

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

Approved by the Board of Directors on 26 February 2025¹

TAJIKISTAN

DANGARA-GULISTON ROAD

[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 (2024), 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.

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ABBREVIATIONS

| | |
|-------|--|
| ADB | Asian Development Bank |
| BCF | Blended Concessional Finance |
| BMP | Biodiversity Management Plan |
| CAPEX | Capital Expenditure |
| CAREC | Central Asia Regional Economic Cooperation |
| CH | Critical Habitat |
| CoO | Countries of Operation |
| CSC | Construction Supervision Consultant |
| E&S | Environmental and Social |
| ECEPP | EBRD Client Electronic Procurement Portal |
| EIA | Environmental Impact Assessment |
| EIRR | Economic Internal Rate of Return |
| ESAP | Environmental and Social Action Plan |
| ESIA | Environmental and Social Impact Assessment |
| ESMP | Environmental and Social Management Plan |
| ESMS | Environmental and Social Management System |
| ESP | Environmental and Social Policy |
| ETDP | Electric Transport Development Programme 2023-2028 |
| ETI | Expected Transition Impact |
| EU | European Union |
| EUR | Euro |
| EV | Electric Vehicle |
| EVCI | Electric Vehicle Charging Infrastructure |
| FX | Foreign Currency Exchange |
| GDP | Gross Domestic Product |
| GET | Green Economy Transition |
| GHG | Greenhouse Gases |
| GPMP | Green Project Monitoring Plan |
| H&S | Health and Safety |
| IEE | Initial Environmental Examination |
| IFI | International Financial Institution |
| LAPR | Land Acquisition and Resettlement Plan |
| MEI | Municipal and Environmental Infrastructure |
| MoF | Ministry of Finance |
| MoT | Ministry of Transport |
| NEMAP | National Electric Mobility Action Plan |
| NTS | Non-Technical Summary |
| PBF | Priority Biodiversity Features |
| PEP | Politically Exposed Person |
| PIA | Project Implementation Agreement |
| PIURR | Project Implementation Unit for Roads Reconstruction |
| PP&R | Procurement Policies and Rules |
| PR | Performance Requirements |
| RAMS | Road Asset Management System |
| SDG | Sustainable Development Goal |
| SEP | Stakeholder Engagement Plan |
| SIF | Sustainable Infrastructure Fund |
| SSF | EBRD Shareholder Special Fund |
| TC | Technical Cooperation |
| TI | Transition Impact |
| TJS | Tajikistan Somoni |
| USD | United States Dollar |

CURRENCY CONVERSION

(as of 8 January 2025)

1 EUR = 1.035 USD

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 of up to EUR 38.0 million to the Republic of Tajikistan to co-finance the upgrade of a 49 km Dangara-Guliston road section and the construction of electric vehicles charging infrastructure. The facility will supplement Asian Development Bank's grant financing of up to USD 86.7 million (EUR 83.7 million equivalent).

The expected transition impact stems from the *Integrated TI* quality, through improvements of Tajikistan's regional connectivity and transit potential. The operation also contributes to the *Green TI* quality via the development of a National Electric Mobility Action Plan (NEMAP).

The pre-signing technical cooperation was funded by the Sustainable Infrastructure Fund (SIF). The post-signing TC package will include (i) the NEMAP development, (ii) Environmental and Social (E&S) Supervision services, and (iii) Lenders' Monitor services, proposed for financing by international donors, the SIF or the EBRD Shareholder Special Fund (SSF).

I am satisfied that the operation is consistent with the Bank's Strategy for Tajikistan , the 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 – Dangara-Guliston Road - DTM 55329 | |
|--|--|
| Transaction / Board Decision | Board approval ² is sought for a sovereign loan of up to EUR 38.0 million (the “Loan”) to the Republic of Tajikistan to co-finance with the Asian Development Bank (ADB) the upgrade of a 49 km Dangara-Guliston road section and the construction of electric vehicles charging infrastructure (EVCI) along the road (the “Project”). The ADB will provide a grant co-financing of up to USD 86.7 million (EUR 83.7 million equivalent) for capital expenditures (capex) and TCs (the “Grant”) and administer implementation of the Project under the terms of the Project Implementation Agreement (PIA) to be signed between the EBRD and ADB. |
| Client | The Republic of Tajikistan is the Borrower. The Project Implementation Unit for Roads Rehabilitation (PIURR) under the Government of Tajikistan (the “Government”) will implement the Project on behalf of the Government. |
| Main Elements of the Proposal | <p><u>Transition impact</u></p> <ul style="list-style-type: none"> • <i>Primary Quality – Integrated.</i> The Project supports enhanced connectivity within Central Asia Regional Economic Cooperation (CAREC) countries through Corridors 2, 3, 5 and 6, to improve Tajikistan’s regional transit potential (please refer to Annex 1 for the Project map). • <i>Secondary Quality – Green.</i> The Project supports the development of a National Electric Mobility Action Plan (NEMAP) to complement the Bank investments in construction of EVCI in the Project area. <p><u>Additionality</u></p> <ul style="list-style-type: none"> • <i>Financing structure.</i> The Bank will provide long-term financing, which is presently not available from local commercial banks. • <i>Policy, sector, institutional, or regulatory change.</i> The Bank will support policy enhancement for promotion of electric mobility. • <i>Gender SMART.</i> The NEMAP will promote gender equality in the sector, through targeted recommendations such as gender-responsive trainings, increased women participation in technical and leadership roles, and inclusive policy reviews. • <i>Sound banking.</i> The Project is a sovereign loan to the Republic of Tajikistan. |
| Key Risks | <ul style="list-style-type: none"> • <i>Implementation risk.</i> The risk is mitigated by involvement of the PIURR, an experienced partner in management of large-scale road infrastructure projects financed by International Financial Institutions (IFIs). The ADB and EBRD will support the PIURR with the Project implementation TCs: Construction Supervision (ADB-led) and Environmental and Social Supervision (EBRD-led). • <i>Sovereign debt capacity.</i> Tajikistan is rated B/Stable by S&P. The country continues to demonstrate GDP growth, good fiscal performance and a declining share of public debt to GDP. |
| Strategic Fit Summary | The Project is in line with the Bank’s Strategy for Tajikistan , the Infrastructure Sector Strategy , the Green Economy Transition Approach 2021-2025, and the 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 38.0 million to the Republic of Tajikistan. |
| Existing Exposure | Sovereign portfolio: EUR 457 million; operating assets: EUR 299 million. |
| Maturity / Exit / Repayment | 18 years [REDACTED]. |
| Potential AMI eligible financing | None. |
| Use of Proceeds - Description | <p>The Loan and the Grant proceeds will jointly finance the upgrade of a 49 km Dangara-Guliston road and the construction of EVCI along the road. Apart from capex, the Grant will also fund the services of Construction Supervision Consultant (CSC) and ADB's other TCs. In addition, the Bank will provide TC support to finance (i) the E&S Supervision, (ii) the NEMAP development, and (iii) the Lenders' Monitor. All other Project costs, associated with taxes and other duties associated with the Project will be covered by the Government.</p> <p>All investment contracts will be procured according to ADB's Procurement Policy (2017) in line with the Procurement Framework Agreement dated 18 November 2019 signed between the ADB and EBRD. The procurement of the EBRD-led TCs will follow the EBRD Procurement Policies and Rules (PP&R).</p> <p>Up to EUR 15.0 million of the Loan may be utilised prior to the Grant effectiveness (planned for 4Q 2025) to finance the road upgrade contract's expenses during the 2025 construction season. Up to EUR 7.6 million (20 per cent of the Loan) may be utilised to retroactively finance expenses to be incurred prior to the Loan's signing.</p> |
| Investment Plan | [REDACTED] |
| Financing Plan | [REDACTED] |
| Key Parties Involved | <ul style="list-style-type: none"> • The Republic of Tajikistan, represented by the Ministry of Finance (MoF), as the Borrower. • The Ministry of Transport (MoT) as the accountable ministry. • The PIURR as the implementing agency. • The ADB as the co-financier. |
| Conditions to subscription / disbursement | [REDACTED] |
| Key Covenants | [REDACTED] |
| Security / Guarantees | N/A. |
| Other material agreements | The PIA; The ADB Grant Agreement. |
| Associated Donor Funded TC and Blended Concessional Finance | <p>A. Technical Cooperation (TC)</p> <p><u>Pre-signing:</u></p> <p>TC1: Technical Due Diligence (TDD) included review of the road design and cost estimates. The cost of the assignment was EUR 50,000; funded by SIF.</p> <p>TC2: Economic Due Diligence (EDD) included the Project's economic analysis. The cost of the assignment was EUR 25,000; funded by SIF.</p> <p>TC3: Environmental and Social Impact Assessment (ESIA) for Category A project. The cost of the assignment was EUR 140,000; funded by SIF.</p> <p><u>Post-signing:</u></p> <p>TC4: National Electric Mobility Action Plan (NEMAP), supporting public and private transport decarbonisation through a wider usage of e-mobility and the introduction of EVCI. The cost of this assignment is estimated at EUR 250,000; proposed to be funded by an international donor, the SIF or the SSF.</p> |

| | |
|--|--|
| | <p>TC5: E&S Supervision, to complement ADB's CSC assignment and to monitor compliance with the ESIA. The cost of this assignment is estimated at USD 750,000 (EUR 724,498); proposed to be funded by SSF.</p> <p>TC6: Lenders' Monitor to monitor performance of the supervision consultants and the contractors, identify potential issues and timely report those to the financiers. The estimated cost of this assignment is EUR 400,500; proposed to be funded by the SIF or the SSF.</p> <p>Client contributions: In line with the Bank's client contributions policy dated 1 January 2021, cash contributions will not be provided, considering the client's public ownership and its inability to make a financial contribution due to the lack of funding in the public budget. However, the Government will cover the costs of all taxes, duties, land acquisition and resettlement actions.</p> |
|--|--|

[REDACTED]

INVESTMENT PROPOSAL SUMMARY

1. STRATEGIC FIT AND KEY ISSUES

1.1 STRATEGIC CONTEXT

As any landlocked country, Tajikistan heavily relies on its road network for both domestic mobility and international trade. The country's strategic location places it at the crossroads of important regional transport routes, including the Central Asia Regional Economic Cooperation (CAREC) corridors 2, 3, 5 and 6 and the Asian Highway (Annex 1). To increase its transit potential, Tajikistan has been actively attracting investment from the IFIs to develop its transport connectivity with the neighbouring countries within Central Asia and beyond. In parallel, the IFIs, to sustain their investment activities, support the Government with the implementation of transport sector institutional reforms, including currently ongoing establishment of the Road Fund and the introduction of the Road Asset Management System (RAMS).

Apart from international importance, the Dangara-Guliston road is an important North to South economic trade route of the Khatlon region in southern Tajikistan. The region generates more than 53 per cent of the country's agricultural output and accommodates 35 per cent of the country's population. As the roads are the dominant transport mode accounting for 95 per cent of freight and nearly all passenger traffic in Tajikistan, improvement of road infrastructure quality is essential to facilitate economic growth of the southern regions via intraregional trade and access to export routes.

The proposed investment is fully aligned with Tajikistan's National Development Strategy (NDS) 2030, which prioritizes infrastructure development as a key driver of economic growth. It also supports the State Programme on Transport Sector Development for 2010–2025, which focuses on improving transport safety and capacity.

In terms of a policy reform agenda, the Project will focus on developing and adopting the NEMAP, followed by the implementation of at least one recommendation. This is expected to catalyse investment in EVCI across the country. The TC will build upon Tajikistan's Electric Transport Development Programme 2023-2028 (ETDP) that outlines strategic principles for developing electric transport in Tajikistan. Developed EVCI will contribute to the main objectives of ETDP, supporting the country's transition into green and climate resilient infrastructure via the engagement of experienced private sector.

The Project is consistent with the Bank's (i) Country Strategy for Tajikistan by improving the transport infrastructure quality and climate change resilience, (ii) the Infrastructure Sector Strategy by enabling "better-connected, safer and more integrated infrastructure", (iii) the Green Economy Transition Approach 2021-2025, qualifying for 29 per cent GET, and (iv) the Strategy for the Promotion of Gender Equality for 2021 – 2025 through mainstreaming gender and a human capital development lens into the NEMAP. The Project contributes to the UN Sustainable Development Goals (SDGs), namely: SDG №5 Gender Equality and SDG №9 Industry, Innovation and Infrastructure.

1.2 TRANSITION IMPACT

Primary Quality: Integrated

| Obj. No. | Objective | Details |
|----------|---|---|
| 1.1 | <i>The Project delivers material quality improvements of the current infrastructure between or within regions that are currently inadequately integrated.</i> | The Project will allow the road upgrade from Category III (two-lane) to Category I (four-lane). The road design incorporates a bicycle path along the entire length and public transport provisions, safe sidewalks wide enough for women with children and people with disability, lighting, safe and well-marked crossings, traffic calming measures in inhabited areas, etc. This will improve the road's safety and accessibility. The Project will improve Tajikistan's transit potential via CAREC and Trans Caspian Transport corridors stimulating better connectivity, economic development and export potential of the southern regions of the country. |

Secondary Quality: Green

| Obj. No. | Objective | Details |
|----------|--|---|
| 2.1 | <i>The percentage of EBRD use of proceeds that supports a green economy transition and therefore qualifies as GET finance is 15 per cent or higher.</i> | The Project is attributed 29 per cent GET. |
| 2.2 | <i>This Project entails good policy engagement, which is new and aims to deliver institutional reform and lead to structural changes across sectors/markets.</i> | The Project entails electric mobility enhancement via the development of the NEMAP, which will be informed by international best practice and is fully consistent with Tajikistan's stated policies and strategies. It will identify gaps to develop electric mobility in the country and provide recommendations for the nationwide adoption of electric vehicles (EV), including a regulatory framework and standards, financial and non-financial incentives, business models for infrastructure construction and operation, policy on battery disposal, etc. It will also identify a pipeline of 5-10 pilot projects for electrification of fleet and deployment of EVCI. |

Delivery risks

[REDACTED]. The first risk is mitigated by an intensive post-signing TC support package to the PIURR. The second risk is mitigated by partnering with the ADB, an active transport sector development IFI in the country, to jointly carry on a continuous policy dialogue with the Government.

1.3 ADDITIONALITY

| Identified triggers | Description |
|--|--|
| No triggers identified. | N/A. |
| Additionality sources | Evidence of additionality sources |
| Financing Structure <ul style="list-style-type: none"> EBRD offers a tenor, which is longer than available to the client in the market on reasonable terms and conditions. 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. | <ul style="list-style-type: none"> EBRD will provide a loan with an 18-year tenor [REDACTED]. Such terms are not available from commercial banks. The Loan will cover the financing gap necessary to successfully complete the Project. |
| Policy, sector, institutional, or regulatory change <ul style="list-style-type: none"> EBRD's involvement in a project is considered additional when it is designed to trigger a change in the policy, sector, institutional or regulatory framework, or enhance practices at the sector or country level (e.g., an introduction of cost-reflective pricing of energy, water etc.). | NEMAP, a national green transport development strategy, is expected to support Tajikistan's sustainable transition to e-mobility. Moreover, the development of EVCI will involve experienced private operators. |
| Standard-setting: helping projects and clients achieve higher standards <ul style="list-style-type: none"> Client seeks/makes use of EBRD expertise for the adoption of gender standards and/or equal opportunities action plans (e.g. improving women's access to safe transport and/or women-led businesses participation in the client supply chain). | The NEMAP will support the MoT to identify and implement targeted measures to promote equal opportunities in the electric mobility sector, including gender-responsive skills training programmes, increasing women's participation in technical and leadership roles, and ensuring inclusive access to EV-related job opportunities. National plans and existing legislation will be reviewed, using a gender lens, to address existing disparities and promote equal benefits. Additionally, NEMAP development will include an inclusive consultation process with diverse stakeholders to ensure gender equity is integrated throughout its development and implementation. |
| Knowledge, innovation, and capacity building | EBRD has experience in financing e-mobility projects including in Tajikistan (Dushanbe E-Mobility; approved under the Green Cities Framework II:). This |

| | |
|---|--|
| <p>– EBRD provides expertise, innovation, knowledge and/or capabilities that are material to the timely realisation of the project's objectives, including support to strengthen the capacity of the client.</p> | <p>expertise will be used to support the Government in the efforts to crystallise the e-mobility development policy.</p> |
|---|--|

1.4 SOUND BANKING - KEY RISKS

| Risks | Probability / Effect | Comments |
|----------------------------|-----------------------------|---|
| Fiscal/Macro-economic risk | Medium/High | <p>In August 2024 S&P upgraded Tajikistan's ratings from 'B-' to 'B' with stable outlook, citing stronger fiscal position and economic growth among key drivers.</p> <p>The economy is expected to keep growing at 7-8 per cent a year in 2024-2025. With agriculture accounting for 25 per cent of GDP and 60 per cent of employment, downside risks mainly relate to adverse weather conditions. The risk is mitigated with the ongoing efforts to consolidate agricultural holdings and develop value chains. Another risk stems from fluctuations in Russia's demand for Tajik labour.</p> <p>Public debt declined from 30.8 per cent of GDP in 2022 to 23.7 per cent of GDP in 1H 2024 on the back of growth in output and improved tax collection. The International Monetary Fund (IMF) considers the level of Tajikistan's public debt to be sustainable in the medium term. However, Tajikistan remains reliant on grants and concessional financing for large scale infrastructure projects. External debt constitutes about 90 percent of the outstanding public and public guaranteed debt, mainly owed to China, the World Bank and ADB.</p> |
| Regulatory risk | High/Medium | <p>The Government, supported by IFIs, is implementing a five-year Road Asset Management Road Map to improve the road network maintenance and asset management. This includes establishing a Road Fund that will finance road maintenance. ADB and EBRD continue their policy dialogue with the Government to facilitate implementation of the reform.</p> <p>Development of electric mobility in Tajikistan is guided by the ETDP. This document lacks clear guidance as to what actions may be taken, when they should be taken (short, medium, and long term) and resource implications (internal and external financing needs). The NEMAP is designed to address this issue.</p> |
| Implementation risk | Medium/Medium | <p>PIURR has prior experience implementing ADB and EBRD funded projects. It is currently supported by an international procurement consultant and will be further supported by CSC and E&S Supervision consultant at implementation stage.</p> <p>Application of ADB's Procurement Policy and prior review of the key procurement documentation is expected to ensure selection of experienced and creditworthy contractors and the use of balanced contractual conditions.</p> |
| Cost over-run risk | Medium/High | <p>The Loan is sized based on the evaluation of the road upgrade tender proposals. The construction works will be procured by way of a fixed-price contract.</p> |
| FX risk | Medium/Low | <p>Supported by strong export revenue, as of mid-November 2024, the TJS gained 2.7 per cent on a year-to-year basis against the USD. The country maintains sufficient</p> |

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| | | international reserves, which in 1Q 2024 was the equivalent of 7 months of import cover. |
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2. MEASURING / MONITORING SUCCESS

Transition Impact Monitoring Indicators

Primary Quality: Integrated

| Obj. No. | Monitoring indicator | Details | Baseline | Target | Due date |
|----------|---|--|----------|-------------|------------|
| 1.1 | Improved quality of infrastructure within regions | Road upgrade works are fully completed. | No | Yes | [REDACTED] |
| 1.2 | Number of individuals (women) with improved access to transportation services | Number of road users benefiting from the Project per annum based on an annual average daily traffic (AADT) of 10,500 vehicles. | 0 | 7.5 million | [REDACTED] |

Secondary Quality: Green

| Obj. No. | Monitoring indicator | Details | Baseline | Target | Due date |
|----------|--|---|----------|--------|------------|
| 2.1 | Recommended policy or strategy or regulatory framework/ standard agreed by relevant stakeholder(s) | NEMAP is developed and approved by the MoT. | No | Yes | [REDACTED] |
| 2.2 | Recommended policy or strategy or regulatory framework/ standard agreed by relevant stakeholder(s) | At least two key recommended actions in NEMAP are implemented. | No | Yes | [REDACTED] |
| 2.3 | New or updated GET technology or product leading to pollution prevention control introduced | At least two EV charging stations are built along the Project road. | No | Yes | [REDACTED] |

Additional Indicators

| Indicator type | Monitoring indicator | Details | Baseline | Target | Due date |
|-------------------|--|---|----------|--------|------------|
| Advisory & Policy | Recommended policy or strategy or regulatory | Gender will be an important aspect of the NEMAP, promoting equal opportunities for women in | No | Yes | [REDACTED] |

| | | | | | |
|----------------|--|---|--|--|--|
| Indicator s | framework/ standard agreed by relevant stakeholder(s)) | the sector. Recommendations on gender-responsive training, increasing women's participation, and ensuring equitable access to EV infrastructure will be developed and approved by the MoT for implementation. | | | |
|----------------|--|---|--|--|--|

3. KEY PARTIES

3.1 BORROWER

The Republic of Tajikistan, represented by the MoF, will be the Borrower. The PIURR will be the Project implementing entity.

4. MARKET CONTEXT

Tajikistan is a landlocked country and in combination with underdeveloped railway and aviation the transport sector depends heavily on the road corridors for both freight and passengers. Tajikistan's international roads are part of four CAREC corridors and three Asian Highways.

Despite being a key transportation mode, roads in Tajikistan have low density and quality, affecting safety, reliability and travel time. Road infrastructure is largely improved through assistance from IFIs and international bilateral donors. The Government has committed to establish a dedicated Road Fund and allocate additional state funding to improve the maintenance of road infrastructure and reduce its depreciation. Decree on the establishment of the Road Fund was signed on 26 December 2024. Its setup, including institutional and financial framework is expected to be completed by the end of 2025. The EBRD is providing a TC to the Government under Obigarm-Nurobod road project to establish the RAMS. It will be designed to facilitate data-driven, objective decision-making in road construction and maintenance. The Bank has started procurement and expects to mobilise the consultant early 2025.

Apart from improvement of the road infrastructure, the Government is focused on decarbonisation to support its ambitions to reduce greenhouse gases (GHG). 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 (EUR 1.1 cents/litre) and low cost of electricity (EUR 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 Government with the development of the ETDP that was approved in October 2022. As a result, the number of EVs in the country increased from just 21 in 2021 to 8,600 by mid-2024. Further growth of the sector is subject to availability of relevant infrastructure and policy reforms both in the cities and interurban areas. Therefore, the Project is strategically important to promote and integrate sustainable and electric mobility in the country.

5. FINANCIAL / ECONOMIC ANALYSIS

5.1 FINANCIAL PROJECTIONS

[REDACTED]

5.2 ECONOMIC ANALYSIS

[REDACTED]

5.3 SENSITIVITY ANALYSIS

[REDACTED]

5.4 PROJECTED PROFITABILITY FOR THE BANK

[REDACTED]

6. OTHER KEY CONSIDERATIONS

6.1 ENVIRONMENT

Categorised A (ESP 2019). ESIA disclosure package, including an Environmental and Social Management Plan (ESMP), Non-Technical Summary (NTS), Stakeholder Engagement Plan (SEP), Land Acquisition and Resettlement Plan (LARP) and an Environmental and Social Action Plan (ESAP), were prepared by the independent consultant as part of the E&S due diligence. These were disclosed on the EBRD and Ministry of Transport website on the 23rd of October 2024.

The National Environmental Impact Assessment (EIA) procedure is completed based on the Initial Environmental Examination (IEE) developed with ADB support as part of its financing consideration. EIA consultation meetings were conducted identifying general support from stakeholders for the Project with some concerns raised on road safety, crossing points, and compensation for land impacts. Therefore, a Road Safety Audit was conducted by ADB with support of independent consultants. The road upgrade project design reflected the addition of safety measures, including reduced speed limits, pedestrian and animal crossing points, access roads and additional warning signs. As part of the Traffic Management Plan, the contractor will additionally consult with residents on the crossings within the detailed design. A further Road Safety Audit will be undertaken before the upgraded road becomes operational. Due to the location and the topography of the road alignment and some of its sections, there might be potential challenges in terms of occupational and community health and safety (H&S). This may include the ability to react and respond to emergency situations during construction. Potential emergency situations will be identified by the contractor and adequate resources will be made available, as required in the ESAP and ESMP.

E&S due diligence completed by the Bank and its independent consultants supplemented a further E&S package developed by ADB. The implementing agency is well known to the Bank. PIURR has managed previous EBRD financed road projects. Given mixed contracts management performance in the past, especially on H&S and labour, the capacity of PIURR requires strengthening to ensure that the Project will be implemented in line with the Bank's Performance Requirements (PRs). To address this, the Bank will provide TC support to PIURR to engage an E&S Supervision Consultant

that will complement the CSC team. It will also assist PIURR developing and implementing an Environmental and Social Management system, as well as help monitoring and reporting it.

The road alignment passes adjacent to a protected key biodiversity area (KBA). Therefore, as part of the supplementary ESIA package, an additional baseline data collection was carried out and mitigation measures for impacts on biodiversity are developed in a Biodiversity Management Plan (BMP), which has been publicly disclosed. A detailed description of the baseline data collected during the reconnaissance surveys undertaken by the consultants in May 2020, October 2020, and June 2024 is provided in the ESIA supplementary report. The consultant conducted a Critical Habitats (CH) / Priority Biodiversity Features (PBF) screening for the Project, using the information contained within the Project documents, supplemented by the Integrated Biodiversity Assessment Tool (IBAT) report, additional information in publicly available literature and databases, and ecologists' direct observations during the site visit. As a result of this study the eligibility criterion for CH was not met, whereas the criterion for PBF was met. BMP developed for the Project includes time/seasonal restrictions related to construction stage for protection of species (e.g. bird nesting sites and tree felling, tortoise and translocation), requirements for adequate biodiversity specialist resources at contractor level, as well as design solutions for animal passage. In addition, the Bank has engaged a consultant to support PIURR with additional biodiversity surveys during 2025 to ensure a review and update of BMP during construction if required. Requirements of IEE, the ESIA supplementary report, ESMP and other relevant documentation developed for this Project have been already incorporated into the tendering documentation for road reconstruction and will be part of the contractual obligation for the contractor(s).

It is expected that the Project will acquire a limited number of agricultural lands (orchards mostly). LARP has been prepared and consultations with the affected people have been completed. Its implementation will commence shortly. The construction workforce will likely to be recruited locally. Construction camps are anticipated to be required, and locations will be selected to minimise impacts, avoiding biodiversity sensitive areas. Accommodation and welfare facilities for workers will be designed to meet requirements of IFC/EBRD Worker Accommodation Guidance Note. Additional measures to address influx management and avoid potential conflict between the workforce and the local community, including Gender Based Violence, will be put in place, and required as part of ESMP and ESAP. There will be requirements for contractors to sign a Code of Conduct, and the need to develop and implement a Labour and Working Conditions Management Plan and an Occupational and Community H&S Plan. These will be supervised by the CSC's E&S experts and the E&S Supervision Consultant.

SEP was prepared to identify key stakeholders and define communication channels and plans regarding the Project. In 2022, 2023 and 2024 a series of public consultation meetings were carried out along the alignment. Further public meetings are underway linked to the EISA disclosure and a Consultation Report will be prepared and disclosed following the 120-day disclosure period. PIURR has an operational grievance mechanism already in place to address issues related to resettlement, E&S issues, and information disclosure.

ESAP includes additional requirements with respect to the implementation of a Contractor Environmental and Social Management Plan and Occupational Health and Safety Plan in line with the PRs including training of workers, undertaking H&S risk assessments and maintaining an effective grievance mechanism in place for the Project. A Design Change Management procedure will also be developed, and material changes will be communicated to the Bank, as well as developing a monitoring plan, implementation of the Gender Action Plan, and specific project procedures such as LARP, BMP and SEP. ESIA disclosure meetings will be held in 1Q 2025 and a brief consultation report will be disclosed on the Project website before its approval by the Board.

The Lenders' Monitor Advisor will be mobilised by the Bank to undertake quarterly audits of the Project during construction, to assess performance in accordance with the Bank's PRs and report to the financiers.

6.2 INTEGRITY

In conjunction with OCCO, integrity due diligence was undertaken on the MoF, the MoT and the PIURR, including key public officials. [REDACTED].

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

6.3 OTHER ISSUES

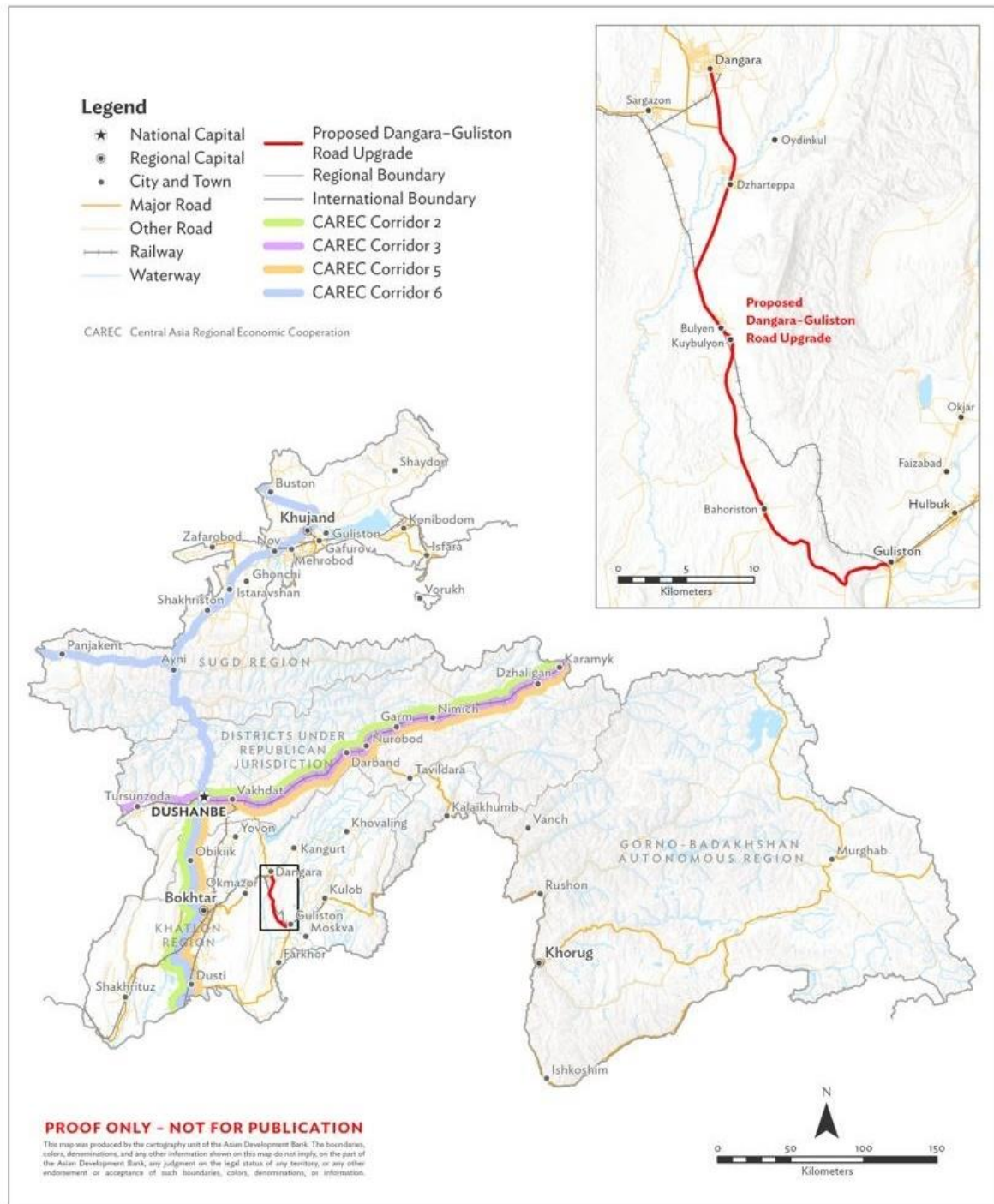
[REDACTED].

ANNEXES TO OPERATION REPORT

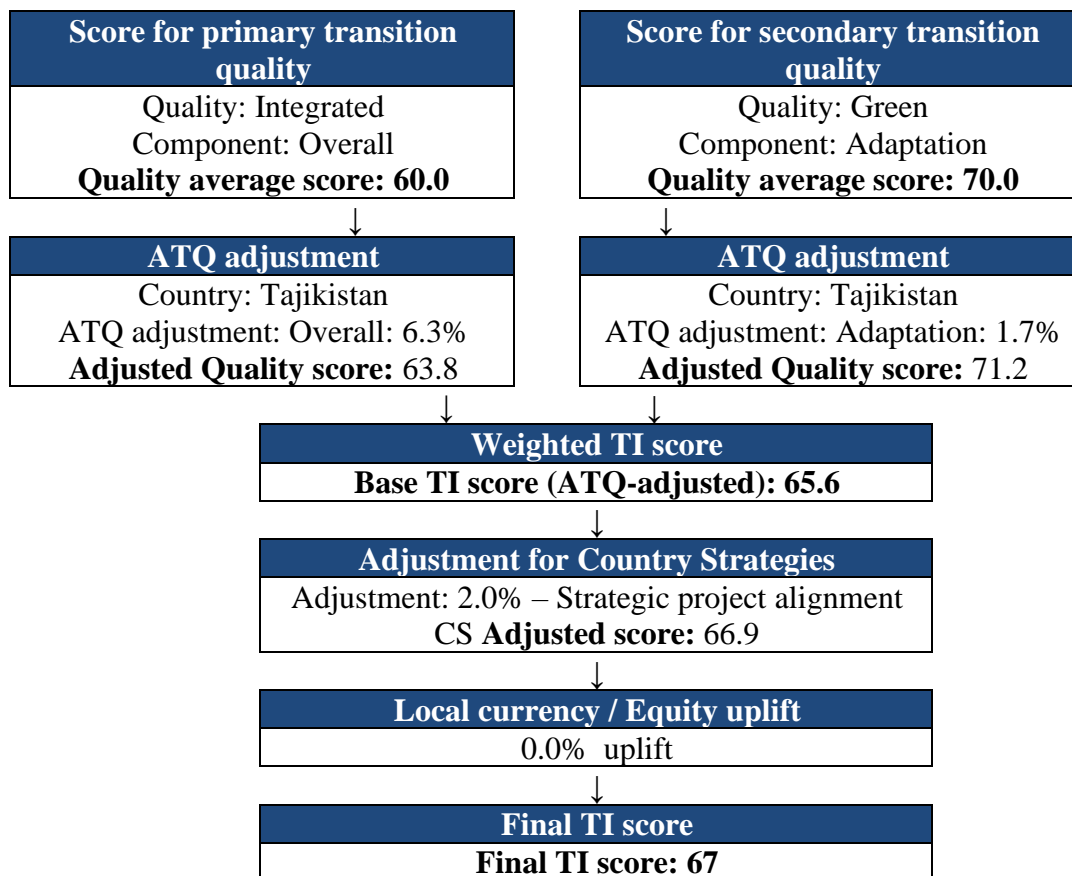
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|---------|---------------------------------|
| ANNEX 1 | Project Map |
| ANNEX 2 | Transition Impact Scoring Chart |
| ANNEX 3 | Green Assessments |
| ANNEX 4 | Project Implementation |

ANNEX 1 – PROJECT MAP

Picture 1. CAREC corridors and proposed Dangara-Guliston road project.



ANNEX 2 - TRANSITION IMPACT SCORING CHART



ANNEX 3 – GREEN ASSESSMENTS

SUMMARY

- The Project entails a **sovereign loan** that will finance the upgrade of a 49 km Dangara-Guliston road connecting central part of the country with southern and eastern regions. The Project will support the Government's efforts to improve Tajikistan's connectivity and increase its regional transit potential.
- The Project is determined **aligned with both mitigation and adaptation goals of the Paris Agreement**.
- The Project is attributed **29 per cent GET for climate change mitigation and adaptation**.

PARIS ALIGNMENT ASSESSMENT

Alignment with the mitigation goals of Paris Agreement

The Project is subject to a specific assessment for alignment with the mitigation goals of the Paris Agreement. The key findings from this assessment are as follows:

The Project is consistent with the Tajik Nationally Determined Contribution (NDC). The Republic of Tajikistan is committed to an unconditional target of 30-40 per cent reduction of its net greenhouse gas emissions by 2030 as compared with 1990 levels, as stated in its NDC submitted in 2021³. A review of the NDC indicates that the country intends to put in place a basket of measures to address transport related CO₂ in the transport sector, including fuel switching and modal shift. No specific information was identified in the NDC that excludes the development of inter-urban road infrastructure, rather emphasizes that it should have certain characteristics such as being climate resilient, enables the transition to lower carbon fuels, and incorporates nature elements ("planting of protective tree rows along roads on the roadsides").

The Project is consistent with a Low-Carbon Pathway (LCP). There is no official long-term strategy for transportation decarbonisation in Tajikistan. In the absence of a national or regional low-carbon pathway for passenger and freight connectivity, the Bank assessed the Project against benchmarks from the IEA Net Zero 2050 scenario. This scenario signals that vehicle fleet electrification is a key benchmark for transport decarbonisation. Within the boundaries of this project, consistency of the Project with the LCP thus entails being compatible with EVs and other alternative fuel vehicles and being able to accommodate infrastructure required for charging of future low-carbon vehicle fleets. There are no apparent national regulations in Tajikistan regarding provision of charging infrastructure on national corridors. Using the EU Alternative Fuels Infrastructure Regulation (AFIR) as a proxy indicates that a charging station should be made available at least every 60-km on main highways. The construction of at least two EV charging stations along the Project road have been included in the Project.

³ <https://unfccc.int/NDCREG>

The Project demonstrates a low-risk of carbon lock-in. Road infrastructure delivers passenger and freight connectivity, and the infrastructure needs to be considered in the context of a wider transportation system alongside other modes. The Project will support improving Tajikistan's connectivity via CAREC corridors 2, 3, 5, and 6 (Annex 1) facilitating regional trade and integration. Apart from international importance, this road is the primary north to south trade route for Khatlon region in southern Tajikistan. A high-level qualitative review of whether the Project prevents investments in low carbon emission modes of transport was also undertaken. It is not anticipated that the road connection will undermine rail usage as railway infrastructure is underdeveloped in that part of the country. In addition, most of the cargo being transported in the region is agricultural produce requiring a frequency and level of service that the rail sector cannot provide without disproportionate investment considering the population covered, the volume of freight to be transported and the likely economic benefit.

Carbon lock-in assessment also looks at whether there is a high likelihood of transition to low-carbon vehicle fleets within the lifespan of the asset. Scenarios prepared for neighbouring countries in Central Asia were used by the Bank as part of its technical due diligence to inform the economic assessment. Conservative scenarios indicate a significant displacement of internal combustion engine vehicles in the overall fleet over the lifespan of the asset. In addition, the Government has taken steps to support road transport decarbonisation by elaborating the NEMAP to be developed with support of the Bank. Given that the Project is conceived in the context of national strategic planning, is an interurban road (as opposed to urban roads that present a higher risk of carbon lock-in), does not prevent alternative modes from being developed, and there is a high likelihood of transition to low carbon vehicle fleets, the risk of carbon lock-in is assessed as low.

The Project does not require an adapted economic test. The Project is economically viable, incorporating a shadow price of carbon and compared with a no-project scenario. Most of emissions from the Project are related to scope 3 emissions associated with vehicle fleets. There is a net decrease in average annual Scope 3 emissions of approximately 6.5ktCO₂eq/year over the assessment period (2028-2054) due to the reduction of fuel consumption resulting from the road reconstruction. The Project has annual average absolute scope 3 emissions of 36.8ktCO₂e.

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

Alignment with the adaptation goals of Paris Agreement

The Project is determined as aligned with the adaptation goals of the Paris Agreement as it satisfies all three steps of the assessment.

A comprehensive climate risk assessment identified extreme mass movements, floods and extreme temperatures as material physical climate risks for the road. Suitable climate resilience measures have been included in the Project (see GET section below) and will be monitored as set out in the Green Project Monitoring Plan (GPMP). Such specific measures include improvements in the drainage and culvert design, heat-resistant pavement, landslide protection measures and the reinforcement of a concrete

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

GET attribution

- The Project is attributed mitigation and adaptation GET finance.
- The main GET impact expected out of the investment are:
 - Climate change mitigation: 5.21 per cent GET considering the use of proceeds dedicated to eligible GET investment such as EVCI, LED lighting and the provision of a cycling lane, having an impact in CO₂ emissions reduction.
 - Climate change adaptation (please see more details below): 25 per cent GET due to the adaptation measures integrated in the design. The three-step approach in line with j-MDB methodology for attribution of climate adaptation finance is presented below. The adaptation GET has been accounted using the capex of the Project excluding the investments eligible for GET mitigation

Conclusion: The Project is attributed 28.9 per cent GET.

J-MDB methodology for attribution of climate adaptation finance

Step 1 – Climate vulnerability context

In the context of this investment EBRD cooperated with ADB's funded Climate Risk and Vulnerability Assessment. This was undertaken to map in detail the exposure of road to climate vulnerabilities. Climate parameters (rainfall, minimum and maximum temperature) were modelled for 2050 at different spatial and temporal resolutions and the most important factors for climate-proofing for the project infrastructure climatic extremes were assessed. The projections of changes in climate extremes were carried out for events with return periods of 25, 50, and 100 years. The return periods were calculated separately for both the RCP 4.5 and RCP 8.5 scenarios.

The major findings are that for the Dangara-Guliston road project area, average monthly temperatures will increase by more than 3 °C by 2050, daily temperatures will also increase beyond 3 °C. Annual rainfall will slightly increase but rainfall patterns will change as there will be more intense rainfall events, but the frequency of rainfall will likely decrease. The area will experience longer dry consecutive days, more intense rainfall, and warmer temperatures. The increase in the intensity of the extreme precipitation events makes it likely that on those sections where the road traverses close to or crosses waterways, there may be higher incidence of flooding disruptions in the future. Reduction in the number of frost days, increase in temperatures, and increase in the intensity of the rainfall events are likely to contribute to higher risk for landslides and especially mudslides. This is in line with the *National strategy of adaptation to climate change of the Republic of Tajikistan for the period till 2030*. It is noted that Tajikistan is ranked the highest among Central Asia countries in terms of vulnerability to climate change and has limited adaptation capabilities.

Step 2 – Statement of intent

The EBRD engaged both with the Client and ADB to improve the resilience of the Project to the identified climate hazards. During the assessment of the risks and evaluation of the project documentation, it was possible to define concrete adaptation measures for extreme precipitation, landslide protection and extreme temperature risks. Considering this, the client has agreed to this procedure and:

- The cost of the climate adaptation measures was identified and included in the Project capex, before applying project contingencies;
- The requirements of completion of the final project designs and implementation of the climate adaptation measures have been agreed and covenanted in the Loan Agreement.

Step 3 – Link between climate vulnerability and project activities

Specific climate adaptation measures integrated in the project design, using the 50-year and 100-year return periods, include:

- **Flood control measures:** To address the increasing uncertainty around future rainfall patterns and risk of flooding, the project improves drainage capacity. Among other flood control measures, the Project adopts large culverts (1.5 meters by 1.5 meters) in alignment with climate projections, which include daily maximum rainfall projections expected to increase by 85 per cent under a high-emission scenario. For slope protection, native grasses, shrubs, and trees will be planted to anchor the soil and reduce surface erosion.
- **Heat-resistant pavement:** Daily maximum temperatures are expected to increase beyond 45°C. Procuring more heat-resistant asphalt will help reduce the associated risks. A lower mixing temperature in conjunction with stiffer bitumen with a higher softening point is adopted in the revised design. This will better serve the thermal performance requirements of the project pavements.
- **Solutions for local community exposed to erosion, flooding and landslides.** Recent river dynamics due to human activities (gorges caused by irrigation channels without effective protection) along the Obi Tahir river (100–200 meters upstream from the proposed Obi Tahir bridge) have exposed the Shakhbur and DzharTEPPA settlements to river erosion and flooding. The project integrates extensive measures including structural erosion protection, nature-based slope protection, and a modified drainage system, to protect both road assets and the nearby communities. More than 50 households will benefit from this design improvement.
- **Reinforcement of the Obi Tahir concrete bridge:** this is a critical location for national road network connectivity. Its location is critical in terms of maintaining the service standard offered by the national road network, given the lack of alternative routes and climate exposure as well as the vulnerability of this bridge during extreme weather events. The strengthened bridge will be raised one meter generating significant resilience benefits for the community and overall national connectivity by reducing the risks of traffic disruptions. According to the climate projections, the water level is expected to increase by 1 meter during peak times, and daily maximum rainfall is expected to increase by 85 per cent under a high-emission scenario. The elevation of the bridge meets both the national design standards for the road category and climate projections.

GET Adaptation Finance Attribution

The GET adaptation finance assessment is based on reductions in both weather-related damage to the road infrastructure and weather-related disruption to traffic on the road network that result from financing and implementing a climate-resilient road design. Specifically, the drainage upgrades and the improved bridge design will reduce the road vulnerability to damage and disruption from extreme floods. Following the GET adaptation methodology adopted in August 2023 the Project:

- Delivers physical Climate Resilience Outcome (CRO), specifically in response to floods, extreme heat and landslides, by ensuring the integration of adaptation measures in the project design mitigating risk of disruption and damage (+10 per cent GET);
- Project documentation demonstrates that a dedicated climate risk and vulnerability assessment has been undertaken referencing relevant international standards and guidance (+5 per cent GET);
- CRO higher than 10 per cent resulting from weather-related disruption and damage savings (+10 per cent GET).

The GET adaptation attribution of the project is therefore 25 per cent.

[REDACTED]

ANNEX 4 - PROJECT IMPLEMENTATION

Procurement classification – *Public sovereign*

Project risk assessment: [REDACTED]

Contracts risk assessment

- Moderate high

The Project capital expenditure components will co-finance, along with the ADB, the upgrade of a 49 km Dangara-Guliston road and the construction of EVCI.

In accordance with the Procurement Framework and Project Implementation Agreements, the application of ADB's Procurement Policy and prior review of the key procurement documentation is expected to ensure selection of experienced and creditworthy contractors and the use of balanced contractual conditions. This is a challenging construction involving land acquisition, environmental impact, technical constraints, stakeholder coordination, operational challenges and so forth. It is therefore considered as a *Moderate high* risk contract.

Project implementation arrangements:

To strengthen PIURR's capacity to manage these types of projects, relevant consultancy support has been planned as follows:

- i. CSC financed by ADB with the focus on FIDIC Engineering services to support the Project implementation.
- ii. E&S Supervision, to complement ADB's CSC assignment and to monitor compliance with ESIA with regards to labour rights, health and safety, and biodiversity.
- iii. Lenders' Monitor, involving (i) monitoring performance of the supervision consultants and the contractors, and (ii) identifying potential issues and timely reporting of issues to the financiers.
- iv. NEMAP supporting public and private transport decarbonisation through wider use of EV and introduction of necessary infrastructure.

The above TC's package should strengthen the project implementation ability of PIURR and mitigate risks of procurement and project implementation delays, while significantly speeding up the implementation of the Project.

Procurement arrangements:

The Project will be co-financed by EBRD and ADB, where ADB is in the role of lead-financier. Therefore, all procurement under the Project follows ADB Procurement Policy and ADB's Procurement Regulations for ADB Borrowers, (both 2017, amended from time to time). This approach is in line with the EBRD PP&R sub-clause 2.6. The ADB procurement rules are in line with the EBRD procurement policy principles and have been accepted by the Bank earlier on other jointly financed deals.

A project specific PIA will be signed with ADB, under the current Procurement Framework Agreement between ADB and EBRD.

The Project will have two Banks' co-financed works contracts: (1) the 49 km road upgrade, and (2) the construction of at least two EV charging stations in the Project area. These contracts will be procured using ADB open competitive bidding procedure, which is substantially in line with the EBRD *Open Competitive Procedure* method.

All EBRD post-signing TC contracts will be procured in accordance with the PP&R Section III Article 3 in Competitive Selection Procedures using the Bank's Standard Procurement Documents through the EBRD Client e-Procurement Portal (ECEPP).

All capex contracts under the Project will be subject to prior review by ADB, and EBRD TC contracts will be subject to the prior review by the Bank. The Project's procurement plan is provided below. The Project's contractors and TC consultants will be paid directly upon PIURR's requests. [REDACTED]