.**

Paris alignment assessment

Alignment with the mitigation goals of Paris Agreement:

- The Project/economic activity is **included** in the joint MDB ‘aligned list’ and meets accompanying conditions (*Road upgrading, rehabilitation, reconstruction, and maintenance without capacity expansion*).
- Regarding the Project, there are **no** activities included in the ‘non-aligned list’.

Conclusion: The Project is assessed as aligned with the mitigation goals of Paris Agreement (BB1 aligned).

Alignment with the adaptation goals of Paris Agreement

A comprehensive climate risk assessment identified extreme heat and flooding as the major vulnerabilities for the project location. Suitable resilience measures will be included in the Project (see GET section below). Such specific measures include the introduction of heat absorption materials (such as cool pavements or granite) and design considerations for the bridge. In addition, the project does not undermine the resilience of wider systems and is not inconsistent with the national policy for context adaptation.

Conclusion: The Project is assessed as aligned with the adaptation goals of Paris Agreement (BB2 aligned).

GET attribution

- The Project is attributed climate, environment and adaptation GET finance.
- The main GET impact expected out of the investment are:
 - Climate change mitigation: **29.4 per cent GET** taking into account the use of proceeds dedicated to create safe, convenient and accessible environments through dedicated provision for NMT and PT. This encourages modal shift to sustainable modes that in turn reduces CO2 emissions by 37 per cent compared with the ‘Do Nothing scenario’.
 - Pollution prevention and control: **10.4 per cent GET** due to air quality improvement where NOx, PM and SO2 emission reduction benefits have been quantified as they result in 29 per cent reduction in air pollutants when compared against the ‘Do Nothing scenario’.
 - Climate change adaptation (please see more details below): **15 per cent GET** due to using cool pavements or other equivalent material which limits heat absorption and subsequently avoids damage impacts. Based on the

Consultant's detailed climate risk and vulnerability assessment, the client has agreed to consider the adaptation measures suggested addressing heat stress. The three-step approach in line with j-MDB methodology for attribution of climate adaptation finance is presented below.

Conclusion: *The Project is 55 per cent GET.*

[REDACTED]

ANNEX 2 – PROJECT IMPLEMENTATION AND PROCUREMENT PLAN

Procurement classification – *Public sovereign*

Project risk assessment:

[REDACTED]. For the purposes of this annex, the reference to the Client is the reference to the MoT. The Client's capacity was assessed as a part of the Project due diligence by the PIA using the EBRD capacity assessment toolkit (simplified). All categories, i.e. legal framework, organisation of procurement function, support & control systems, staffing, record keeping, procurement planning, procurement cycle, general assessment of the Client, as well as the project risks have been assessed.

It was found that the PIU already exists within the MoT and has experience in implementation of IFI funded projects, including the EBRD financed Obigarm-Nurobod Road Project. [REDACTED] In addition, the current PIU is working mostly on ADB funded projects almost at full capacity.

Contracts risk assessment – Moderately Low

The Project capital expenditure component consists of one tender, where the works contract will be based on FIDIC Construction Contract (Red Book). The PIU is familiar with the mentioned form of the contract and no complications in terms of the contract administration are foreseen.

Moreover, the PIU will be supported by an international consultant during the procurement process, tendering, contract implementation as well as construction supervision, acting as a FIDIC Engineer.

Project implementation arrangements:

The PIU has already been established within the MoT by the decree of the Government of Tajikistan to manage projects in road sector. The PIU is a government entity working in coordination with various departments of the MoT and other relevant agencies and organizations. The experts have substantial professional technical experience and already worked on various IFI-funded projects. [REDACTED]. These experts will be devoted only to the implementation of Dushanbe Riverside West Avenue Project. The positions, terms of reference and resources will be agreed with the PIU and have to be acceptable to the Bank.

The PIU will also be supported by a PIS and Supervision Consultant acting as FIDIC Engineer. The Consultant will provide engineering and construction supervision support and assist the PIU with (i) reviewing designs, tender documents, technical specifications, and (ii) conducting and evaluating tenders. It is intended to finance the PIS consulting tasks by TC funds while the supervision will be financed from loan proceeds.

Procurement arrangements:

All procurements will be conducted through EBRD Client e-Procurement Portal (ECEPP).

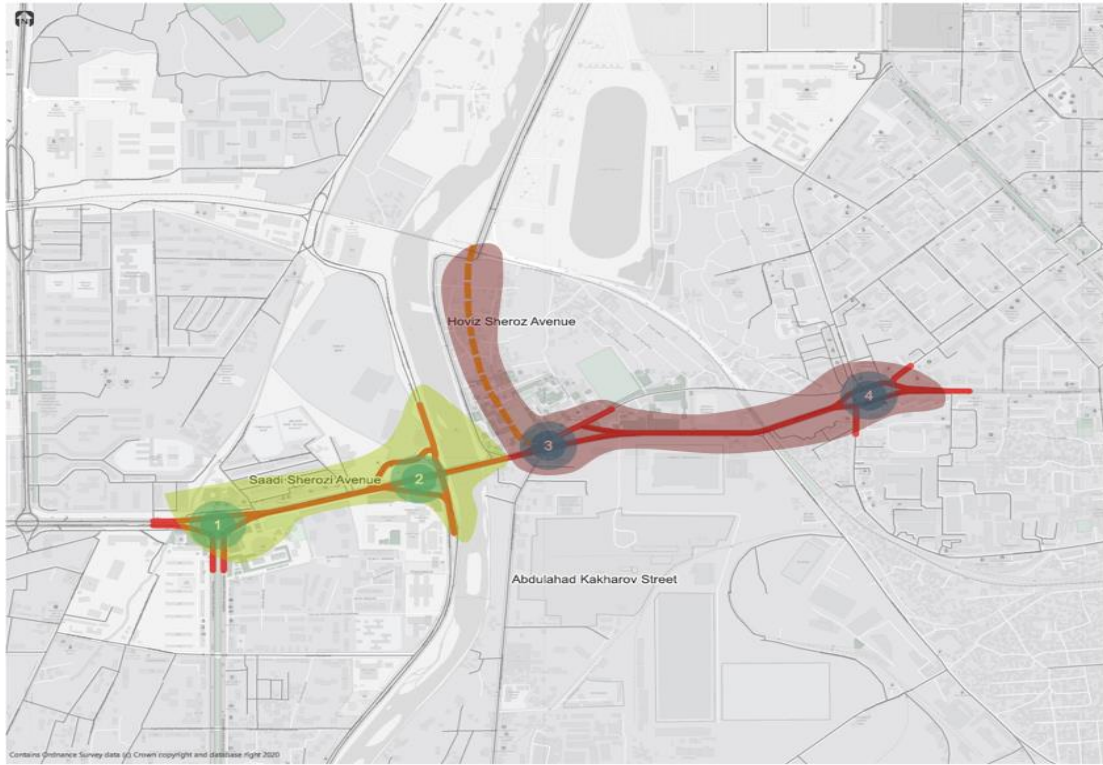
Works contract to be financed from the Loan proceeds will be using the 'Open' one-stage tendering procedures in accordance with the Bank's Procurement Policies and

Rules 2022 (PP&R) Section III Article 3 and using the Bank's Standard Procurement Documents for Works.

All consultancy contracts will be procured in accordance with the EBRD PP&R Section III Article 3 in Competitive Selection Procedures using the Bank's Standard Procurement Documents.

All contracts will be subject to the Bank's prior review. The Project procurement plan is provided below. No derogation from the Bank's Procurement Policies and Rules is proposed. Disbursements will be made directly to the consultants and contractors. [REDACTED].

ANNEX 3 – PROJECT MAP



Map 1: The Project area (Junction 1 + Junction 2 + Bridge) highlighted in yellow. The red-highlighted area (Junction 3 + Junction 4) is not part of the Project, but was analysed in the Feasibility Study as part of a planned future development.

ANNEX 4 - IMPLEMENTATION PROGRESS OF GRCF / GRCF2

Since 2016, the GrCF and GrCF2 have mobilised nearly EUR 5 billion in EBRD and donor funding. The Green Cities Framework (GrCF), approved by the Board in November 2016, set an ambitious agenda for the Bank's municipal business, with the over-arching aim being 'to serve as a sector-wide catalyst for addressing environmental challenges at the City level'. [REDACTED] [I]n October 2018 a new Framework was approved by the Board, Green Cities Framework 2 (GrCF2) [REDACTED].