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

Approved by the Board of Directors on 21 October 2026[1]

TAJIKISTAN

BALJUVON – SARI KHOSOR 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.

PRESIDENT'S RECOMMENDATION

The attached Report concerning an operation in favour of the Republic of Tajikistan, is submitted for consideration by the Board of Directors.

The facility will comprise a sovereign loan of up to EUR 49.2 million (the "Loan") to the Republic of Tajikistan (the "Borrower") to finance the upgrade of the 56-km Baljuvon - Sari Khosor road in the south of the country (the "Project"). The Loan will be provided in two tranches: Tranche I, of up to EUR 15.0 million[REDACTED] and Tranche II, of up to EUR 34.2 million[REDACTED]. Additionally, an investment grant of up to EUR 1.0 million[REDACTED] is envisaged to support the Project's nature-based solution investment components.

The Project's expected transition impact stems from the *Integrated TI* quality, through the provision of a year-round safe and reliable connectivity and the *Well-Governed TI* quality via the Road Safety Advisory support.

The Project will establish a climate-resilient, year-round transport link connecting communities, currently cut-off due floods and facing more disruption in the future due to climate change, to the wider transport network, while also enhancing ecosystem resilience through nature-based measures such as bioengineering and riverbank protection.

The pre-signing technical cooperation (TC) was funded by the Sustainable Infrastructure Fund (SIF) and the EBRD Shareholder Special Fund (SSF). The post-signing TC package will include (i) the Project Implementation Support and Construction Supervision, (ii) Lender's Monitor, and (iii) Road Safety Advisory support all three TCs proposed for financing by the SSF.

I recommend that the Board approve the proposed Loan and the SSF TC grant package substantially on the terms of the attached Report.

Odile Renaud-Basso

DECISION FOR THE BOARD / KEY FACTS SUMMARY

DTM ID:	**Tajikistan, Baljuvon - Sari Khosor Road, DTM 56814**
Client	• The Republic of Tajikistan, represented by the Ministry of Finance (the "MoF"), is the Borrower. • The Project Implementation Unit for Roads Rehabilitation under the Government of Tajikistan (PIURR), is the Project implementation entity.
Project	• Board approval is sought for the following transaction: a sovereign loan of up to EUR 49.2 million (the "Loan") in favour of the Republic of Tajikistan to finance the upgrade of the 56-km Baljuvon - Sari Khosor road (the "Project") in the south of the country. The Loan will be provided in two tranches: Tranche I, up to EUR 15.0 million[REDACTED] and Tranche II, up to EUR 34.2 million[REDACTED]. Additionally, an investment grant of up to EUR 1.0 million (the "Grant") is envisaged to support the financing of nature-based solution investment components[REDACTED]. • Board approval, on a non-objection basis, is also sought for the utilisation of the SSF funds, of up to EUR 3.65 million, to fund the Project's post-signing TC package, including: (i) Project Implementation Support and Construction Supervision (PIS&CS), (ii) Lender's Monitor and (iii) Road Safety Advisory (RSA) support. • The proposed Loan will have a tenor of 20 years[REDACTED]. • The Loan proceeds will finance (i) civil works and (ii) the Front-End Fee (FEF) charges. The Grant proceeds are envisaged to finance nature-based solution components under the civil works contract. • All other costs, such as taxes and other duties associated with the Project, will be covered by the Republic of Tajikistan.
Key Covenanted Conditionality	[REDACTED] •

<table>
<tr><td>Donor Support (other than credit risk mitigation)</td><td>
<table>
<tr><th>Donor instrument</th><th>Short description of instrument</th><th>CCY & amount</th><th>Fund and Donor Name</th></tr>
<tr><td>Technical Assistance</td><td>Pre-signing: Technical Due Diligence.</td><td>€49,845</td><td>SIF</td></tr>
<tr><td>Technical Assistance</td><td>Pre-signing: Economic Due Diligence.</td><td>€25,000</td><td>SIF</td></tr>
<tr><td>Technical Assistance</td><td>Pre-signing: Road Safety Audit.</td><td>€14,600</td><td>SIF</td></tr>
<tr><td>Technical Assistance</td><td>Pre-signing: Environmental and Social Impact Assessment (ESIA).</td><td>€414,450</td><td>SSF</td></tr>
<tr><td>Technical Assistance</td><td>Pre-signing: Advance Procurement.</td><td>€74,999</td><td>SIF</td></tr>
<tr><td>Technical Assistance</td><td>Post-signing: Project Implementation Support & Construction Supervision (PIS&CS).</td><td>€3,000,000</td><td>SSF</td></tr>
<tr><td>Technical Assistance</td><td>Post-signing: Lenders' Monitor.</td><td>€500,000</td><td>SSF</td></tr>
<tr><td>Technical Assistance</td><td>Post-signing: Road Safety Advisory.</td><td>€150,000</td><td>SSF</td></tr>
<tr><td>Total</td><td></td><td>€4,228,894</td><td></td></tr>
</table>
Cost sharing: Cash contribution is not envisaged considering the Project's public ownership and Tajikistan's commitment to cover all taxes, duties, land acquisition and resettlement costs in connection with the Project.
Blended Concessional Finance: In addition to the TC package, the Project is to be co-financed by an investment grant to support the introduction of novel nature-based solutions (NbS).
</td></tr>
<tr><td>Existing Exposure (before risk transfer)</td><td>
Sovereign portfolio: EUR 439 million.
Operating assets: EUR 285 million.

Below is the list of projects being implemented by with the PIURR:
<table>
<tr><th>Project Name/Country</th><th>Date of Signing</th><th>Portfolio EURm</th><th></th></tr>
<tr><td>Dushanbe - Uzbekistan Border Road Improvement / Tajikistan</td><td>27 July 2012</td><td>EUR 50 m</td><td></td></tr>
<tr><td>Obigarm - Nurobod Road / Tajikistan</td><td>31 January 2020</td><td>EUR 131 m</td><td></td></tr>
<tr><td>Dangara - Guliston Road / Tajikistan</td><td>11 March 2025</td><td>EUR 38 m (under disbursement)</td><td></td></tr>
</table>
</td></tr>
<tr><td>Investment Plan (Uses of Funds)</td><td>[REDACTED]</td></tr>
<tr><td>Financing Plan (Sources of Funds)</td><td>[REDACTED]</td></tr>
<tr><td>TI qualities:</td><td>(i) Integrated, (ii) Well-Governed. ETI: 63</td></tr>
<tr><td>Additionality:</td><td>Financing structure through the provision of a long-term financing not available in the market;
(ii) Institutional sector reform through the enhancement of the road safety standards, and;
(iii) Gender additional through gender-mainstreaming the Road Safety Advisory support.</td></tr>
</table>

Portfolio Class:	Public	**Environment & Social Category:**	Category A	**Economic Governance:**	Yes
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]	[REDACTED]	**Gender Smart**	Gender Additional	**GET share:**	50%
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	**Procurement**	Public

[REDACTED]

INVESTMENT PROPOSAL

1 STRATEGIC FIT AND KEY ISSUES

1.1 RATIONALE FOR BANK'S INVOLVEMENT

As a landlocked country, Tajikistan heavily relies on its road network for both domestic mobility and international trade. Due to the years of underinvestment, the country's transport infrastructure remains underdeveloped, constrained by challenging geography, outdated assets, and limited maintenance funding. As a result, connectivity is weak, restricting access to markets and hindering regional integration, while inefficiencies in the logistics sector further limit economic potential.

Because of extreme weather, the road between Baljuvon and Sari Khosor is mostly impassable in winter and spring. Flooding events result in communities' connectivity being severely disrupted for at least three months per year. The road connects 19 active local settlements with an official regional population of over 5,800 residents. Climate change increases the frequency and severity of flooding events, thereby increasing the amount of time the communities spend in isolation. The Project will provide a climate resilient, year-round transportation link, connecting these settlements to the transport network. It also incorporates nature-based and nature-beneficial interventions, including bioengineering and riverbank protection measures, supporting ecosystem resilience while maintaining year-round connectivity.

In addition to the road network improvement efforts, Tajikistan is strengthening its national road safety standards through the National Road Safety Strategy developed for 2025-2040 (RSS) and its first Action Plan (AP) designed for 2026-2030. The Strategy and a 5-year Action Plan are expected to guide the country's efforts to reduce road traffic incidents and the number of fatalities in total. In this context, the Project will be supported by the Road Safety Advisory (RSA) TC aimed at helping the MoT translate these policy objectives into practical institutional and procedural arrangements for safer and inclusive road infrastructure planning, design, approval, construction, operation and maintenance. The proposed TC will also support the integration of inclusive and gender-responsive road safety and mobility considerations into implementation of RSS and AP, recognising that women's mobility patterns, safety risks and access constraints can limit participation in economic activity and access to essential services, particularly in remote and underserved communities. It will also strengthen the sector governance by promoting a systematic implementation of road safety audits and inspections/assessments, building dedicated institutional capacity within the MoT, and reinforcing the Project's contribution to a safer, more inclusive and better-governed road infrastructure.

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.

The Project is consistent with the Bank's (i) Country Strategy for Tajikistan by improving transport and connectivity, (ii) Infrastructure Sector Strategy by enabling a better-connected, safer

and more integrated infrastructure, (iii) the Green Economy Transition Approach 2025-2030, and (iv) the Gender Equality and Human Capital Strategy 2026-2030 through mainstreaming gender and a human capital development. The Project contributes to the UN Sustainable Development Goals (SDGs), namely SDG №3.6 on reducing road traffic deaths and injuries, SDG №5 Gender Equality and SDG № 9 Industry, Innovation and Infrastructure and SDG №11.2 on safe, affordable, accessible and sustainable transport systems.

Lessons learned

Project due diligence consultants should be engaged at an early stage to review the detailed engineering designs, where available. This will help ensure smooth implementation, reduce the risk of cost overruns, and confirm compliance with the EBRD's Environmental and Social Policy (ESP) requirements. In addition, the advance procurement of the contractor and the timely appointment of PIS&CS consultant will facilitate the prompt commencement of physical implementation following project signing.

Key Parties Summary

1.1.1 Borrower / Investee Company

Shareholders/UBO summary	Republic of Tajikistan		
Existing Client:	Yes	**Category:**	Public
Financial Overview	In early 2026, Moody upgraded Tajikistan's sovereign credit rating to B2 with a stable outlook and S&P affirmed B rating and revised the outlook to positive.		
Market presence/position	Not applicable.		

1.1.2 Overall client relationship overview

PIURR was established by a resolution of the Government of Tajikistan (the "GoT") in 2001 to support the development and delivery of road sector projects financed by International Financial Institutions (IFIs) and other multilateral and bilateral development partners. By the end of 2025, PIURR had successfully completed 15 large-scale road projects, upgrading more than 730 km of roads across the country. PIURR has been an experienced and long-standing partner of the Bank since 2007. To date, the Bank has financed three investment projects with a total value exceeding EUR 220 million.

1.2 MEASURING IMPACT

Transition Impact Monitoring Indicators

Primary Quality: Integrated

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date
1.1	Improved quality of infrastructure within regions	The Project will improve the road safety and resilience by ensuring reliable all-season connectivity for the inhabitants of 19 remote settlements, facilitate their access to healthcare services, education, and economic markets.	No	Yes	[REDACTED]
1.2	Net increase in road infrastructure usage and/or capacity	Annual Average Daily Traffic (AADT) of approximately 212 vehicles/day (2023 baseline at the primary count location near Baljuvon; traffic along the corridor ranges from approximately 129–212 vehicles/day). Target: 254 AADT (212 × 1.1959, reflecting	212	254	[REDACTED]

		the induced traffic effect in the first full year of operation, before additional organic traffic growth).			
1.3	Improved quality of infrastructure	The road is currently unpaved and in poor condition, with several sections affected by river crossings and seasonal access constraints. As a result, average operating speeds are estimated at only around 12 km/h, meaning that a trip along the full 56 km corridor currently takes approximately 4.7 hours under normal conditions. Following rehabilitation, the road will be upgraded to a two-lane paved standard, increasing average operating speeds to 30–40 km/h depending on vehicle type. This will reduce the travel time for a full end-to-end trip to approximately 1.4–1.9 hours, with an average journey time of around 1.6 hours. The Project therefore delivers a travel time reduction of approximately 3 hours per trip, equivalent to a reduction of about 65-70 per cent compared to current conditions.	4.6 hrs	1.6 hrs	[REDACTED]

Secondary Quality: Well-Governed

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date
2.1	Recommended policy or strategy or regulatory framework/ standard agreed by relevant stakeholders.	The GoT plans to adopt the RSS and AP, which establish the national framework for reducing road traffic fatalities and serious injuries. Main indicators: (i) Draft Road Safety Audit and Inspection Framework, including a draft legal/administrative instrument, agreed with the MoT and other stakeholders.	No	Yes	[REDACTED]
2.2	Legal, institutional or regulatory frameworks in target areas improved.	It is planned to implement key outcomes of RSS and AP through the development and adoption of road safety audit procedures and strengthening of institutional road safety capacity.	No	Yes	[REDACTED]
2.3	Recommended policy or strategy or regulatory framework/ standard agreed by relevant stakeholders.	Establishment and initial operationalisation of a dedicated Road Safety Unit (RSU) within the MoT.	No	Yes	[REDACTED]

Additional Indicators

Indicator type	Monitoring indicator	Details	Baseline	Target	Due date
Gender SMART	Recommended policy or strategy or	The Project will mainstream gender considerations into the RSA TC	No	Yes	[REDACTED]

	regulatory framework/ standard agreed by relevant stakeholders.	supporting the implementation RSS and AP.			
Gender SMART	Practices of the relevant stakeholder improved (skills development).	The Project will conduct a capacity-building initiative to relevant staff of the MoT that will aim to enhance understanding of women's mobility patterns, access barriers, road safety risks and relevant GBVH-related concerns, and support staff in applying inclusive and gender-responsive approaches to road safety procedures, infrastructure planning and decision-making. This will help ensure that future road infrastructure investments more systematically consider the needs of women and other underserved road users.	No	Yes	[REDACTED]
Gender SMART	Number of individuals enhancing their skills as a result of training.	The Project is expected to train approximately 25 employees of the MoT, including RSU personnel and officials involved in road planning, project appraisals, technical guidance, road safety audits and inspections. The estimate is calibrated to the anticipated staffing and implementation responsibilities of RSU directly involved in delivering and sustaining the TC outputs.	0	25	[REDACTED]

[REDACTED]

Additionality

Identified triggers	**Description**
No triggers identified.	*Not applicable.*
Additionality sources	**Evidence of additionality sources**
Financing Structure: - EBRD offers a **tenor**, which is longer than available to the client in the market on reasonable terms and conditions.	- The Loan will have a 20-year tenor[REDACTED]. Such terms are not available from commercial banks in Tajikistan.
Standard setting: helping projects and clients achieve higher standards - Gender SMART - Client seeks/makes use of EBRD expertise for the adoption of gender	- The procurement process will be in line with the EBRD's PP&Rs. PIURR will be responsible for the Project implementation, including procurement and ESAP execution. - PIURR, supported by PIS&CS consultant will pursue higher inclusion standards through EBRD support on gender-responsive road safety policy dialogue. - The Project aims to respond to gender gaps in the sector through a gender-mainstreamed TC supporting the implementation of RSS and AP. The roadmap will ensure that the strategy is implemented in an inclusive and gender-sensitive manner considering different mobility patterns, risks and

standards and/or equal opportunities action plans (e.g. improving women's access to safe transport).	opportunities in relation to access to economic opportunities. This will be adopted by the MoT. To address the identified gender gaps, the TC incorporates a package of measures aimed at (i) improving understanding of women's mobility needs, (ii) strengthening road safety systems and standards and (iii) building institutional capacity for inclusive and gender-responsive road safety and mobility. First, the TC will strengthen the evidence base on women's mobility and access to economic opportunities through targeted stakeholder consultations and desk research and integration of these considerations into road safety procedures and decision-making. This will help identify mobility patterns, access barriers, safety risks and relevant GBVH-related concerns affecting women's ability to access employment, markets, education and other essential services. Second, it will mainstream inclusive and gender-responsive considerations into national road safety systems, procedures and standards. This includes integrating women's mobility patterns, access needs and safety risks into road safety audit and inspection procedures, project screening and prioritisation processes and reviewing whether existing standards or technical guidance create barriers to safe and inclusive mobility. Third, the TC will support institutionalisation of inclusive and gender-responsive road safety through establishment of RSU. This includes integrating relevant responsibilities into RSU's mandate and operating procedures, encouraging women's participation in road safety functions. It will also build the capacity of RSU and the MoT, by training approximately 25 staff to apply inclusive and gender-responsive approaches in practice.
Knowledge, innovation, and capacity building - 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 client's capacity.	- TC focused on the MoT to support strategic implementation of RSS, with potentially involving also local communities of these regions and develop local road safety partnerships, include road safety awareness campaign for roadside villages and schools, plus identify potential economic opportunities for women in road safety and maintenance.

2 RISK PROFILE ASSESSMENT

Risks	Probability / Effect	Comments
Project specific risks		
Completion risk	Medium/ Medium	PIURR has experience in implementing EBRD financed projects. It is currently supported by an international procurement consultant and will be further supported by PIS&CS consultant at the implementation stage. Application of the EBRD's PPR and prior review of the key procurement documentation is expected to ensure selection of experienced and creditworthy contractor and the use of balanced contractual conditions.
External risks		
FX risk	Medium/ Low	[REDACTED]
Macro-economic risk	Medium/ High	In February 2026, S&P revised Tajikistan's ratings affirming 'B' with positive outlook, citing stronger fiscal position and economic growth among key drivers. The economy is expected to keep growing at 5 per cent in 2026. With agriculture accounting for 23 per cent of GDP and 45 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 strengthen value chains. Public debt declined from 25.2 per cent of GDP in 2025 to 19.2 per cent of GDP in 2026 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. [REDACTED]
Regulatory risk	High/ Medium	The GoT, supported by ADB, 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 in 2024 that will finance road maintenance. EBRD continues their policy dialogue with the Government to facilitate implementation of the reform.

2.1 FINANCIAL ASSESSMENT SUMMARY

2.1.1 Summary of Financial Risk Assessment

Tajikistan's structural trends show continued expansion in domestic production activity, including significant industrial output growth of 30 per cent over the past year and a rising number of individual entrepreneurs registered in the country. At the same time, the economy remains import-dependent, with imports accelerating faster than exports and a widening trade deficit despite notable export growth.

Credit fundamentals have strengthened: Moody's upgraded Tajikistan's sovereign credit rating to B2 with a stable outlook in early 2026, citing improving macro-fiscal management and resilience. This improvement aligns with declining public debt levels to USD 3.5 billion (19.2 per cent of GDP) from USD 3.6 billion (25.2 per cent of GDP) the previous year. In 2026, the government

plans to allocate USD 548 million for external debt repayment, mostly from the national budget, reflecting steady servicing capacity.

Budget policy for 2026 continues to prioritize disciplined execution, combining domestic revenue with external financing to meet investment and debt-service needs. With GDP projected to grow between 6.8 per cent and 8.1 per cent in 2026, tax receipts are expected to rise in line with economic expansion, particularly from fast-growing segments such as industry, energy investments, and the expanding entrepreneurial sector. Inflation is expected to stay around 4.5 per cent.

2.1.2 Economic Analysis

[REDACTED]
It should be noted that the Project is expected to generate a range of wider socio-economic benefits[REDACTED]. By providing reliable, year-round access to the local communities along the road, replacing the current weather-dependent accessibility the project is expected to facilitate more reliable access to:

i) healthcare services, including emergency medical care;
ii) educational facilities;
iii) markets for local businesses and agricultural producers.

2.1.3 Sensitivity Analysis

[REDACTED]

2.1.4 Projected profitability for the Bank

[REDACTED]

3 OTHER KEY CONSIDERATIONS

3.1 ENVIRONMENT & SOCIAL

3.1.1 Environmental and Social Issues

Categorised A (ESP 2024), reflecting the potential for significant and diverse environmental and social (E&S) impacts associated with the upgrade of 56 km to a two-lane paved carriageway in a mountainous and environmentally sensitive area of Tajikistan. Key E&S risks include habitat disturbance and biodiversity impacts, particularly given the Project's proximity to the Sari Khosor National Park and surrounding natural landscapes with recognised ecological and tourism value. These impacts may arise from vegetation clearance, earthworks, quarrying, and construction-related activities, as well as indirect impacts such as increased access to previously remote areas. Additional environmental risks include soil erosion and slope instability, sedimentation of watercourses, impacts on surface and groundwater quality, construction waste, noise and air emissions. Given the mountainous terrain, geotechnical risks and climate-related hazards (e.g. landslides, extreme weather events) are considered material and required integration of climate resilience measures into the design.

An Environmental and Social Impact Assessment (ESIA) disclosure package, including the ESIA for the whole alignment, Environmental and Social Management Plan (ESMP), Non-Technical

Summary, Stakeholder Engagement Plan (SEP), Land Acquisition and Resettlement Plan (LARP) and Environmental and Social Action Plan (ESAP) was publicly disclosed on the EBRD website on 19 June 2026. The national Environmental Impact Assessment (EIA) procedures were completed with a positive conclusion obtained in January 2024. Public hearings on ESIA undertaken to date did not raise any material concerns. Public Consultation Report (PCR) will be prepared at the end of 120 days disclosure period.

The Environmental and Social Due Diligence (ESDD) confirmed alignment of the Project with EBRD Environmental and Social Requirements (ESRs). Findings from ESDD identified the need to strengthen capacity within the PIURR to ensure implementation in line with the Bank's ESRs. To address this, the Bank will be providing TC support to PIURR for the Project supervision and implementation services according to ESRs and require an Environmental and Social management, monitoring and reporting systems to be established.

It is estimated that a significant construction workforce will be engaged in activities across the alignment and a minimum of 50 per cent of the workforce will be locally recruited where appropriate. Construction camps are anticipated to be required, and locations will be selected to minimise impacts. 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. These include requirements in ESAP for contractors to sign a Code of Conduct and develop Labour and Working Conditions Management Plan and Occupational and Community Health and Safety Plan.

The road safety audit was undertaken to the detailed design and completed in March 2026, and the final design has incorporated its recommendations, including requirements for reduced speed limits in villages, pedestrian and additional warning signage. Due to the location and the topography of the road alignment, challenges in terms of occupational and community health and safety include the ability to react and respond to emergency situations in remote areas. Foreseeable emergency situations will be identified by the contractor and adequate resources made available, as required in ESAP.

As part of ESIA additional biodiversity baseline surveys update was carried out in June 2026 when the site was accessible. The Project area lies within a biodiversity-sensitive mountainous landscape characterised by natural and semi-natural habitats of conservation importance. The assessment confirmed potential impacts including habitat loss, degradation and fragmentation, as well as disturbance to fauna during construction, and increased human activity. These impacts are known, local to the project footprint and feasible measures have been proposed in the Biodiversity Action Plan (BAP), in line with EBRD's ESR6, applying the mitigation hierarchy, including avoidance, minimisation and restoration measures. BAP further defines monitoring and adaptive management measures to address residual impacts, consistent with Good International Practice. Biodiversity mitigation measures are integrated into ESMP and construction management plans and will be monitored by PIURR and independent specialists.

The Project will involve land acquisition and economic displacement. A Land Acquisition and Resettlement Plan (LARP) has been prepared, approved by PIURR, and consultations with affected people have been carried out in Q2 2026. Information on entitlements, the cut-off date and the Grievance Redress Mechanism (GRM) has been disclosed to all affected households. Grievance Redress Committees have been established at each of the 19 jamoat/village levels.

The Stakeholder Engagement Plan (SEP) has been prepared to identify key stakeholders and define communication channels and plans for the Project. In 2025 and 2026 a series of public consultation meetings were carried out along the alignment and included women only focus groups. PIURR has an operational grievance mechanism already in place to address issues related to resettlement, E&S issues and information disclosure.

ESIA includes a detailed ESMP for the Project with 14 thematic management plans, defining the mitigation measures to be applied on the contract by PIURR and its contractors. In addition, the ESAP includes requirements with respect to the implementation of a Contractor Environmental and Social Management Plan and Occupational Health and Safety Plan, including training of workers; Design Change Management procedure; Human Resources policy and procedures including a Code of Conduct; implementation of the grievance mechanism; implementation of the LARP, BAP and SEP. A lenders' technical advisor will undertake quarterly audits of the project during construction to assess performance in accordance with the Banks PRs and will report to the Lenders.

3.2 INTEGRITY

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

ANNEXES TO OPERATION REPORT

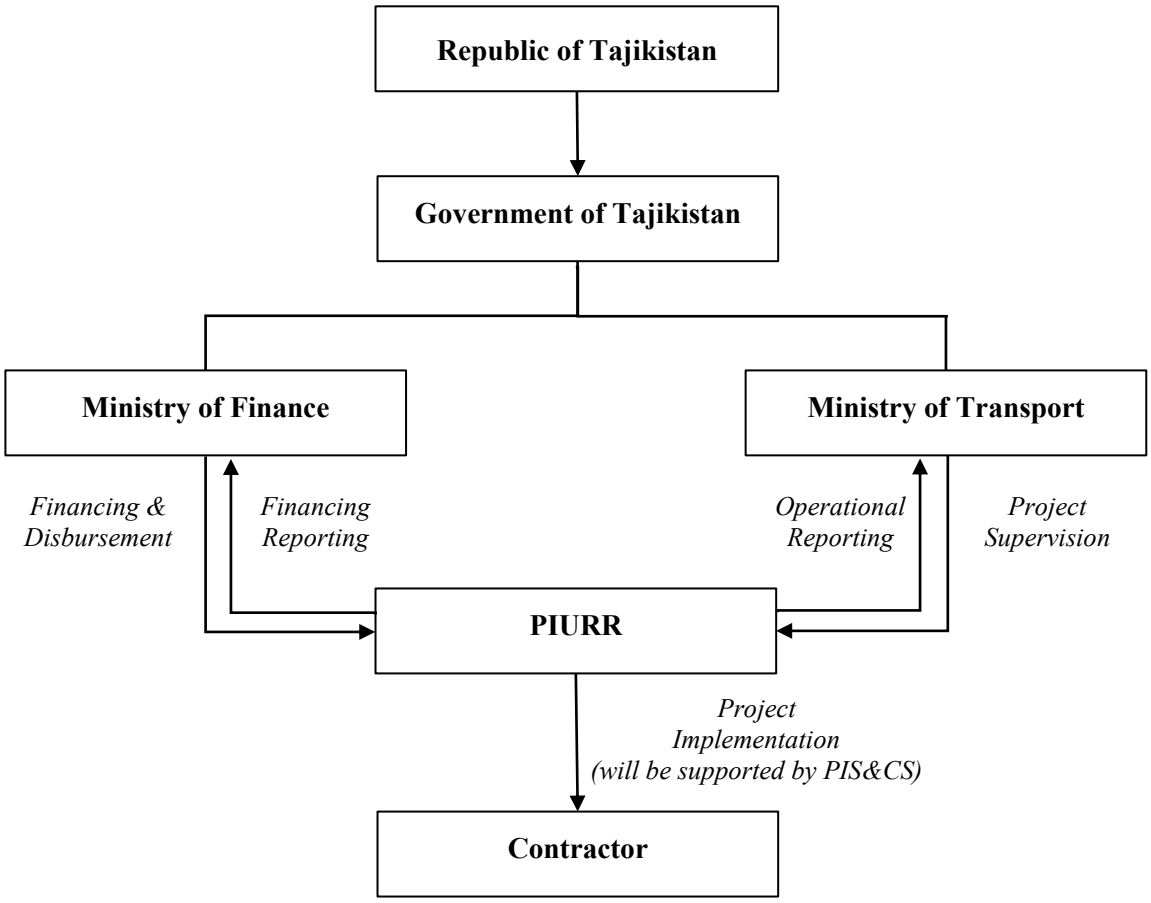
Annexes:

Annex
1. Shareholding Structure
2. Green Assessment Summary
3. Transition Impact Scoring Chart
4. Summary of TI Compliance
5. Procurement Implementation Summary
6. SSF Fiche

ANNEX 1. SHAREHOLDING/ PROJECT STRUCTURE

- This is a sovereign loan to the Republic of Tajikistan, represented by the MoF.
- PIURR will implement the Project.
- The MoT will oversight the Project implementation process including physical works and the institutional reform TC - Road Safety Advisory, acting on behalf of the Republic of Tajikistan.

Figure 1 – 1.1 Institutional Arrangements for Project Implementation:



ANNEX 2. GREEN ASSESSMENT SUMMARY

SUMMARY

- The Project is a sovereign loan of up to EUR 49.2 million in favour of the Republic of Tajikistan to finance the upgrade of a 56-km Baljuvon – Sari Khosor road in the south of the country. The Project will include nature-based solution components for climate adaptation to connect isolated 19 settlements with an all-weather functioning road.
- The Project is determined **aligned with both mitigation and adaptation goals of the Paris Agreement.**
- The Project is attributed **50 per cent green finance.**
- Climate-related financial risks have been assessed [REDACTED]

PARIS ALIGNMENT ASSESSMENT

Alignment with the mitigation goals of Paris Agreement - General screening
The Project is determined as aligned with the mitigation goals of the Paris Agreement based on the application of the Bank's Paris alignment approach for direct finance.

- The Projects activity is included in the MDB "aligned" category "Transport - Roads with low traffic volumes providing access to communities which currently do not have all-weather access (for example, connecting farmers to markets or providing access to a rural school, hospital, or better social benefits)".
- The project does not contribute to deforestation as per the conditions of alignment.
- There are no activities included in the 'non-aligned list'.

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. All material physical climate risks have been addressed**.**

- Step 1: The screening performed under Step 1 indicates that the project faces potentially material flooding, extreme heat, and landslides caused by erosion and intense precipitation.

- Step 2: During the due diligence phase these risks were further assessed, and the results summarised below.

Suitable resilience measures will be included in the project (see Green Finance section below). Such specific measures include stormwater drainage expansion and improvements aligning to requirements for climate resilience, upgraded riverbank erosion systems which also provide nature benefits and support biodiversity. Landslide risk is addressed through targeted slope stabilisation using combined grey and nature-based solutions such as retaining structures and nature-based solutions and operational measures during construction to mitigate slope destabilisation are integrated into the existing design. Extreme heat is addressed in the pavement design which has been found to meet the requirements of the projected road traffic and increasing temperatures. In addition, the project does not undermine the resilience of wider systems and is not inconsistent with the national policy for context adaptation. The riverine system and watercourse are not diverted; only soft grey solutions such as spurs and riverbank erosion projection engineering will be used to reduce flow rates and protect the riverbank while supporting habitat growth.

- Step 3: The Project is unlikely to have an impact on the climate resilience of the wider system in which it operates. A number of climate resilience measures are integrated into the Project to mitigate each of the risks identified. Some of these measures include, hard and soft actions aimed to mitigate material risk and also provide substantial nature benefits. Activities

associated with flow control are not believed to have an impact on the watercourse nor create significant land use change if any.

CLIMATE RELATED FINANCIAL RISK
[REDACTED]

GREEN FINANCE ATTRIBUTION
The Project is attributed 50 per cent adaptation and 15 per cent nature green finance. This share in line with the Bank's Methodology to determine green finance. As both the adaptation and nature-positive measures contribute to the same objective of reducing pluvial and fluvial flood risk while reducing the risk posed by fluvial erosion, they are considered non-additive. Consequently, the overall **green finance attribution for the Project is 50 per cent**. A summary of the adaptation green finance rationale is provided below.

Climate adaptation finance
The Project is attributed 50 per cent adaptation green finance given that a shared objective of the Project is to strengthen climate resilience of an essential transport link for several rural communities, in line with section 4.44.b.i of the Bank's Methodology to determine green finance related to activities enabling adaptation.

Step 1: Climate change vulnerability context relevant to the Project
The existing route consists of an unpaved dirt road serving 19 villages with a combined population of approximately 6,000 people. Recurrent river flooding regularly disrupts access along the corridor, isolating communities from essential services, markets and economic opportunities for between one and three months each year. The most severely affected section of the road (km 21–56.3), which serves more than 3,600 residents, can become impassable for up to three months annually.

Climate assessments undertaken by the consultant indicate that these challenges are likely to intensify under future climate conditions. Rising temperatures are projected to accelerate snowmelt and increase river flows, resulting in more frequent and severe flooding and greater damage to transport infrastructure. Sections of the existing road are routinely washed away, forcing vehicles (those suitably equipped) to use the riverbed where conditions allow, creating significant safety risks, restricting mobility and causing adverse impacts on the riverine environment.

Step 2: Commitment of the Bank's intent to address climate resilience through the Project
One of the core objectives of the Project as presented in the primary transition impact objective (integrated)[REDACTED] is to provide isolated communities with reliable year-round access through the construction of a climate-resilient all-weather road. The Project will directly address identified climate vulnerabilities through the construction of a resilient all-weather road designed to withstand current and projected future climate hazards, including increased flooding and higher river flows. Climate-resilient design measures will reduce the risk of flood-related disruption and damage to the transport corridor, ensuring reliable and safe access throughout the year.

Step 3: Direct link between the climate vulnerability context and Project activities
By maintaining connectivity during periods of extreme weather, the Project will reduce the vulnerability of local communities to climate-related disruptions and strengthen access to essential services, healthcare, education, employment opportunities and markets. The Project therefore has a clear and explicit adaptation objective, delivering measurable climate resilience benefits to affected communities and enhancing the long-term reliability of critical transport infrastructure under changing climatic conditions.

Several climate resilience measures are integrated into the Project to mitigate each of the risks identified.

Extreme heat

- Standard Category IV asphalt pavement design was adopted and determined to be efficient at mitigating the risk due to the low traffic numbers on the road.

Landslides

- Lowering to Category V standard to reduce the level of earthworks required and disruption to the mountainside and biome: Aimed to reduce risk through design optimisation by reducing earthworks and slope heights, directly lowering instability risk.
- Grey and nature-based solutions integrated for slope stabilisation: Incorporate vegetation/landscaping and maintain provision for retaining measures to control erosion.

Precipitation and flooding

- Drainage and Culverts: All drainage and culverts systems have been designed to a conservative standards (SNiP 2.05.03-84) equivalent to a 1/100-year event exceeding the mandatory 33–50 year design standard for Category V roads.

Flooding – bridges

- Use large diameter bored pile foundations to reduce scour risk and foundation erosion.

Erosion protection

- Replacing impermeable concrete slabs with Gabions.
- Adding Spurs/groynes for flow management.
- Use of rip rap and concrete blocks at critical points for flow reduction and erosion projection:

Climate Resilience Outcome

The estimated climate resilience benefits arising from avoided flood- and landslide-related damage and disruption are equivalent to 178 per cent of the Project cost of EUR 49.2 million. Over the design life of the road, the adaptation measures incorporated into the project, including riverbank protection, slope stabilisation and enhanced drainage infrastructure, are expected to deliver climate resilience benefits valued at approximately EUR 87.6 million.

Nature finance

The Project is attributed 15 per cent nature green finance thanks to nature-based solutions mainstreamed within the Project design. These include the provision for landscaping and tree planting along the adjacent slope embankments to improve stability, mitigate soil erosion, and naturally manage water runoff. In addition, the Project will incorporate gabion and rip-rap protection for the river embankment in place of reinforced concrete slabs, which offers limited opportunity for vegetation growth or habitat development and are prone to erosion and temperature retention. Riprap and gabions use can create micro-habitats, support vegetation establishment, improve water infiltration, and reduce the ecological and thermal impacts typically associated with concrete infrastructure. Equally the design measures will include bridges that will stop vehicles driving across the riverbed; disturbing, polluting and significantly damaging the fragile ecosystem. All this considered the expected outcomes of these green and grey solutions is an enhanced resilience for the biodiversity with habitat development within the riverine systems as spaces for resting and spawning fish, while tree planting for slope stabilisation will provide areas for ground species and support bird species in the area. On this basis, the Project is

considered aligned with nature finance guidance under MDB Common Nature Finance Taxonomy 195[2].

Determination and attribution of Nature Positive Finance – 4 Steps

- Step 1 – Investment supporting qualifying activities (a): The Project's activities align with the MDB Common Nature Finance Taxonomy (2025)[3] under Linear Infrastructure 195 - '*Integration of Nature-based solutions across economic sectors: Using green infrastructure or combined green/grey solutions to provide infrastructure-type services with clear localized benefits to biodiversity'*

- Step 2 – Activities are not a requirement as a result of nature impact mitigation: The identified activities which have direct nature benefits are not required as a result for mitigating the impact of the project's activities during construction or operation on the nature or surrounding environment in line with the banks ESP. The design and construction works will be implemented in accordance with the ESAP requirements and recognised E&S good practice. Slope excavation activities will be informed by geotechnical stability assessments to minimise disturbance and retain existing vegetation wherever feasible. While critical habitat has been identified within the project footprint, the impacts are local to the project footprint and appropriately mitigated through the application of the mitigation hierarchy in accordance with those practices set out in E&S policy. These mitigating activities do not overlap with the proposed nature-based qualifying activities. As the project involves the upgrade of an existing road to an all-weather road, existing access routes and work areas will be utilised, avoiding the need for additional land clearance or vegetation removal for construction activities and material storage.

- Step 3 - Assessment of mitigation or compensation requirements for potential harm: The identified activities are not being implemented to compensate for impacts on critical habitat. A minimalist impact engineering approach has been adopted in design and construction.

  Step 4 - Assessment of measurable nature improvements: A quantitative ecological baseline is not currently available however, as part of this project a baseline assessment of the specific nature benefits relevant to the identified component will be conducted. This will include an assessment of the riparian species and biodiversity in the immediate terrestrial area. The baseline will be used to develop appropriate biodiversity indicators and then be compared with an operational assessment to show the measurable benefits of the nature activities integrated into the design which will include tree planting for slope stabilisation and the riverbank project designs to support the riparian environment. The Project is expected to generate clear nature benefits by reducing pressures on freshwater-riparian ecosystems and wider environment through riverbank stabilisation, sediment control and nature-based slope protection measures supporting habitat growth, including the potential to increase numbers of critically endangered tree species. The interventions reduce erosion thus allowing for growth of riparian ecosystems, minimise disturbance to aquatic habitats and support the maintenance and growth of ecosystem functions within the river corridor. The riverbank protection supports riparian species and plant growth, while also reduce turbidity and soil stripping of the riverbed allowing plants to establish and habitats to establish. The construction of dedicated bridge crossings and engineered embankment protection will eliminate the current practice of vehicle crossings through riverbeds, which contributes to

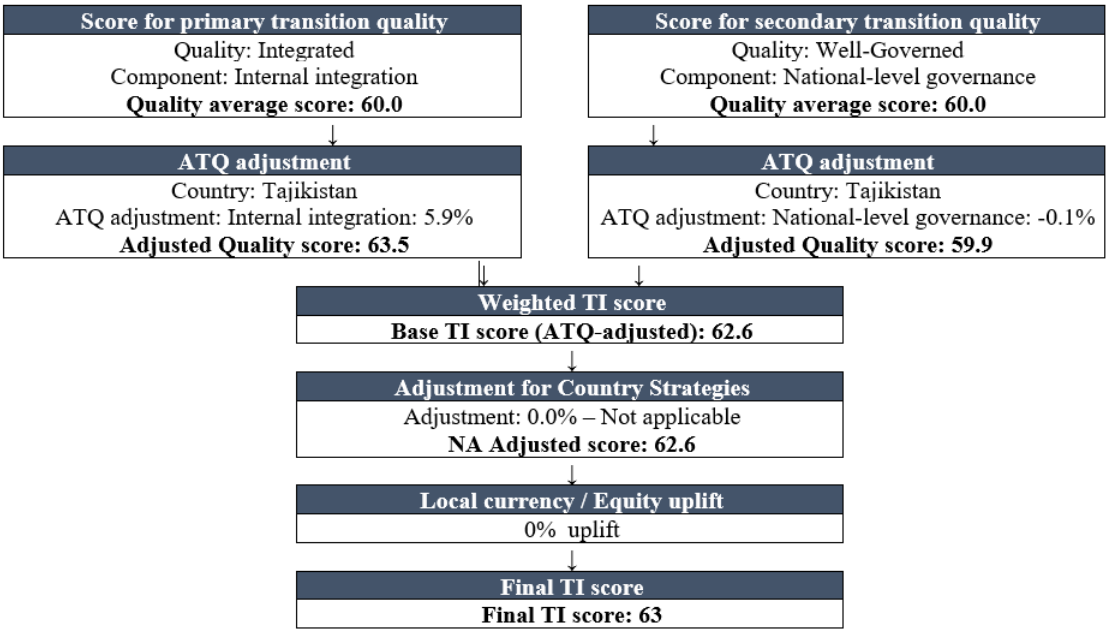
[2] MDB-Common-Nature-Finance-Taxonomy.pdf

[3] MDB-Common-Nature-Finance-Taxonomy.pdf

riverbed degradation, habitat disturbance, and the fragmentation of aquatic and riparian ecosystems. By reducing physical disturbance to watercourses and maintaining more natural river processes, these interventions will support freshwater biodiversity, enhance ecological connectivity, and strengthen the long-term resilience of riverine ecosystems to both anthropogenic pressures and climate-related impacts.

GREEN PROJECT MONITORING PLAN
[REDACTED]

ANNEX 3. TRANSITION IMPACT SCORING CHART



ANNEX 4. SUMMARY OF TI COMPLIANCE

[REDACTED]

ANNEX 5. PROCUREMENT IMPLEMENTATION SUMMARY

Procurement classification – *Public sovereign*

Project risk assessment based on:

Country risk assessment: [REDACTED]
[REDACTED]

The Client's capacity assessment related risk: ***moderate***
PIURR has experience in the implementation of the EBRD-funded projects and has managed several open international tenders in earlier projects. [REDACTED]PIURR was established by decree of the Government of Tajikistan to manage IFI financed projects in the road sector. It is a governmental entity working in coordination with various departments of the MoT and other relevant agencies and organizations. PIURR's main IFI partners are WB, ADB, EBRD, Asian Infrastructure Investment Bank, Islamic Development Bank, and other bilateral donors active in the country.

Contracts risk assessment: ***moderate high***
The Project capital expenditure will finance the upgrade of 56 km Baljuvon – Sari Khosor road located in Baljuvon District of the Khatlon region. The road is currently unpaved and is subject to frequent seasonal disruptions.

In accordance with the EBRD's PP&Rs of 2022 and prior review of the key procurement documentation, the client is expected to ensure the selection of experienced and creditworthy contractors and the use of balanced contractual conditions (FIDIC Red Book). [REDACTED]This is a challenging construction involving land acquisition, environmental impact, seasonal constraints, stakeholder coordination and operational challenges. Therefore, intensive supervision support is needed, and the contract is considered as a *moderate high* risk.

Project implementation arrangements:

PIURR is already experienced in implementing major road projects with IFI-financing and the same team will be working on the new project. Nonetheless, consultancy support is envisaged to support the client:

i. PIS&CS services financed by grant funding focussing on FIDIC Engineering services to support the Project implementation;
ii. Lender's 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;
iii. Road Safety Advisory to support the implementation of dedicated audits and inspections throughout the road project lifecycle and integration of road safety considerations.

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 capex contract is being procured using Open Tendering Procedure in a single stage process with prequalification and the PIS consultancy contract in a competitive selection process with

prequalification as per PP&R Section III. Both contracts are already being procured in advance procurement procedures with pre-qualifications and supported by a dedicated bank-contracted consultant with expertise in procurement and civil engineering in the road sector.

All contracts will be procured using the EBRD Standard procurement documents as well as contracts templates and fall under prior review process by the Bank.

Table 1 – 1.1 Procurement Plan
[REDACTED]

ANNEX 6. SSF FICHE

[REDACTED]