# PROJECT INFORMATION DOCUMENT (PID)
# CONCEPT STAGE

Report No.: PIDC1250

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| **Project Name** | Central Asia Road Links - Tajikistan (P145634) |
| **Region** | EUROPE AND CENTRAL ASIA |
| **Country** | Central Asia |
| **Sector(s)** | Rural and Inter-Urban Roads and Highways (90%), Public administration-Transportation (10%) |
| **Theme(s)** | Trade facilitation and market access (40%), Rural services and infrastructure (40%), Regional integration (20%) |
| **Lending Instrument** | Investment Project Financing |
| **Project ID** | P145634 |
| **Borrower(s)** | Ministry of Finance |
| **Implementing Agency** | Ministry of Transport |
| **Environmental Category** | B-Partial Assessment |
| **Date PID Prepared/ Updated** | 10-Aug-2014 |
| **Date PID Approved/ Disclosed** | 11-Aug-2014 |
| **Estimated Date of Appraisal Completion** | 10-Oct-2014 |
| **Estimated Date of Board Approval** | 25-Feb-2015 |
| **Concept Review Decision** | Track II - The review did authorize the preparation to continue |

## I. Introduction and Context

### Country Context

The Central Asia region, including the Republics of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan is undergoing a rapid transformation. Since the early 2000s, economic growth in the five republics has been fueled by strong exports in response to robust global commodity demand and prices as well as remittances reflecting strong growth in Russia. The share of agriculture is high in the smaller economies, like the Kyrgyz Republic and Tajikistan. In the past 20 years, the economic gap between the five Central Asian Republics, which was already significant in 1990, has widened further. GDP per capita in the Kyrgyz Republic and Tajikistan in 1990 amounted to 36.9 and 30.1 percent of the GDP per capita in Kazakhstan in the same year. In 2011, GDP per capita in the Kyrgyz Republic was 9.9 percent of that of Kazakhstan’s, and Tajikistan’s GDP as a portion of the region’s GDP dropped from 5.7 percent in 1990 to 2.4 percent in 2011, according to official statistics. In the region, the Kyrgyz Republic and the Republic of Tajikistan are considered the most remote and poorest where in 2011 about 37 percent and 47 percent of the population lived below the poverty line, with a GDP per capita of US$1,157 and US$951 (2012) respectively. Both countries lack natural resources such as oil and gas, but have reportedly substantial potential in hydropower development and mineral resources.

Lack of resources, a challenging regional context and a difficult business environment is preventing the countries from exploiting this potential. Sustainable growth and diversified export base will require better human, physical and institutional capital. While strong demand and prices for commodities have supported growth in the region so far, diversifying the “assets base” in the region will be critical to the diversification of the economies. This will require improvements in the quality of infrastructure, institutions and service delivery, as well as better human capital.

Notwithstanding the widening gap in economic development between countries, the Governments in the region face similar development challenges to connect peripheral areas with regional and global economic centers of activities . In part, this can be attributed to the impacts of the breakup of the Former Soviet Union which formerly shaped important features of the transport networks through a unified economic and transport complex built without consideration for administrative borders. Nowadays, there is a need to address access to shifting global markets, increasing trade integration with neighboring countries and growing urban and rural disparities. This trend is reflected in greater labor migration from rural areas due to lack of employment opportunities, hindering the development of those areas . Analysis of the poor in the region also indicates that the concentration of poverty lies in marginal geographical areas characterized by lack of transport connectivity. This may trigger socio-economic tensions.

At the core of these challenges is the need to rebuild a regional framework of connectivity that links population centers and economic hubs across borders in the Central Asia region, in particular in the highly populated Ferghana Valley where more than 10 million people reside or 27 % of Uzbekistan’s, 31 % of Tajikistan and 51% of Kyrgyz Republic’s population. Relatively small investments in cross-border t ransport links are proven to have an impact on agglomeration processes disproportionate to the simple economic value-added from reduced transportation costs. However, this will only be achieved if reforms in other areas are addressed, including trade facilitation, non-tariff barriers and the like. The region in general ranks relatively poorly on the Logistics Performance Index. Logistics costs in the region are already very high in an international comparison, accounting to about 18-23 percent of exported value and 16-18 percent of imported value according to a recent study  which greatly impact trade, the competitiveness of domestic products as well as potential for economic diversification due to the rise of costs of inputs and costs of exports.

While railways are the backbone for connectivity solution of the region to regional and international markets, the share of road transport in overall traffic flows has been continually increasing. This is particularly true for short-distance (and at times even for longer distances) and intra-regional movements, especially in countries such as the Kyrgyz Republic and Tajikistan given their relatively small rail network. Road transport is sometimes the only option given alpine topography of the region. It is also favored for time-sensitive items such as fruits and vegetables, textiles and clothing and other consumer goods which constitute a large share of the region’s non-oil sector. Passenger transport in the region is almost exclusively done by cars and buses and served only to some extent by air and railways.

Increasing connectivity of people and businesses to local and global services, markets and opportunities across borders is a priority of current policies and investments of the governments of the Central Asian Republics. This agenda is also at the core of the support intended by the World Bank and other development partners. Support towards these objectives has been underway for several years through, for example investments in transport infrastructure and upgrades of energy systems and networks. Efforts to rehabilitate six strategic transport corridors in the Central Asia region have been spelled out in the on-going Transport and Trade Facilitation Strategy and Action Plan for 2008-2017 and endorsed by Central Asia Regional Economic Cooperation (CAREC). Within CAREC, medium-term priority projects in the transport sector to be implemented during the period from 2011 to 2015 have obtained confirmed financing in the amount of US$15.5 billion from development partners and governments. Additionally, within the framework of CAREC, the countries are currently working together on improving border crossing facilities under the ADB-financed Regional Improvement of Border Services (RIBS) Project (approved in April 2013).

**Sectoral and Institutional Context**

Landlocked, largely mountainous, with a population of 7.3 million and a GNI per capita of US$560 in 2008 (Atlas methodology), Tajikistan is not only one of the poorest countries in Central Asia but in the Europe and Central Asia region. Tajikistan depends on external trade for its development, and its export-driven business in agriculture and industry requires fast, reliable and economically affordable transport. Tajikistan's economic performance has been impressive in recent years, with an annual GDP (US$6.52 billion in 2011) growth of 8% during 2005-2009 and poverty level decreased from 81% in 1999 to 47.2% in 2009 (World Bank, TLSS).

Rehabilitating and managing the country's transport infrastructure poses particular challenges due to geography and limited international connectivity . The Government of Tajikistan puts highest priority towards improving transport connectivity at the national and regional level with a view to transform peripheral regions into the core of new economic neighborhood, including China and Afghanistan. Severely constrained by the predominantly alpine topography, travel within the country is mostly done by road. Total road length of the country is 26,776 km, including 13,968 km under the Ministry of Transport and Communications, or 52.2% of total network. The roads under MOT include 5,291 km of international and national roads and 8,684 km of rural roads.

The existing railway network, formerly part of the railway network in the Former Soviet Union (FSU) is relatively small (480 kilometers) and not directly connected, but with separate links to Uzbekistan. Reportedly, the railway sector has important challenges to define recuperation and investment strategy, competition, commercial strategies and pricing systems for long distance freight. The National Development Strategy for Transport Sector until 2025 stresses the role of transport to exit geographical isolation and deadlock and presents an investment program which is currently under implementation. Significant efforts have been made with substantial investments to further develop the north-south axis (Nijniy-Pyandj-Dushanbe-Khujand-Chanak road, including the completion of Shahristan and Istiklol tunnels), as well as the east-west axis (Tursunzade- Dushanbe-Karamik road) as well as other links of national and regional importance (such as Ayni- Panjakent, Kurgonteppa-Kulob).

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**Relationship to CAS**

The proposed Central Asia Road Links (CARs) Program complements the on-going efforts of the countries in the region contained in the on-going Transport and Trade Facilitation Strategy and Action Plan for 2008-2017 which is endorsed by the Central Asia Regional Economic Cooperation (CAREC). This strategy foresees the rehabilitation of 6 strategic transport corridors in the Central Asia region based on their impact on economic growth and poverty reduction as highlighted by the recently development framework for the CAREC program 2011-2020 (CAREC 2020). The program has the aim to expand trade and improve competitiveness by developing "economic corridors" as well as improve trade facilitation. Within the trade facilitation component, cross-border transport agreements (CBTAs) between the Kyrgyz Republic, the Republic of Tajikistan and Afghanistan are being developed and implemented to ensure smooth flow of goods and people.

The recently approved Country Partnership Strategy (CPS) between the Government of the Republic of Tajikistan and the World Bank for the period of FY15-18 recognizes regional connectivity as one of the pillars for the World Bank Group Program in the country and includes actions that would allow assessing and accelerating cross-border transport, increasing efficiency, reducing costs, and facilitating regional and international trade. While all countries participating in the program would benefit from rehabilitation of the proposed road links connecting people and regional economic centers across borders, the proposed CARs-2 project with focus on Sugd Oblast would also support private sector growth enabling opportunities for cross-border trade. Proposed project interventions are to contribute to the facilitation of trade between Tajikistan and neighboring countries (Kyrgyz Republic and Uzbekistan) and improve attractiveness of Tajikistan as a country favorable for transit. Currently, Tajikistan is only ranked 184 out of 184 countries on Doing Business "trading across borders" indicator.

The proposed project is also aligned with the Living Standards Improvement Strategy (LSIS) for 2013-2015, which recognizes transport connectivity as one of the objectives among public administration and governance; private sector-led growth; development of human potential; energy independence and food security. Transport connectivity is also one of the key development objective of the Socio-economic development program of Sugd region up to 2015. In this connection, the year 2014 was announced a year of "Better roads in Sugd oblast" by the Authority of Sugd oblast and this initiative was supported by the MOT and other different stakeholders at the local and municipal level.

## II. Proposed Development Objective(s)

**Proposed Development Objective(s) (From PCN)**

The CARs program is the result of a collaborative effort initiated by respective governments in the Central Asia region which has been developed as a regional, multi-phase program considered as a regional transformational project under IDA17. The program has the overall objective to increase transport connectivity between neighboring countries in Central Asia along priority cross-border road links whilst supporting improvements in road operations and maintenance practices. The road links once rehabilitated will improve access along priority transport connections between major urban agglomerations within the Central Asia region, thereby supporting the creation of an integrated economic region across borders. In addition to each country's capital city, major urban agglomerations include cities such as: (a) Osh city, the second largest city in the Kyrgyz Republic in Osh Oblast, (b) Khujand, the second largest city in Tajikistan within Sugd Oblast, (d) Almaty, the formerly capital of Kazakhstan until 1997 within Almaty Oblast, as well as (e) Andijan (Andijan Oblast), Fergana (Fergana Oblast) and Namangan (Namangan Oblast) in the Ferghana valley.

The project development objective (PDO) of the Second Phase of the Central Asia Road Links Program (CARs-2) is to increase transport connectivity between Tajikistan and its neighboring countries along priority cross-border road links whilst supporting improvements in road operations and maintenance practices. The road sections to be financed under CARs-2 prioritize connectivity between the Sugd Oblast in Tajikistan and the Osh and Batken Oblast as they build lateral spurs from the Osh-Isfana axis to the Tajik border.

**Key Results (From PCN)**

CARs-2 project design has been kept simple in order to achieve the PDO within the implementation period. Progress towards the attainment of the PDO will be assessed through the following indicators:

(i) Project outcome indicators:

a. Transport costs for road users, by car, truck and buses along the project road sections and in the project area reduced;

b. Travel time for road users, by car, truck and buses along the project road sections and in the project area reduced;

c. Number of rural people in the project area who live within 2 kilometers of an all-season road increased proportionally; and

d. Outcome of road user satisfaction survey reflected in current road sector policies and investments;

e. Volume of international goods transported along the rehabilitated road sections and in the project area increased;

(ii) Intermediate outcome indicators:

a. Number of kilometers of road sections rehabilitated under the Project;

b. Percentage of total classified road network in the project area in good and fair condition;

c. Road Asset Management System introduced; and

d. Strategic plan for the location and operation of axle load control systems/scales developed.

Public Disclosure Copy

## III. Preliminary Description

**Concept Description**

The proposed CARs-2 will consist of three components:

Component 1: Rehabilitation of priority road sections in Sugd Oblast: This component is expected to finance the provision of works and consultants' services for the rehabilitation of up to 85 kilometers of road sections in Sugd oblast. Those road sections will link Tajikistan with its neighboring countries.

Component 2: Improvement of road operations and road asset management: This component is proposed to finance the provision of goods, and consultants' services for the improvement of road operations and road asset management.

Component 3: Project management and implementation: This component is proposed to finance the provision of goods, consultants' services, and training, operating costs, including a financial audit to support project coordination, implementation, and management.

The road sections to be rehabilitated under component 1 will complement CAREC corridor 2.

## IV. Safeguard Policies that might apply

| Safeguard Policies Triggered by the Project | Yes | No | TBD |
|---|---|---|---|
| Environmental Assessment OP/BP 4.01 | ✕ | | |
| Natural Habitats OP/BP 4.04 | | ✕ | |
| Forests OP/BP 4.36 | | ✕ | |
| Pest Management OP 4.09 | | ✕ | |
| Physical Cultural Resources OP/BP 4.11 | | ✕ | |
| Indigenous Peoples OP/BP 4.10 | | ✕ | |
| Involuntary Resettlement OP/BP 4.12 | ✕ | | |
| Safety of Dams OP/BP 4.37 | | ✕ | |
| Projects on International Waterways OP/BP 7.50 | | ✕ | |
| Projects in Disputed Areas OP/BP 7.60 | | ✕ | |

## V. Financing (in USD Million)

| | | | |
|---|---|---|---|
| Total Project Cost: | 54.00 | Total Bank Financing: | 45.00 |
| Financing Gap: | 9.00 | | |

| Financing Source | Amount |
|---|---|
| BORROWER/RECIPIENT | 0.00 |
| International Bank for Reconstruction and Development | 0.00 |
| International Development Association (IDA) | 45.00 |
| Total | 45.00 |



## VI. Contact point

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**Implementing Agencies**

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