INTEGRATED SAFEGUARDS DATA SHEET
CONCEPT STAGE

Date ISDS Prepared/Updated: 01-Mar-2012

I. BASIC INFORMATION

A. Basic Project Data

<table>
<thead>
<tr>
<th>Country</th>
<th>Tajikistan</th>
<th>Project ID:</th>
<th>P130091</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Name:</td>
<td>Private Sector Competitiveness (P130091)</td>
<td></td>
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<tr>
<td>Task Team Leader:</td>
<td>Karen Grigorian</td>
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<tr>
<td>Estimated Appraisal Date:</td>
<td>00-undefined-0000</td>
<td></td>
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<tr>
<td>Estimated Board Date:</td>
<td>10-May-2012</td>
<td></td>
<td></td>
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<tr>
<td>Managing Unit:</td>
<td>ECSPF</td>
<td></td>
<td></td>
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<tr>
<td>Lending Instrument:</td>
<td>Technical Assistance Loan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sector:</td>
<td>Other industry (40%), General industry and trade sector (30%), Payments, settlements, and remittance systems (30%)</td>
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<td></td>
</tr>
<tr>
<td>Theme:</td>
<td>Other Private Sector Development (100%)</td>
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</table>

Financing (In USD Million)

<table>
<thead>
<tr>
<th>Financing Source</th>
<th>Amount</th>
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<tbody>
<tr>
<td>BORROWER/RECIPIENT</td>
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<tr>
<td>International Development Association (IDA)</td>
<td>10.00</td>
</tr>
<tr>
<td>Total</td>
<td>10.00</td>
</tr>
</tbody>
</table>

Environmental Category: B - Partial Assessment

Is this a Repeater project? No

B. Project Objectives

The development objective of the project is to enhance the private sector development through further improving the business environment, encouraging the development of high-potential industries, and enhancing access to financial services while strengthening the financial sector.

C. Project Description

The tasks contemplated under the project would leverage the work conducted over the last 3-4 years by the World Bank Group as well as other donors in the PSD and FSD areas in Tajikistan.

The Project consists of the following three components:

Component 1: Improving the business environment;
Component 2: Encouraging the development of high-potential industries, and
Component 3: Enhancing access to financial services while strengthening the financial sector.

Below is the preliminary outline of the components and estimated distribution of the total project envelope of US$12 million, of which US$10 million are IDA lending and US$2 million are potential counterpart funds (since the latter are not confirmed, project outputs and outcomes will be based on IDA funding alone).

Component 1: Improving the business environment.

This component of the project aims to:

- Continue the support in selected areas, where the technical assistance needs to be extended in depth and breadth.
- Support the implementation of reforms by complementing the technical assistance with a dedicated investment and capacity building component.

The assistance envisioned under this component aims to cover four specific problem areas:

1. Starting a Business: Despite the reforms, the process of starting a business in Tajikistan could be further improved: entrepreneurs still need to visit the three agencies (the Tax Committee, the Statistics Committee and the Pension Agency) to obtain three separate registration numbers. Also, there are a number of procedures that could be simplified and costs that could be reduced.

2. Registering Property: Despite the legislative amendment that calls for the unification of land and building registries, this reform has not yet been implemented. As a result of an unreliable system of property registration, it is very difficult to carry out adequate urban planning, transportation and infrastructure design and planning, and agricultural or tourism development. In addition, the uncertainty associated with real estate titling makes the use of real estate as collateral a challenge for creditors, thereby, affecting the ability of farmers and business to gain...
Component 2: Encouraging the development of high-potential industries.

This component is the one with relevance with regards to the Bank’s safeguards policies and is thus described in more detail. It would aim at supporting the development of some selected sectors with a high competitiveness potential in Tajikistan, in particular mining, leveraging the new Competitiveness Partnerships Initiative (CPI) developed under the FPD network. The mining component would be developed in collaboration with SEGOM (Sustainable Energy – Gas, Oil and Mining) Both would leverage preliminary work implemented by these two groups in recent years.

In the mining industry, the component would aim at (i) increasing the attractiveness of Tajikistan as a destination country for large mining developments and (ii) building the capacity to manage and regulate the sector, building upon a number of previous Bank ad-hoc interventions in the mining sector (a mining strategy review, a review of mining legislation, and preliminary work on the Extractive Industry Transparency Initiative (EITI)). The project would be complemented by efforts being undertaken by the working group led by the Ministry of Finance preparing Tajikistan for candidate country status for EITI, at which time it would be eligible for funding from the Multi-Donor Trust Fund to enable it to strive towards compliant country status. (The goal of the working group is to become an EITI candidate country by spring 2012.)

Component 2 of the project would build upon the preliminary steps taken by the Government of Tajikistan on mining sector reform—including the organization of a Mining Technical Working Group—with a combination of technical assistance, capacity building, and investment that would make the mining sector more attractive for investment in exploration and exploitation as well as enhance the benefits received by the country from the development of mining operations.

Sub-component 2a: Mining Sector Laws and Regulations Technical Assistance - $0.9 million
a) Support to the GoT on implementing regulations in the mining sector for the new Law on Subsoil (expected to be passed in the first 6 months of 2012) to bring them in line with international best practices, including provisions governing the social and environmental duties, responsibilities and accountability of prospectors and operators, including appropriate monitoring and enforcement measures; the project would review, and – if required - produce proposed updates for the legislation on environmental impact assessment, environmental management, remediation, emissions, waste management and the protection of water, nature, landscape and biodiversity in Tajikistan.
b) Support to the GoT on revisions to the mining fiscal regime including an assessment of the total fiscal burden on mining operations;
c) Support to the GoT on the organizational structure for the mining, cadastre and geological survey functions carried out by various agencies of the GoT, including an assessment and recommendations on institutional design and responsibilities, current and future staffing needs, and a training strategy for staff in key regulatory roles.
d) Support to the GoT on policies and regulations for tendering of known mineral deposits (given the large amount of unexploited resources that were identified in the Soviet period); this would include the environmental and social provisions and regulations that prospective mine operators would be contractually and legally bound to adhere to.
e) Support to the GoT on programs and policies to enhance the domestic impacts of mining operations in the areas of mine site employment, procurement of local goods and services by mining companies and associated employment (e.g. surveying, food supply, mine clothing, servicing heavy machinery, small machine shop works), and infrastructure (through shared infrastructure or private-public partnerships where feasible); and
f) Provision and delivery of training programs to develop improved staff skills in relevant GoT agencies, including issues in the areas of the evaluation and monitoring of environmental and social impacts and benefit streams management.

Sub-component 2b: Development of a Modern Mining Cadastre and Associated Capacity Building - $0.8 million
a) Conducting a diagnostic for setting up a mineral rights cadastre;
b) Support for the establishment of a modern, automated, transparent mineral rights cadastre system, including the creation of a digital inventory of all existing licenses;
c) Provision of hardware that is capable of handling an automated cadastre, taking into account the possibility of future extension of the cadastre to various provinces;
d) Support for the development of cadastral regulations (in line with the Law on Subsoil) to underpin the administration of the cadastral system; and

e) Training to relevant ministry employees to be able to administer the new system.

Sub-component 2c: Modernization of the Geological Survey Functions Investment, Technical Assistance and Capacity Building - $0.9 million
a) Support for the development of a platform for the modernization of the geological information of Tajikistan, including requisite hardware and software;
b) Support for the modernization of the geological information policy framework and regulations and specifications for provision of information into a geodata bank;
c) Support for the conversion of existing maps to digital formats at international standards; and

d) Training to relevant ministry employees to be able to use the new system.

Sub-component 2d: Stakeholder Outreach Technical Assistance - $0.5 million
a) Support for a series of workshops with (potentially) impacted stakeholder groups concerning issues surrounding the development of
medium- and large-scale industrial mining, good international practice, and the potential benefits and risks of mining operations;
b) Diagnostic of the artisanal and small-scale mining (ASM) sub-sector with respect to its social and environmental impacts (by means of a dedicated sectoral environmental and social assessment), as well as the potential for value added activities in the gem sector;
c) Support for a series of workshops with (potentially) impacted stakeholder groups concerning issues surrounding the artisanal and small-scale mining sector, including good international practice on social, environmental, and benefit enhancement issues; and
d) Support for consultations with the mining industry, including the artisanal and small-scale mining sector, in a participatory discussion on impediments to business, including domestic procurement issues.

Component 3: Enhancing access to financial services while strengthening the financial sector.

The objective of this component is to improve access to financial services by enterprises and individuals and enhancing financial sector stability. The main activities would be structural and systemic reforms in the financial services sector, as well as improvements in the regulatory framework and in the streamlining and simplifying of the administrative processes required to access financial services.

D. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

The project will be carried out in Tajikistan and all project activities will relate to the territory of Tajikistan. As the project is purely TA no physical investments are planned, and thus no specific locations or physical characteristics can be identified.

E. Borrowers Institutional Capacity for Safeguard Policies

The Borrower’s capacity for safeguards is low, especially the monitoring and enforcement of environmental regulations is a serious challenge for Tajik environmental authorities. The key problems are the lack of training, the lack of political and financial support by the Government, and the absence of a general culture of accountability and of environmental consciousness and care in Tajikistan. It is one of the declared objectives of the project to provide capacity building to the Borrower’s licensing and enforcing agencies in the mining sector, which will include specific modules and activities for environmental authorities. Synergistic effects are expected with ongoing large scale studies in the energy sector, where environmental authorities have been challenged to actively engage and get exposure to assessment and evaluation procedures in line with good environmental practice.

F. Environmental and Social Safeguards Specialists on the Team

Aly Zulficar Rahim (ECSS4)
Wolfhart Pohl (ECSS3)

II. SAFEGUARD POLICIES THAT MIGHT APPLY

<table>
<thead>
<tr>
<th>Safeguard Policies</th>
<th>Triggered?</th>
<th>Explanation (Optional)</th>
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| Environmental Assessment OP/BP 4.01 | Yes | The project consists purely of TA activities and will not include any physical investments that could per se result in significant harm or negative impacts to the environment. However, if – facilitated by the project - mining activities increase significantly in TJ without environmental practice being improved in parallel, negative environmental impacts could result indirectly from project activities. The team has thus built appropriate environmental and social studies, assessments and recommendations, as well as capacity building and training activities into the project, which will complement the technical TA delivered to the Client. This would be done with the objective to increase the country’s capacity to properly manage the expansion and development of the mining sector, to ensure better technical / regulatory oversight of the mining sector, and to increase the effectiveness of the environmental compliance regime.

It is noted that while a successful mining component should lead to more mines being developed and these mines would have environmental / social repercussions, new mine development will happen in Tajikistan irrespectively of the project. However, the licensing and regulation of the new mines in the existing institutional setting would continue to be non-transparent, allowing companies with little or no track record or low reputational credentials to operate in the sector. A successful project will lead to transparency and a move to more experienced (often larger) companies operating in the sector, with high reputational credentials, who will be more prepared to adhere to sectoral rules as well as self-regulation. So in essence, the exploitation of a larger number of mines, would be offset (or more than offset) by a better quality of mining practices, which in turn would generate positive spillovers on those living in areas of mine development. International experience shows indeed that, in the mining sector, more large operations often mean less environmental and social damage than some small scale operations.

<table>
<thead>
<tr>
<th>Natural Habitats OP/BP 4.04</th>
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<tbody>
<tr>
<td>Forests OP/BP 4.36</td>
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<tr>
<td>Pest Management OP 4.09</td>
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III. SAFEGUARD PREPARATION PLAN

A. Tentative target date for preparing the PAD Stage ISDS: 05-Mar-2012

B. Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the PAD-stage ISDS:

As the project activities consist only of TA the conventional safeguards instruments, such as ESIA and EMP do not apply. The team has produced Terms of References (ToRs) for a Sectoral Environmental and Social Assessment to be conducted for all relevant TA activities. The TOR would describe in detail the scope of all the proposed activities assisting the Government of Tajikistan in development of regulations to facilitate the mining sector development. the project will also help to develop appropriate policy and regulatory instruments and processes to ensure compliance with international good practice in environmental regulatory oversight. The draft version of the TOR has been disclosed on February 24, 2012 and public hearings will be held during the week of March 5th prior to Project Appraisal, after which the final version of the ToRs will be disclosed in the World Bank’s InfoShop as well as in the country (websites of Ministry of Finance and involved line Ministries).

The disclosure and consultation of the TOR is a condition for Appraisal.

IV. APPROVALS

<table>
<thead>
<tr>
<th>Task Team Leader:</th>
<th>Name: Karen Grigorian</th>
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<tbody>
<tr>
<td>Approved By:</td>
<td></td>
</tr>
<tr>
<td>Regional Safeguards Coordinator:</td>
<td>Name: Agnes I. Kiss (RSA) Date: 01-Mar-2012</td>
</tr>
<tr>
<td>Sector Manager:</td>
<td>Name: Sophie Sirtaine (SM) Date: 01-Mar-2012</td>
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