



Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 26-Nov-2019 | Report No: PIDC25831

**BASIC INFORMATION****A. Basic Project Data**

Country Central Asia	Project ID P166820	Parent Project ID (if any)	Project Name Fourth Phase of the Central Asia Regional Links Program (P166820)
Region EUROPE AND CENTRAL ASIA	Estimated Appraisal Date Apr 01, 2020	Estimated Board Date Jul 15, 2020	Practice Area (Lead) Transport
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance	Implementing Agency Ministry of Transport of the Republic of Tajikistan, Customs Service under the Government of the Republic of Tajikistan	

Proposed Development Objective(s)

The development objective of the proposed Fourth Phase of the Central Asia Regional Links Program (CARs-4 Project) is to increase regional connectivity in Sughd Oblast and Gorno-Badakhshan Autonomous Region (GBAO) and improve opportunities for trade and travel.

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	110.00
Total Financing	110.00
of which IBRD/IDA	110.00
Financing Gap	0.00

DETAILS**World Bank Group Financing**

International Development Association (IDA)	110.00
IDA Grant	110.00



Environmental and Social Risk Classification

Substantial

Concept Review Decision

Track II-The review did authorize the preparation to continue

Other Decision (as needed)

B. Introduction and Context

Country Context

For a small economy, such as the Republic of Tajikistan, further integrating regionally and tapping into external demand is key to ensuring sustainable and inclusive growth. With a population of 8.4 million and a GNI per capita of US\$1,100 (Atlas method), Tajikistan is the poorest country in the Europe and Central Asia (ECA) Region. Following the end of the civil war (1992-97), the Tajik economy bounced back strongly, growing at an average rate of 7-8 percent a year, according to official statistics. Despite the impressive growth performance, Tajikistan's current development model has not achieved dynamic rates of sustainable and inclusive growth. In particular, the current growth model has lacked a productive, profitable or employment-generating private sector and a diversification strategy based on market-principles. In addition, capabilities in information communication technology (ICT), by now a precondition for investment, innovation and market creation are low with internet use being limited and very expensive by international comparison.

The current growth model of Tajikistan necessities rebalancing from the remittance-finance private consumption-driven and ODA-supported public investment-led growth to the private investment-led and export-oriented growth path¹. This will require substantial structural reforms to facilitate the transition. Tajikistan managed to reduce its trade deficit by more than 2 times from 55 percent of GDP in 2008 to about 25 percent in 2017 and the main contribution, according to the CEM came from import substitution. By regional and international standards, the country's export performance is weak, as exports of key commodities are heavily dependent on the volatile price dynamics in international markets. Trade in services also remains small and concentrated on the tourism industry on the export side and on the transport and construction – on the import side. Tourism was declared as a priority sector by the government, but proper infrastructure and logistics are lacking to expand and offset the overall deficit of trade in services.

Within this context, Sughd Oblast and Gorno-Badakhshan Autonomous (GBAO) Region play a strategically important role as they serve as the country's entry and exit points for trade and travel to neighboring countries as well as transit, including Uzbekistan, Kyrgyz Republic, Afghanistan and China². While poverty rates have fallen (29.5 percent in 2017), compared to other parts of the country, poverty is substantially higher in GBAO Region³ despite its strategic location. At

¹ World Bank, Country Economic Memorandum (CEM), 2018.

² While trade with China has reached US\$2.1 billion in 2013 (and expected to reach US\$3 billion in 2020)², the greater development and expansion of trade and economic cooperation within the Belt and Road Initiative by the PRC (BRI) is seen by the Government of the Republic of Tajikistan as an important opportunity for the further development of the country.



the same time, Sughd Region, located in the populated Ferghana valley is contributing to about 1/3 of the country's industrial production, which increased two-fold, at an average annual growth rate of 5-8 percent since 2000. About 80 percent of the region's population is engaged in agriculture, and women are the majority of those employed in this sector. Labor participation is high, but wages are low, for both women and men. Two free economic zones are located in Sughd and GBAO – in Khujand and Ishkashim – but they are far from fully exploiting their potentials, among others due to the poor infrastructure⁴. Additionally, the lack of opportunities is well known to be an important driver in these regions, where migration emerges as a common coping mechanism.

The extremely poor condition of the infrastructure and underlying services, in particular in GBAO region negatively impact the potential role of those regions for trade and travel. In order to intensify economic exchanges between Tajikistan and Afghanistan along the Pyanj river, the government has put a lot of efforts with support from development partners and built 5 major bridges along the section from Shurabad to Khorog and onwards to Ishkashom. Regular cross-border markets are open during weekends on Tajik territory to connect four isolated districts of Afghanistan with the closest market opportunity in Tajikistan. Additionally, with support of development partners such as the Islamic Development Bank, OPEC, Kuwait Fund, for example, the government has rehabilitated several sections of the Dushanbe-Khailakum-Khorog-Kulma Pass route, as it is the only direct route to China and further the proposed China-Pakistan energy/transport corridor between Kashgar and Khunjerab and the ports of Qwadar and Karachi. However, heavy overloading of trucks that travel this route, sometimes up to 80 tons per truck is common to reduce transport costs for goods shipped and subsequently create savings for trucking companies. An automated system to record the axle weights and gross vehicle weights is not installed along the route, but a pilot of the system is being implemented in Sugd Oblast.

Sectoral and Institutional Context

The Government of Tajikistan puts highest priority towards ending the “communications deadlock” at the national and regional level. The National Development Strategy, the Transport Sector Masterplan (currently being updated), the Export Promotion Strategy spell out the overarching country and sector development program with a view to take full advantage of the country's strategic location at the intersection of trade and travel routes as well as transform peripheral regions into the core of new economic neighborhoods. Substantial ODA-financed investments in road infrastructure have been made to complete missing links with Uzbekistan to the east (Tursunzade) and north (Patar and Chanak), with Kyrgyz Republic to the north (Guliston and Madaniyat), with Afghanistan to the south (Nijniy-Pyandj) as well as several sections to the east (Karamik) with Kyrgyz Republic and east/south (Khailakum-Khorog-Kulma Pass) to connect with China and Afghanistan. Major missing links for which financing has been secured and/or is currently being discussed with development partners including, among others critical sections along the Dushanbe-Khorog-Kulma Pass as well as new road sections to be built around Roghun Hydropower stations.

Tajikistan has taken steps to increase its global and regional integration through WTO accession in 2013 and by participating in the CIS free trade agreement. In order to enhance trade competitiveness and increase market opportunities, Tajikistan will need to address its cumbersome regulatory and business environment, gaps in physical infrastructure, as well as align standards to international practices and modernize procedures of cross-border movement of goods and people. Despite a historically small and narrow export base, there seems to be high and relatively inelastic demand by neighboring countries to import food products, minerals and metals, and energy, all products, for which

⁴ A recent World Bank study (*Reinvigorating growth in Khatlon Oblast, 2014*) suggests that improvement of infrastructure and rehabilitation of national and feeder roads is among critical measures to improve domestic and regional connectivity, to attract private investments, and boost the potential of these free economic zones.



Tajikistan has a comparative advantage. For example, during the first half of 2018, exports of goods, in US\$ terms have increased by more than 15 percent, with exports to Uzbekistan having tripled. Export growth in 2018 was 34 percent.

Structural reforms, resulting in improvements in trade and customs-related performance however is still lacking behind.

According to the World Bank's Cost of Doing Business indicator, Tajikistan is ranked 149 (out of 190 countries), with a distance to frontier (DTF) of 57.17, slightly improving over the 2017 figure of 57.05. While the trading across borders ranking of Tajikistan has improved in 2018 (+0.12), the increase is less than for the overall DB indicator over the same period (+0.93, with an overall ranking of 123). This implies that, even though the overall performance of the country has slightly improved, customs and trade facilitation reforms are behind the rest of the other indicators for Tajikistan. The principles of a single window, providing a single system of liaison with importers and exporters, submission of documents and full-cycle handling applications for customs clearance and transit has been introduced, but not yet fully adopted.

The Customs Service under the Government of Tajikistan (herein "Customs Service") is an independent body, reporting directly to the President.

It comprises of approximately 1,160 staff spread around 70 Customs offices and processed approximately 250,000 declarations in 2018. The Customs Service is plagued with high level of inefficiencies, low productivity, and low control over movement of goods. Attempts to modernize were previously made through the help of various donors, but these were piecemeal, and automation of processes have not yielded the desired results. Customs automation was carried out and a processing system, called Unified Automated Information System (UAIS) was developed through the help of a private sector firm, and started functioning in January 2012. This system has a number of shortcomings, and further development and improvement stopped after the firm's support contract expired.

Currently the customs processing through UAIS remains, at most semiautomated, with limited integration and interaction with internal and external systems.

A number of steps required for clearance e.g. valuation, exchange rate input etc. are done manually. The system has practically no time controls i.e. automatic notifications, and also does not allow to upload supporting documents. On top of this the ICT hardware (servers, computers etc.) has also outlived its lifecycle. The Customs infrastructure including border posts, and inland offices are also not geared up for modern operations. Being landlocked, Tajikistan also requires high level of integration with its neighbors for seamless movement of goods, which is also lacking. Overall the current operations cannot support any improvement in Customs performance, and to correct this, the Customs Service should update its operating model, organization, and staff employment policies.

Due to the country's geography, the demand for road transport is outpacing that of other transport modes, while passenger travel by air has grown on average by 6.4 percent since 2010 (compound annual growth rate).

Dushanbe, one of the four international airports in the country is the main entry point to the country, especially for international travelers as measured in offered seat capacity. The significant growth rate can also be attributed to the increase of international tourist arrivals, which is estimated to account for about 900,000 in the first six months of 2018, according to the Tourism Development Committee under the Government of the Republic of Tajikistan. In terms of vehicle ownership, nowadays, there are 5.5 vehicles per 100 people registered (2015 compared to 3.3 vehicles per 100 people in 2008). Road traffic increased by about 11% for trucks, 6% for buses, and 12% for cars and mini-buses⁵ over the same period.

Relationship to CPF

The proposed CARs-4 Project is the Fourth Phase of the Central Asia Regional Links (CARs) program, a series of projects (SOP) in multiple countries. This regional SOP is the result of a collaborative effort initiated by client governments in the

⁵ [include source]



Central Asia region and is financed by the International Development Association (IDA) with parallel financing from several development partners. The overall objective of the SOP is to increase cross-border connectivity and enhance integrated regional development to revitalize historically active economic exchanges in Central Asia and beyond along the Silk Route. In an effort to bring transformational impact in the region, the SOP builds synergies with other regional initiatives by multilateral and/or bilateral development partners, e.g., the Central Asia Regional Economic Cooperation (CAREC) program led by the Asian Development Bank (ADB), the EEU, and China's Belt and Road Initiative.

The CARs program, of which Phase 1 and Phase 2 are under implementation, has evolved from having a single focus on cross-border transport connectivity towards comprehensive integrated regional development, improving regional connectivity and creating market opportunities. The objectives of Phase 1 (CARs-1 Project, US\$45 million equivalent) and Phase 2 (CARs-2 Project, US\$45 million equivalent) are to increase transport connectivity between Tajikistan and Kyrgyz Republic along priority cross-border road links in the populated Fergana Valley, and to support harmonization and improvements in road operations and asset management practices in the countries. Phase 1 and 2 are scheduled for completion in the next two years.

The new generation of this SOP namely Phase 3 (CARs-3) and the proposed Phase 4 strive to address regional integration in a more comprehensive approach encompassing both physical and economic connectivity among neighboring countries, while also unlocking economic opportunities by promoting local integrated development in a spatially identified area. As such, Phase 3 and Phase 4 aims to increase the physical cross-border links of regional importance in the region, while reducing operational constraints and creating market opportunities for the development of trade and tourism at the regional (oblast) level to reap the benefits of the full development potential of the oblast. This is expected to revitalize the historically active economic exchanges in Central Asia and beyond along the Silk Route.

The proposed CARs-4 Project is aligned well with objectives and three pillars of the draft FY19-22 World Bank Group Country Partnership Framework (CPF) for Tajikistan, scheduled to be presented to the World Bank's Board of Executive Directors in 2019. The draft CPF has three development priorities: (i) investing in people and strengthening social cohesion, (ii) improving the effectiveness of public institutions, and (iii) fostering investments and exports to take advantage of emerging commercial opportunities. The proposed CARs-4 Project is not only a transformative investment that is expected to foster trade for greater market opportunities but will also contribute to supporting regional development as well as building the foundations for efficient public-sector institutions with the aim of reducing extreme poverty and promote shared prosperity.

The proposed CARs-4 Project will contribute to the achievement of key priorities of Tajikistan's National Development Strategy until 2030, including its ambitious public-infrastructure investments to (i) ensure highest-possible development impact; (ii) allow the country to take full advantage of emerging commercial opportunities; and (iii) avoid potential risks of macro-fiscal sustainability. The proposed CARs-4 Project responds to two out of four strategic development goals of the country as set out in the NDS 2030, MTDP 2020 and SDGs, namely (i) existing from the communication deadlock and turning the country into a transit path (SDG9) and (ii) expanding productive employment (SDG8). The proposed project also addresses other themes, including climate resilience and vulnerability, shared infrastructure as well as skill development for small scale business operating across borders. Taking advantage of the country's strategic location is at the forefront of its development endeavor and the government of Tajikistan sees the proposed CARs-4 project as a multi-phase program to address long-term development challenges through an adaptive and programmatic approach within the existing regional connectivity program.



C. Proposed Development Objective(s)

The development objective of the proposed Fourth Phase of the Central Asia Regional Links Program (CARs-4) is to increase regional connectivity and improve market opportunities for trade and travel in GBAO and Khatlon Oblasts.

Key Results (From PCN)

The PDO of the proposed CARs-4 Project will be measured through the following three key PDO indicators:

- a. *Increase in the flow of passengers and goods through Sughd Oblast and GBAO Region.* This will measure the regional connectivity aspect of the PDO in terms of reducing physical bottlenecks; and
- b. *Cost Savings to businesses.* This will measure the aspect of the PDO in terms of reducing barriers to travel and trade (e.g. trade and logistics costs).
- c. *Satisfaction survey on facilitation measures for trade and travel.* This will measure the aspect of the PDO in terms of reducing barriers to travel and trade.

D. Concept Description

The CARs-4 Project is structured around the following four components:

Component 1. Improve regional connections in Sughd Oblast and GBAO Region (preliminary cost estimate US\$83 million equivalent)

This component’s objective is to increase connectivity along regional priority trade and travel routes and provide access to markets and opportunities. Activities to be financed in the CARs-4 Project include: (i) rehabilitation of Spitamen/Bekobad - Dehmoi-Gafurov road section (Sughd), construction of Khorog bridge towards Murgab and Ishkashim as well as tunnels/ galleries and bridges around Barsem (GBAO); (ii) construction supervision services; and (iii) the feasibility studies and other preparation documentation covering improvements to regional connections in Khatlon and GBAO Oblasts, a potential operation.

Oblast	Section	Length	Category	Cost (estimated)
Sughd	Spitamen/ Bekobad – Dehmoi	12 kms	III	US\$ 6 million
Sughd	Dehmoi – Gafurov	35 kms	III	US\$ 27 million
GBAO	Khorog (bridge) towards Murgab and Ishkashim	300 meters	New construction	US\$ 20 million
GBAO	Barsem (Tunnel/ Galleries and Bridge)	3.5 kms	III	US\$ 25 million
Total				US\$78 million*
*Preliminary cost estimates, not including physical and price contingencies.				

Component 2. Support improvement of Road Assets Preservation and Transport Resilience (preliminary cost estimate US\$5 million equivalent)



To enhance preservation of road assets and its sustainability, the ongoing CARs2 operation has supported various elements of road asset management system, (RAMS), including development of strategic plan on weight and axle load control, design and installation of a high-speed dynamic weigh-in-motion (WIM) system, supply of roughness profiler, and development of software for RAMS. While MOT has created a foundation for a RAMS in Tajikistan through these activities, there are remaining gaps to achieve full functionality and sustainable operation of the RAMS. This component will support scaling of WIM systems to preserve road assets and streamline transport operations in line with international practice, and other small goods or consultants' services to build MOT's capacity to fully operationalize RAMS. This component will also finance climate change vulnerability assessment and hazard mapping (with GIS references) along the Dushanbe-Kalaikhum-Khorog-Murghab corridor focused on GBAO region.

Component 3. Facilitate cross-border movement of goods and people (preliminary cost estimate US\$20 million equivalent)

This component has the objective to facilitate the process of cross-border movement of goods and people, including support towards the implementation of policy and institutional reforms, financing of equipment and facilities (e.g. terminals) as well as capacity building. This will build on and complement support by development partners to align Tajikistan's standards with international practice and modernize procedures of cross-border movement of goods and people. The component will include the development of a diagnostic and comprehensive reform program and implementation plan on addressing regulatory and procedural trade barriers. Subject to priorities identified under the reform program the following specific activities may be financed under the implementation plan: (i) weigh-in-motion systems to streamline transport operations in line with international practice as well as (ii) upgrades to the existing customs IT system to increase automation. This may include goods, potentially small-scale works as well as consultants' services, including Technical Assistance to support institutional reform.

Component 4. Support Project Implementation, Coordination and Management (preliminary cost estimate US\$2 million equivalent)

Component 4 includes support towards project implementation, coordination and management including provision of goods, consultants' services and training, operating costs and financial audit. A steering/ coordinating committee at the level of the office of the Prime Minister or Executive Office of the President is expected to oversee two implementation groups, one in the Ministry of Transport and one in the Customs Service.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Screening of Environmental and Social Risks and Impacts

The social and environmental risks are both rated as Substantial. The Environmental Risk is due to the fact that much of the road rehabilitation work is expected to take place in remote and mountainous regions of GBAO; therefore, the risk of landslides resulting in damage to ecosystems is higher than for roads in the more populated parts of the country. On the social front, the project is expected to result in positive impacts due to increasing the number of people with access with improved transportation resulting in enhanced employment and livelihood opportunities. However, a variety of risks are



evident, most of which are rather contextual and external to the project. But these do will have a bearing on the project as it manifests in risks related to security and safety. Apart from this, involuntary resettlement issues too compound the situation. On securing lands, the implementation of the RPF and any necessary RAPs will need to be monitored closely to ensure full compliance with the standard in the remote areas being targeted by the project. Reaching out to remote and poorer households will depend upon the provision of appropriate technologies and the outreach capacity of the client which currently is quite inadequate.

The Environment Specialist conducted a mission to the Ministry of Transportation PIG on October 18, 2018 in order to discuss the upstream concept and review the potential risks under the ESF. Social screening is based on extensive library research and discussions with task team members and other Bank colleagues.

Note To view the Environmental and Social Risks and Impacts, please refer to the Concept Stage ESRS Document.

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