

**REPUBLIC OF TAJIKISTAN**

**DATA COLLECTION SURVEY ON  
INTEGRATED PHYSICAL DISTRIBUTION SYSTEM**

**FINAL REPORT  
SUMMARY**

**MARCH 2010**

**JAPAN INTERNATIONAL COOPERATION AGENCY**

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**INTERNATIONAL DEVELOPMENT CENTER OF JAPAN  
ORIENTAL CONSULTANTS CO., LTD.**

<b>ECC</b>
<b>JR</b>
<b>10-014</b>

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Foreign Exchange Rate

US\$1 = TJS 4.37 = JPY 92.3

TJS 1 = US\$ 0.229 = JPY 21.1

(TJS: Tajikistan Somoni)

January 1, 2010

Official Exchange Rate by  
National Bank of Tajikistan

**Republic of Tajikistan**  
**Data Collection Survey on**  
**Integrated Physical Distribution System**

**Final Report**  
**Summary**

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## List of Abbreviations

<u>Abbreviation</u>	<u>Official Name</u>
<i>ABBAT</i>	Association of International Automobile Carriers of Tajikistan
ADB	Asian Development Bank
<i>ALTAGTD</i>	ALTA Freight Custom Declaration
CAREC	Central Asia Regional Economic Cooperation
CIS	Commonwealth of Independent States
CLB	China Land Bridge
EBRD	European Bank for Reconstruction and Development
ECO	Economic Cooperation Organization
EDI	Electric Data Interchange
EU	European Union
F/S	Feasibility Study
FEZ	Free Economic Zone
FTA	Free Trade Agreement
<i>GOST</i>	State Standards (Gosudarstvenniy Standard)
<i>GUSAD</i>	Government Automobile Road Establishment
HS	Harmonized System
IMF	International Monetary Found
IR	International Routes
JICA	Japan International Cooperation Agency
MOTC	Ministry of Transport and Communication
ODA	Official Development Assistance
<i>OSShD</i>	Organization for Cooperation of Railways
PBM	Performance Based Maintenance
RTLCL	Regional Trade Liberalization and Customs Project (p29)
SAD	Single Administrative Document
SCO	Shanghai Cooperation Organization
<i>SNiP</i>	Construction Standards and Regulation
T/A	Technical Assistance
TIR	Transport International Routes
TRACECA	Transport Corridor Europe–Caucasus–Asia
USAID	United States Agency of International Development
WCO	World Customs Organization

Abbreviation in *italic* stands for words originally spelled in Russian.

## 1. Overview

### 1.1 Tajikistan's Position in Global Logistics

#### (1) Logistics Performance Index

In order to facilitate international trade, the World Bank published "Logistics Performance Index (LPI)" in 2007 and 2010. Because this is based on thousand questionnaires to logistics business community such as freight forwarders, these are relative rather than absolute evaluation.

**Table 1.1 LPI of Tajikistan**

	Tajikistan (2007)	Tajikistan (2010)	Difference
Rank	146	131	+15
Score	1.93	2.35	0.42
% from Highest	46.1	43.2	
Custom	1.91	1.90	-0.01
infrastructure	2.00	2.00	0
International Shipment	2.00	2.42	0.42
Logistics Quality and Competence	1.90	2.25	0.35
Tracking and Tracing	1.67	2.25	0.58
Domestic Logistics Cost	2.33		

Source: The World Bank. 2007 and 2010. Connecting to Compete, Trade Logistics in the Global Economy, The Logistics Performance Index and Its Indicators.

The rank of Tajikistan improved from 146<sup>th</sup> to 131<sup>st</sup> (Table 1.1). There are no changes in scores of custom and infrastructure. However, the scores of international transportation, logistics quality and capability, tracking/ trace and timeliness improved so significantly. These improved items from are basically those of private forwarders. Contrarily, indexes of public sectors did not show improvement. These imply that private sectors improved their services by information technology but not for public sector. In addition, the recent economic crisis decreased the volume of export and it might improve the timeliness.

The 2010 version showed different evaluation on Tajik logistics between CIS countries and others. For example, Kazakhstan companies graded Tajikistan as 3.01. Central Asian Countries ranked items of Tajikistan is ranked between 52<sup>nd</sup> and 90<sup>th</sup>.

Countries ranked under 130<sup>th</sup> are in the reconstruction process from their civil wars or landlocked countries. Destructed national lands of these countries have not been fully developed and they inhibit each economic development.

The low performance of logistics sectors prevents freight operators from application of general

rules such as container recovery and insurance. Consequently, it results in a vicious circle by higher transportation cost and larger logistical impediments.

## (2) Position of Tajikistan in Central Asia and Importance of Its Logistics

As the Tajikistan is located at a junction of Central Asia and South Asia, the corridor development from Tajikistan towards the Indian Ocean is important not only for Tajikistan but also other Central Asian economies. In addition, Tajikistan holds Asian Highway Route 7, which connects Asia and Europe, and a new bridge by US Corps was constructed over the border with Afghanistan in August 2007.

East route has potential for trade development such as produces and medical plants with China. China also uses the east route and south route for its trade with Afghanistan.

The freight movement (ton) in Tajikistan shows the growth of road and railway transport from 2003 to 2008 by 1.57 times and 1.24 times respectively. While freight movement (ton-km) of road and railway increased 2.35 times and slightly respectively. Current international trade heavily depends on railways.

**Table 1.2 Freight Movement by Mode**

	2003	2004	2005	2005	2007	2008	2008/2003
Freight Movement (1,000 t)							
Road	21,200	23,460	26,576	25,604	30,466	33,186	157%
Railway	11,721	12,268	12,114	13,935	14,529	14,544	124%
Air	3.8	4.1	3.7	2.4	2.1	2.5	66%
Freight Movement (million ton-km)							
Road	1,221	1,611	1,829	1,809	2,598	2,866	235%
Railway	1,086	1,118	1,066	1,220	1,274	1,282	118%
Air	8.1	8.2	7.6	5.2	4.8	5.1	63%

Source: JICA Study Team based on MOTC and Custom data.

## 1.2 Institutions of Logistics Sector

Government sector has its organizations of MOTC (Ministry of Transport and Communication, MOTC), MEDT (Ministry of Economic Development and Trade), Tajik Railways, and Custom Services.



## **2. Roads**

### **2.1 Overview of Roads**

The total length of roads in Tajikistan is approximately 26,300 kilometers, comprising about 5,000 kilometers of republican roads and about 21,300 kilometers of local roads. As a general rule under the Road Act, the Ministry of Transport and Communication (MOTC) is responsible for the construction and maintenance of republican roads, and local governments are in charge of local roads. However, MOTC in practice has assumed responsibility for about 13,600 kilometers, including about 8,600 kilometers of important local roads.

All of these roads are nearly fully paved. However, most of the pavement work was done before 1970, and maintenance/repair work virtually ceased following the collapse of the Soviet Union. In addition, civil war accelerated the deterioration of the roads, and over 70% of them are said to be in need of major repair today.

Moreover, the rugged topography and severe climate are further aggravating the situation. Many roads in the mountainous regions become impassable during winter. To counter these challenges, the Government of Tajikistan is receiving assistance from a number of international aid organizations.

### **2.2 Administrative Organizations**

Road administration in Tajikistan is assigned to the Road Maintenance and Facilities Department under the First Vice Minister of MOTC. The Department is consisted of the four divisions of Road Construction, Road Planning & Assessment, Road Maintenance Management, and Emergency Information Management. These MOTC divisions are policy-making organizations concerning road administration. Actual road construction and maintenance work is taken charge by the Road Agency's six regional road maintenance units, under which 61 state-owned district road maintenance and management enterprises (GUSADs) are performing the actual maintenance and management work.

### **2.3 Present Status of the Roads**

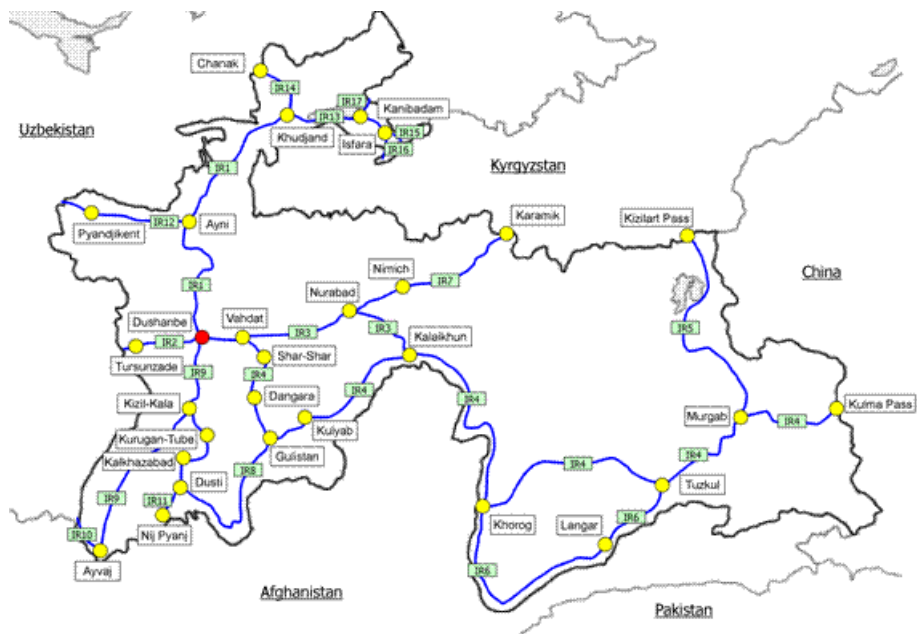
Roads in Tajikistan provide important north-south and east-west links within the country and form a part of the Eurasian arterial road network that connects Central Asian states to China, Pakistan and Indian Ocean ports.

However, the country is surrounded by 5,000-meter class mountains, and the roads leading to the Chinese border run through a series of 4,000-meter class passes, including the Anzob Pass (3,373m) and Shahrison Pass (3,378m) on IR1 that connects the capital of Dushanbe to the country's second largest city Khujand in northern Tajikistan, Khaburabad Pass (3,252m) on IR3, and Shar-Shar Pass (1,475m) on IR4. Roads around these passes are closed in winter for as long

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as six months, during which international traffic is shut down.

To rectify the situation, tunnels have been recently constructed, or are near completion, at Anzob, Shahrison, and Shar-Shar Passes under assistance projects by international aid organizations and donor countries to ensure all year traffic. Tajikistan's road network map is shown in Figure 2.1.



**Figure 2.1 Tajikistan Road Network**

## 2.4 Road Development Plans

### (1) International Road Network

As described above, roads in Tajikistan run longitudinally and latitudinally along the steep topography, forming a network of logistical nodes in Central Asia. Accordingly, roads designated as international highways and economic corridors run north-south and west-east across Tajikistan as shown in Figure 2.2 below.

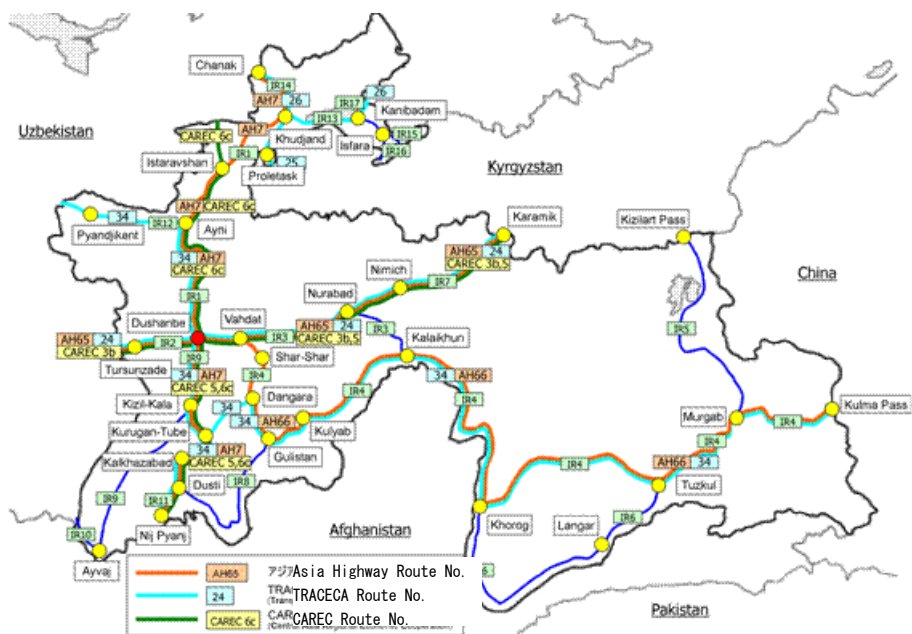
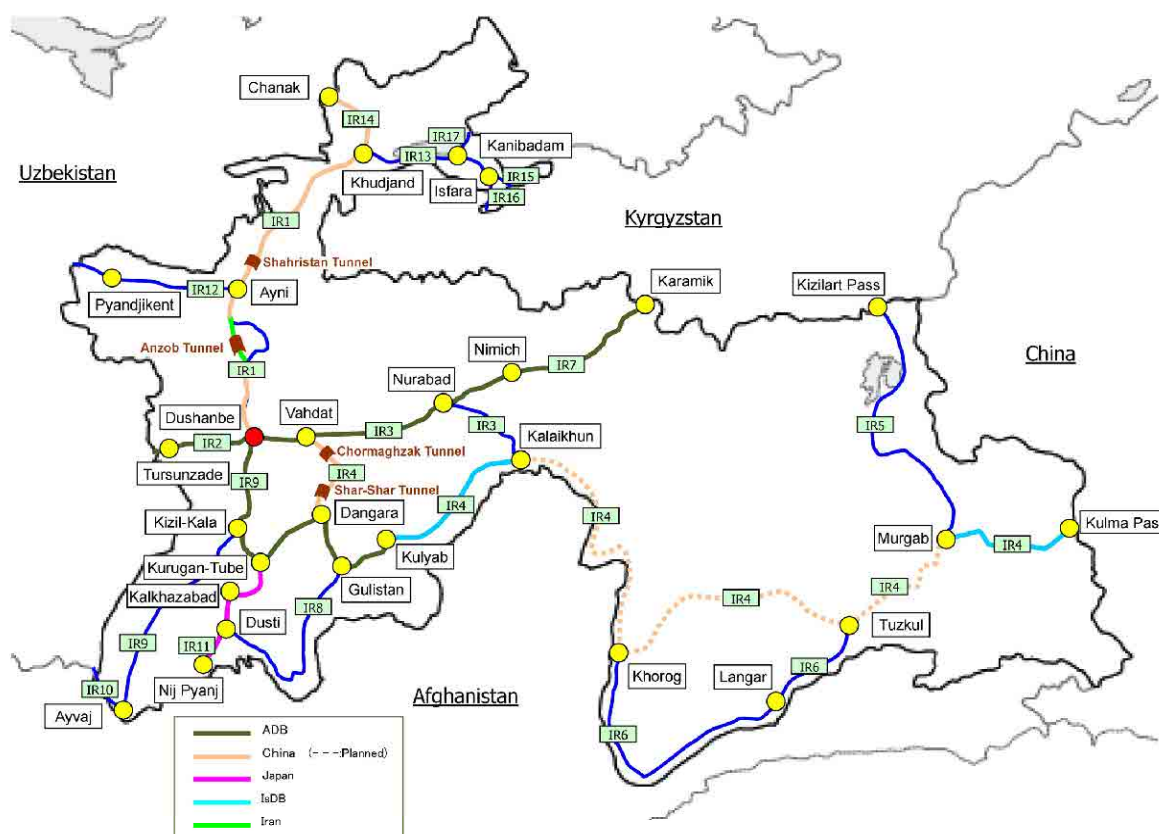


Figure 2.2 Tajikistan Road Network

(2) Road Development Plan

Despite the fact that major roads designated by various road development schemes pass through the country, Tajikistan has no plan to construct a new road (except for the access road to Rogun Dam, the construction of which began during the former Soviet era but has been frozen), but is only planning to maintain and repair these major international roads and economic corridors.

Figure 2.3 below shows the road development projects (including completed ones) in Tajikistan.



**Figure 2.3 Road Development Plan (including ongoing and completed projects)**

**(3) Rehabilitation Plan According to Transport Sector Master Plan**

Transport Sector Master Plan was prepared and announced in 2008 with the technical assistance of Asian Development Bank. Table 2.1 shows the road development projects by the Plan.

**Table 2.1 Road development Plan by Transport Sector Master Plan**

Road	Road Name	Section Length (km)	Section	EIRR (%)	Service Multi Criteria Analysis (max=100)	Cost (US\$)	Cumulated Cost (million US\$)
<b>Short Term – next five years</b>							
IR02-002	Dushanbe - Shakhriyev - Tursunzoda - Uzbek Border	42.4	Hissor Jct. to Uzbek Border (1)	76.5%	91.2	6,959,940	7
IR09-004	Dushanbe - Rudaki - Shaartuz - Aivaj	85.0	Kabadiyan to Aivaj	77.8%	80.3	15,828,690	23
IR13-001	Kanbadam - Khujand - Khavast - Spitamen - Uzbek Border	70.0	Kanbadam to Spitamen	58.8%	79.2	11,161,982	34
IR04-008	Dushanbe - Kuluab - Khorog - Murgab - Kulma Pass - China Border	185.0	Khorog to Tuzkul	54.8%	71.0	33,409,661	67
IR02-001	Dushanbe - Shakhriyev - Tursunzoda - Uzbek Border	13.8	Dushanbe to Hissor Jct.	46.8%	70.0	1,902,748	69
IR13-002	Kanbadam - Khujand - Khavast - Spitamen - Uzbek Border	65.0	Spitamen to Uzbek Border	46.7%	69.1	13,019,122	82
RR048	Dushanbe - Aini - Hissar	17.6	Dushanbe to Hissor	54.4%	65.8	3,660,085	86
IR04-002	Dushanbe - Kuluab - Khorog - Murgab - Kulma Pass - China Border	53.0	Nurek to Dangara	40.7%	62.4	10,555,477	96
IR04-007	Dushanbe - Kuluab - Khorog - Murgab - Kulma Pass - China Border	85.0	Rushon to Khorog	40.6%	60.5	21,210,022	118
IR09-001	Dushanbe - Rudaki - Shaartuz - Aivaj	44.6	Dushanbe to Obi-Kiik	26.9%	52.1	7,290,143	125
RR049	Russin Kolkhoz - Guliston Kolkhoz	9.1	Russin Kolkhoz - Guliston Kolkhoz	41.5%	50.1	1,212,142	126
IR08	Guliston - Farkhor - Pyanj - Dusti	132.0	Guliston to Dusti	22.5%	47.1	27,989,041	154
IR16	Isfara - Vorukh - Kyrgyz Border	43.9	Isfara to Kyrgyz Border	31.5%	46.1	8,174,225	162
IR04-005	Dushanbe - Kuluab - Khorog - Murgab - Kulma Pass - China Border	168.1	Kulyob to Kalaikum	21.8%	45.1	37,722,630	200
<b>Medium Term</b>							
IR11	Kizil Kila - Kurgantube - Kolkhozabad - Nijnny Pyanj - Afghanistan Border	106.0	Kizil Kila to Nijnny Pyanj	14.8%	44.4	15,657,229	216
IR04-001	Dushanbe - Kuluab - Khorog - Murgab - Kulma Pass - China Border	43.0	Vahdat to Nurek	18.8%	40.0	13,189,258	229
IR04-010	Dushanbe - Kuluab - Khorog - Murgab - Kulma Pass - China Border	90.0	Murgab to Kulma PASS	15.3%	43.1	13,976,430	243
IR12	Aini - Penjikent - Uzbek Border	113.0	Ayni to Uzbek Border	13.8%	39.1	24,832,862	268
IR04-009	Dushanbe - Kuluab - Khorog - Murgab - Kulma Pass - China Border	126.0	Tuzkul to Murgab	9.2%	38.0	30,581,914	298
IR04-004	Dushanbe - Kuluab - Khorog - Murgab - Kulma Pass - China Border	350.6	Gulistan to Kulyob	9.9%	37.8	7,604,489	306
RR033	Kulob - Muminobod	41.8	Kulyob to Muminobod	28.9%	37.1	8,951,988	315
RR045	Rudaki - Esanboy - Shurtugay	80.9	Rudaki to Shurtugay	17.9%	36.2	17,325,738	332
IR04-006	Dushanbe - Kuluab - Khorog - Murgab - Kulma Pass - China Border	155.0	Kalaikum to Rushon	8.9%	35.4	37,939,443	370
RR070	B Gafurov Bulok - Pungan	137.2	Gafurov to Pungan	23.7%	31.4	24,707,404	395
RR071	Konibodon - Kim - Isfara	27.0	Kanbadam to Isfara	21.1%	31.4	5,782,385	401
IR05	Murgab - Akbaital Pass - Kizil - Art Pass - Kyrgyz Border	187.0	Murgab to Kyrgyz Bordet	12.9%	30.8	50,538,485	451
<b>Long Term</b>							
RR054	Kurgan, Tyube - Danghara	71.6	Kelugen Tube to Danghara	12.1%	30.5	13,470,172	465
RR022	Vahdat - Romit	37.0	Vahat lo Romit	18.8%	28.9	24,256,076	489
IR15	Isfara - Balkent - Kyrgyz Border	10.0		9.0%	28.0	2,115,043	491
RR043	Rudaki - Yavan - Khojamaston (detour road) - Uyali	107.0	Rudaki to Yavan to Uyali	6.6%	27.1	16,947,779	508
IR17	Isfara - Dahkana Village Uzbek Border	24.5		7.7%	27.0	3,454,039	511
IR03	Labijar - Tavildara - Kalaikum	133.0	Labidar to Kalaikum	6.7%	26.9	33,724,701	545
IR09-003	Dushanbe - Rudaki - Shaartuz - Aivaj	47.0	Kizil Kila to Kabadiyan	10.4%	26.6	12,124,595	557
IR10	Aivaj - Jalbukh - Uzbek Border	30.0	Ayvaj to Uzbek Border	5.1%	22.9	5,389,178	563
RR059	Uzum - Jilikul - Beshai Palangon	32.5	Uzon to Beshai Palangon	8.7%	22.2	5,439,018	568
RR041	Khorugh - Roshtkala Tukuzbulok	154.5	Khorog to Tukuzbulok	9.3%	19.9	39,796,171	608
IR06-001	Khorog - Ishkashim - Tuzkul	108.0	Khorog to Ishkashim	6.2%	17.8	26,381,258	624
RR032	Vose - Khovaling	86.0	Vose to Khovaling	5.4%	17.8	24,256,076	659
IR06-002	Khorog - Ishkashim - Tuzkul	210.5	Ishkashim to Tuzkul	9.4%	17.1	52,897,453	711
RR004	Pugus - Takob - Safedorak	18.3	Pugus to Safedorak (2)	5.6%	13.8	9,927,596	721
RR044	Road Dushanbe - Hissar.						
IR01-001	Dushanbe-Khujand	152.0	Dushanbe to Aini				Under Construction/Committed
IR01-002	Dushanbe-Khujand	107.0	Aini to Istravashan				Under Construction/Committed
IR01-003	Dushanbe-Khujand	58.0	Istravashan to Khujand				Under Construction/Committed
IR04-003	Dushanbe - Kuluab - Khorog - Murgab - Kulma Pass - China Border	52.0	Dangara to Gulistan				Good Condition
IR07-001	Vahdat - Rasht - Jirgital - Kyrgyz Border	30.0	Vahdat to Faizabad				Under Construction/Committed
IR07-002	Vahdat - Rasht - Jirgital - Kyrgyz Border	85.0	Faizabad to Nurabat Jct.				Under Construction/Committed
IR07-003	Vahdat - Rasht - Jirgital - Kyrgyz Border	235.0	Nurabat Jct. to Kyrgyz Border				Under Construction/Committed
IR09-002	Dushanbe - Rudaki - Shaartuz - Aivaj	33.0	Obi-Kiik to Lizil Kala				Good Condition
IR14	Khujand - Buston - Chanak - Uzbek Border	69.0	Khujand to Uzbek Border				Under Construction/Committed
						<b>Total</b>	<b>721,362,589</b>

Note: (1) This cost has been developed without reference to the wider regional perspective – with increased international traffic a much higher capacity road with cost in the order of US\$20 - 30 million might be justified - further feasibility studies are, however, needed.  
(2) This road would be justified as part of a wider project to rehabilitate the ski resort at Safedorak.

#### (4) Routes Seeking Donors

As mentioned in Section 2.3, almost all investment projects to upgrade major roads in Tajikistan have been formulated. Since there are no plans to construct new roads, the five existing routes listed in Table 2.2 and Figure 2.4 are seeking donors for rehabilitation work.

**Table 2.2 Routes Seeking Donors**

Route	Section	Remarks
IR3	Nurabad – Kalaikhum	<ul style="list-style-type: none"> <li>Runs through Khaburabad Pass (3,252m).</li> <li>A tunnel needs to be constructed.</li> <li>The travel distance east of Dushanbe – Kalaikhum will be shortened by about 80km compared to the Shar-Shar Pass Route.</li> </ul>
IR6	Khorog – Langar, Langar – Afghanistan Border	<ul style="list-style-type: none"> <li>There is a bridge across Pyanji River on Afghan border.</li> <li>Shortest route to Pakistan.</li> </ul>
IR8	Dusty – Gulistan	<ul style="list-style-type: none"> <li>Was incorporated in the investment plan of Central Asia + Japan in 2006.</li> <li>Distance from Kulyab to Nij Pyanji (Afghanistan border) will be shortened by about 80km compared to the route via Kurugan-Tube.</li> </ul>
IR11	Kizil-Kala – Ayvaj – Afghanistan Border	<ul style="list-style-type: none"> <li>Will become the shortest route from Dushanbe toward Mazare-Sharif (Afghanistan).</li> <li>Needs to construct a bridge across Pyanji River.</li> </ul>
IR12	Ayni – Pyandikent – Uzbekistan Border	<ul style="list-style-type: none"> <li>Designated as TRACECA34.</li> <li>Connects to Samarkand (Uzbekistan)</li> </ul>



**Figure 2.4 Locations of Routes Seeking Investors**

## 2.5 Road Maintenance Management Plan

As will be explained in the following Section 2.6, the present status of road maintenance and management is extremely poor due to lack of funds to purchase gravel and asphalt and absence of maintenance equipment.

To improve the situation, ADB supported introduction of performance-based maintenance

(PBM) and provided a Technical Assistants to MOTC to conduct training programs, including management training for shifting to PBM, and facilitate organizational restructuring.

Under the PBM system, GUSADs that are currently undertaking the road maintenance and management work may also take part in public tenders.

## 2.6 Road Maintenance Budget

Changes in the amount of MOTC's road budget (executed) are shown in Figure 2.5. Until 1999, fuel and automobile taxes, etc. were allocated to the Road Fund, which was abolished based on recommendations by IMF.

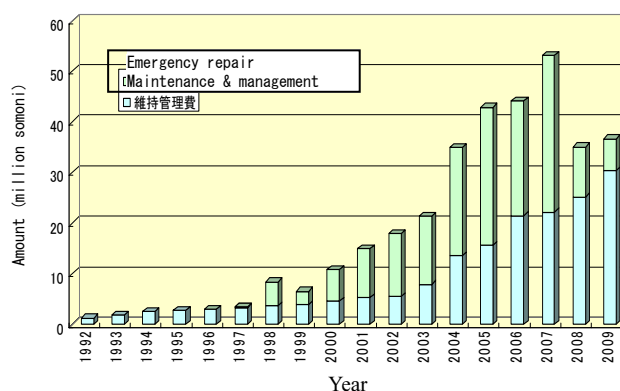


Figure 2.5 Changes in Road Budget

The road budget experienced a temporally decline following the abolishment of the Road Fund in 1999, after which it began increasing gradually every year until 2007. 2008 saw another downturn as a consequence of the global financial crisis.

At the beginning of the Road Fund, 50% of the fund was allocated to road maintenance and management, which was later replaced by appropriation from the general-accounting budget. At present, about 20 million dollars are collected annually from road users in the forms of vehicle tax, etc.

However, despite the annual gradual increase in the road maintenance and management budget, the amount is still too small (according to EBRD staff, 47 million dollars are needed annually). For instance, the annual maintenance budget for the 30km Dushanbe – Kurugan-Tube section is 440,000 Somoni (approximately 100,000 dollars), a significant portion of which (about 40%) is spent for personnel expenses, leaving only a small amount for road maintenance that barely covers cleaning of gutters, grass mowing, and painting of curbstones (painting cost is very high because it is imported).

It has been analyzed and pointed out that a massive expenditure of 135 million dollars will be needed for proper road maintenance and management because of 10 years of inadequate investment in the road sector after the country's independence. Also, a significant amount is spent for the maintenance of over-30-years-old inefficient road maintenance equipment, whose service life is normally 8 years.

Presently, road budget is allocated to each regional road maintenance unit in the following manner:

- MOTC sets the maintenance and repair cost per 1km of road and allocates the budget to

each regional unit according to the total length of roads under its jurisdiction.

- The uniform rate of maintenance and repair cost of this fiscal year is 1,500 Somoni/km (about US\$340). 3.5 million Somoni (about US\$795,000) was allocated to Gissar Regional Road Maintenance Unit near Dushanbe.
- The current budget does not allow anything beyond patchwork and other minor repair work.

Because the present budget allocation method is not appropriate for the actual road use, it was decided that each regional road maintenance unit would formulate a budgetary plan and submit a budget request to MOTC starting from the next fiscal year, using the following calculation formula.

- Budget allocation formula:

$$\text{Budget} = L \times S \times P \times R \times C$$

L: Total road length

S: Road maintenance cost (annual estimate)

P: Traffic volume

R: Population

C: Regional coefficient (topography, difficulty of construction, etc.)

GUSADs are allocated an additional budget from the local governments, as they maintain and repair local roads in addition to national roads. The ratio varies for each GUSAD depending on the population, scale of the road network, etc. of its jurisdiction.

## 2.7 Challenges and Direction

### (1) Future Assistance Policy for Tajikistan

At present, MOTC is looking for investors for the routes shown in Table 2.1 and Figure 2.4. However, because Tajikistan is burdened with excessive debt, international aid organizations, including ADB and World Bank, and donor countries have little choice but to switch from loan assistance to grant aid.

China, on the other hand, will likely continue loan assistance under its own policy, as the country is not a part of the frameworks of the international aid organizations and donor countries.

### (2) Direction of Japan's Assistance to Tajik Road Sector

#### 1) Road Improvement

Tajikistan has a keen interest in developing China/Kyrgyzstan ~ Tajikistan ~ Afghanistan/Pakistan routes. IR6, IR9, and IR11 are among such routes that have yet to find donors as shown in Figure 2.4.

IR11 is currently being improved under Japan's grant aid project, which will complete the rehabilitation of the Kurugan-Tube ~ Dusty ~ Nij Pyanji section by the end of FY 2011.



IR12 is an international road connecting to Uzbekistan. Although it is designated as TRACECA34, no donor has been found for this route.

Table 2.3 shows the evaluation of these routes without donors. According to the table, rehabilitation of IR9 is most suited for grant aid.

**Table 2.3 Evaluation of 5 Routes**

Route	IR3	IR6	IR8	IR9	IR12
Region	Central	Pamir	Southern	Southern	Northern
Topography	Steep	Steep	Flat	Flat	Steep
Land utilization	Mountains	Mountains	Agricultural fields	Agricultural fields	Mountains
Population	Small	Small	Largest	Large	Small
Traffic volume	Small	Small	Largest	Large	Small
No. of structures	Large	Large	Small	Small	Large
Grant aid scale	Large	Large	Small	Small	Large
Evaluation	×	×	○	△	×

a) Advantages of Rehabilitating IR9

- The areas around Garauti, Kabadiyan, Shahrtuz lie in a cotton/vegetable/grain farming belt and livestock pastureland.
- If IR9 is improved, export to Uzbekistan and Afghanistan (via Termez) will increase, while transportation cost is projected to decrease.
- The Shahrtuz area's abundant water resources and favorable location near the national border are suitable for building a cement factory and other commercial facilities that would create employment opportunities and expand export of products.

b) Link to Afghanistan

- There is a plan to construct a new bridge in Ayvaj that crosses over to Afghanistan, and connect it to the Mazare-Sharif – Kundz route by constructing a new road or a renovating the existing road in Afghanistan.
- Freight and passengers travelling between Tajikistan and Afghanistan will not have to go through Termez (Uzbekistan) (thus reducing customs clearance procedures).
- If a new bridge is to be constructed, consider a double-decker structure, the lower deck of which can carry a railroad connected to the existing railroad to Aivaj.
- At present, there is a plan to construct a new railroad from Kurugan-Tube to Nij Pyanji to Kundz (Afghanistan), for which a railroad bridge over the Pyanji River, as well as a new railroad between Kurugan-Tube and Kundz, would have to be constructed because the existing Nij Pyanji Bridge is a single-structure road bridge. Therefore, connecting a new railroad from Ayvaj to the Mazare-Sharif – Kundz line would be less costly than constructing a new line between Kurugan-Tune and Kundz.

## 2) Road Maintenance and Management

Inadequate road maintenance and management is the major contributor to the loss of road assets amounting to over 50 million dollars annually. To rectify this, the Government of Tajikistan has expressed its intention to implement economic reform programs, including privatization, deregulation and financial reform. For the transport sector, the Government decided to improve its efficiency based on market-oriented reform and restructuring of the sector. Specific strategies were described in the Transport Sector Master Plan (prepared as technical assistance from ADB) as follows:

- Rehabilitation and maintenance of roads assets
- Transfer of road maintenance and management work to private sector
- Expansion of efficient transport industry
- Road user payment

Against this backdrop, ADB began contracting private companies for road maintenance services in its own loan projects, which, however, did not take root due probably to the following reasons:

- Local enterprises are too small to undertake the work.
- They lack financial and technical capabilities.
- Therefore, they cannot expend the budget.

Failure of private-sector participation was also attributable to various problems associated with the budget execution of the Government of Tajikistan, such as:

- Ministry of Finance takes too much time to finalize budget allocations.
- Tenders cannot be held until budget allocations are finalized.
- Because of the single fiscal year system, budget has to be expended by the end of each fiscal year.

Expending the budget within a fiscal year is difficult due to delay in the finalization of budget allocations.

Because MOTC expressed a keen interest in further analyzing these hindering factors, ADB has launched a grant aid project by investing about 5 million US dollars to support the introduction of PBM to road maintenance management.

Also, EBRD provided about 6.7 million dollars to procure new road maintenance equipment, as the use of aged equipment was the major cause of inefficiency and low cost performance of the road sector.

Considering the severity of the deterioration of the equipment of each maintenance enterprises, donation of new equipment was appropriate.

Nearly 100% of the roads in Tajikistan, including local roads, were paved during the former

Soviet Union era. However, as mentioned earlier, most of them have been left without maintenance or repair to this day. Therefore, for repairing and maintaining pavement and drainage facilities, such small equipment as small backhoe, truck, cutter, tamper, hand-guide vibration roller, line marker, and distributor would be more preferable.

In light of the above, human resource development in the road maintenance sector is considered to be an important part of privatization. Therefore, we would recommend a technical cooperation project, in which Japan has extensive experience, to foster personnel who can properly operate such equipment.

### 3) Collaboration with Other Donors

ADB launched a project to upgrade a section on IR2 between Dushanbe and Tursunzade, which is also a part of AH65 and CAREC 3b. A consultant agreement has been concluded for this project and the feasibility study is almost ready.

However, due to Tajikistan's excessive debt as mentioned earlier, it became difficult to extend further loan for this project, and ADB decided to continue the project by providing grant aid. Because ADB's funds can cover only about 42 kilometers or a half of the total length of the road section, ADB is looking for a partner donor.

Therefore, the Japanese government is expected to undertake the remaining half of the Dushanbe – Tursunzade route, which cannot be covered by ADB, by implementing a grant aid project.

Because this route is one of the important arterial roads in Central Asia connected to the capital of Dushanbe, Japan's participation in the rehabilitation of this road is deemed meaningful and worthwhile.

### **3. Railways**

#### **3.1 Administration, Organization and Budget**

##### **(1) MOTC Railway Transport Unit**

The Tajik Railway provides passenger and freight transport services under the management of MOTC's Railway Transport Unit (RTU). The Government owns 100% of Tajik Railways. This RTU manages and regulates the Tajik Railway based on the MOTC's transport development policy.

International financial institutions recommended an organizational reform of the Tajik Railway. The study of organizational reform started in 2003 and reported an interim policy in 2007, and is now preparing a privatization program. In 2008, MOTC started the institutional reform program in the three phases as follows;

First Phase (for 2010-2012):

Procurement and replacement of deteriorated locomotive, coaches and wagons. Transfer of indirect business sectors to local government such as school, hospital, and gymnasium facilities.

Second Phase (for 2012-2015):

Creation of independence of the associated companies (freight and passenger transport section, rolling stock repair shops, track and telecommunication) as state institutes.

Third Phase (for 2015-2018):

Privatization of the Tajik Railway body and other associated companies.

##### **(2) Tajik Railway Organization**

The Tajik Railway was established in 1929 and started transport business for passengers and freight in Tajikistan country with a narrow gauge (750mm). Remodeling of the gauge into broad gauge track (1520mm) was introduced in 1974 and this is operated on the current route. The head office of Tajik Railway is located in the capital city of Dushanbe. The number of staff was 7500 in 2000, but there was a tendency to decrease it afterwards, and the number is 7200.

The Tajik Railway entered the Organization for Cooperation of Railways (OSShD) which organizes the CIS and the Barthes countries on February 17, 1993 by signing the international fare agreement, and the Tajik Railway has been operating an international transport business since its entrance.

The transport volume of passenger and freight increased constantly until 2008. However, transport volume decreased after this because of the global economic crisis in 2008. This transport volume will increase in the future because Russia and China show economic recovery signs.

The financial statement shows that the balance of Tajik Railway is in the black throughout after expense deductions,. However, a detailed report on income and expenditure is unknown whether cost depreciation is included.

**Table 3.1 Major Index of Railway Transport (2004-2008)**

Year	2004	2005	2006	2007	2008
Fright Transport ( x 1000 ton )	12,268.3	12,114.2	13,943.8	14,529.1	14,544.2
(x10 <sup>6</sup> ton-km)	1,117.5	1,065.7	1,220.1	1,274.3	1,284.5
Passenger Transport ( x 1000 pax)	706.2	708.0	760.5	787.4	833.5
( x 10 <sup>6</sup> pax-Km)	50.0	46.1	49.6	53.0	57.0
Transport Income ( x 10 <sup>6</sup> USD)	34.2	41.8	46.6	60.4	79.1
Transit Income ( x 10 <sup>6</sup> USD)	12.1	10.4	9.7	16.0	15.1
Revenue ( x 1000 USD)	2,726.2	3,111.6	5,923.4	7,506.7	9,258.4
Net Profit ( x 1000 USD)	1,941.4	2,234.9	4,473.5	5,555.6	6,910.8

Source : The Tajik Railway

## 3.2 Railway Network

### (1) History of Railway Development

After the collapse of the former Soviet Union of 1991, the operation body of railway network of Tajikistan within the territory became an independent known as the Tajik Railway in 1994. The railway routes of Tajikistan is consisted of the north route, central route and south route, but now these routes are divided by the Uzbekistan border, and route constitution is one part of an international railway network in the CIS countries rather than an independent railway network of Tajikistan (Figure 3.1).

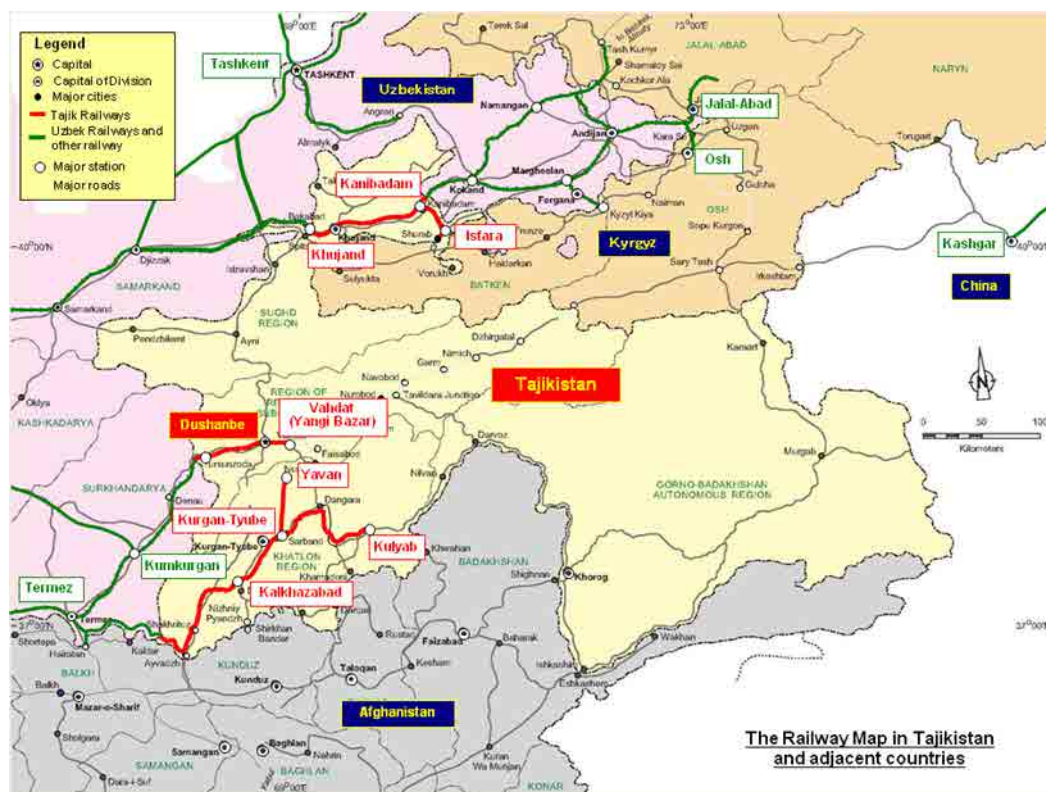


Figure 3.1 Railway Network of Tajikistan and Adjacent Countries

## (2) Passenger Transport

There were roughly one million passengers transported in 2000, and transit passengers represented more than half of the users. The regulations against currency holders came into force at the border of Uzbekistan in 2001, and therefore transit passengers shifted to airlines. The decreasing tendency of transit passenger numbers continued from this period. On the other hand, the numbers of international travelers arriving and departing in Tajikistan show favorable growth and has trebled since 2000.

## (3) Freight Transport

There is overwhelmingly more freight arriving than being dispatched. The quantity of freight arriving has more than doubled from 2.0 million ton in 2000 to 4.7million ton in 2006, and in particular the growth for the northern route is larger than the other lines. On the other hand, quantity of freight dispatched has been almost flat since 2002. Transit cargo passes by the north route mainly, but it was reported that cargo volume to Afghanistan is currently increasing at a Kolkhozabad station of the south line, where it transfers to trucks for transport.

## 3.3 Railway Facilities

There is a total of 594.9km of railway lines and 31 stations.

**Table 3.2 Outline of Railway Lines and Facilities**

	Northern Line	Central Line	South Line	Total
1. Route length (km)				
1) Main Line	Nau-Istikol 109.8	Pakhtaabad-Dushanbe : 71.8	Khoshadi-Kukyob: 297.4	479.0
2) Branch Line	Kanibadan-Isfra :39.2	Dushanbe-YangiBazaar:20.8	Kurgan Tube-Yaban: 55.9	115.9
Total	148.8	92.6	353.3	594.9
3) Industrial Line	25.0	25.0	0.0	50.0
2. No. of Stations	10	8	13	31
3. Alignment				
1) Minimum Curve	R=534	R=439	R=582(R=250)	—
2) Maximum Gradient	10.1‰	9.6‰	15.4‰ (27.1‰)	—

Note: ( ) shows branch Line

Source : Prepared by study team based on Transport Sector Master Plan(ADB)

### 3.4 Investment Plan

As the result of the Transport Sector Master Plan by ADB, MOTC prepared and issued their railway investment plan concurrently (June 2008) and categorized each investment stage as urgent, short term, middle term and long term.

#### Urgent Investment Plan

- Intensified and improved maintenance
- Replacement of improper ballast with that of the proper quality on all sections
- Replacement of worn-out rails and turnouts with rail P-65
- Rehabilitation of locomotive, wagons, and other rolling stock and rolling stock and workshop facilities
- Improvement of facilities for intermodal/container traffic
- Comprehensive survey of the tracks

#### Short Term Plan (2010~2014)

- Replacement of sleepers, ballast and track renewal
- Repair and maintenance of about 150 bridges
- Existing open wire transmission line from Khudiand-Istiklol: replaced by copper cable
- Procurement/rehabilitation of 20 locomotives for the mainline and 10 for shunting works
- Procurement/refurbishing of freight wagons
- Obtain crushing and sorting equipment for the quarry at Korshadi

#### Middle Term (2015~2019)

- Continued program for rehabilitation of tracks
- Rehabilitation of 55 bridges
- Procurement/rehabilitation of another 7 locomotives for the main line
- Procurement/refurbishing of freight wagons

#### Long Term (2020~)

- Rehabilitation/replacement of 10 bridges
- Procurement/refurbishing of freight wagons
- Upgrading/ refurbishing of locomotive depot
- New railway line construction for Yavan – Yangi Bazar
- New railway line construction for Kalkhabad – Ninji Pyani
- New railway line construction for Yangi Bazar – Karamik

### 3.5 Current Tasks for the Tajik Railway

Based on site survey, data and information from related government authorities, the current tasks for the Tajik Railway are identified as follows.

**Table 3.3 Summary of Current Tasks for The Tajik Railway**

	Items	Current subject
Organization and Institution	a. Structure reformation b. Fund for investment c. Distribution of obligation	Reformation will proceed step by step. Government subsidy is required for rehabilitation of existing facilities for keeping sustainable railway operation under instruction of MOTC.
Transportation	a. Passenger b. Freight	Integrated transport system is essential for providing transport service for users providing safety and punctual operation corresponding with domestic and international transport.
Investment	a. Existing line b. New railway line	Most of the present railway facilities are deteriorated, urgent rehabilitation is required based on synchronized investment plan. Three sections of new railway lines are proposed due to demand of domestic and international transport. Most desirable operation system must be determined in early stage.

Source : JICA Study Team

### 3.6 New Line Construction Plan

#### (1) Background

In Central Asian countries on the Eurasian Continent, transport infrastructure development projects raise attention to the effective development of natural resources. Tajikistan in particular is expected to become a transit point between the north corridor of the CLB (China Land Bridge) and the south corridor. In 2007 the US. constructed a bridge at Tajikistan (Nijnij Pyanj), and this route connecting to Afghanistan (Kunduz), is the initial distribution route from Tajikistan to southern countries.

A rail-based transport route from China to Tajikistan, Afghanistan and Iran is proposed by several international frameworks such as ECO, CAREC, TRACECA, and SCO (Shanghai Cooperation Organization). A F/S for the Afghanistan portion of this route was investigated by ADB and the portion from China to southern Tajikistan is being viewed at by China at present. The first portion of the study was announced by the First Senior Officials Meeting organized by ECO in Kabul in July, 2009.

The background of the new line construction plan is to transform Tajikistan into the transit point for energy resources and logistics to produce sustainable economic development in Central Asia and rebuild the railway network for vitalization of the regional economy.



**Table 3.4 Concept of New Railway Lines**

Route (length)	Location	Purpose
Vahdat-Yavan (52km)	Central and Southern area	Restoring of previous railway line and part of railway link between north corridor and south corridor.
Kolkhazabad-Nizhni Pianji (56km)	Southern and Afghanistan boundary	Restoring of previous railway line and part of railway link between north and south.
Dushanbe-Karamik (296km)	Central area and Kyrgyzstan boundary	Part of railway link between north and south.

Source : MOTC Investment Project

## (2) Construction of New Railway Line

### 1) Route Alignment

The study of new lines conducted by the State Unitary Planning and Surveying Enterprise of MOTC, construction standard IV (a local line standard) was applied in order to save construction costs, also to apply special standards for mountainous areas due to the topographical conditions. The design of route alignment allowed using minimum radius curves of 250m and maximum gradients of 27 %. These new route alignments were part of the international railway link, therefore it should be in harmony with construction standards of China, Afghanistan and Iran.

### 2) Gauge System

The Tajik Railway has broad gauge (1520mm). The broad gauge serves a purpose in domestic transport and the present international railway network in CIS countries.

However, China, Afghanistan and Iran have adopted a standard gauge (1435mm). The study requires examination of a unified gauge system for effective international transport for this railway link.

### 3) Railway Standards

The Tajik Railway adopted the standard GOST and CHuP (English: Construction Standards and Regulation) from the former Soviet Union, and this standard is applied in new line construction plans. However, the uniform standard is more attractive for construction, operation and maintenance for international transport service.

### 4) Selection of Priority Sequence

In order to choose the priority sequence for the three new lines, it is required to consider international and domestic transport demand and fund availability.

5) New Logistic Flow

It is especially noticed that, recently, cargo demand has arisen at Kolkhozabad station for transfer to Kunduz of Afghanistan via the new bridge between both countries. It is said that a railway cargo handling capacity at Termez of Uzbekistan exceeded its capacity for supplies to Afghanistan. This transportation route is the same as a part of the new railway route authorized by the international frameworks and its route passes through the special economic zone of Nijniy Pyani. Under this condition further study is required for the examination of new line construction requirements from the standpoints of international logistic demand and also regional development plans in this area.

## **4. Logistics**

### **4.1 Railway Transportation Mode**

Railways play an important role in international transportation. Currently, 96% of railway transport is international and 97% of road transport is domestic.

### **4.2 Road Transportation Mode**

Most of domestic transportation depends on road transportation and Tajikistan Government is positively working for smoother international transportation and transit under the framework of CAREC and others. It is necessary to expand the transit transport to international trade and domestic physical distribution. The following part reviews road transportation mode from viewpoints of domestic, transit, and international.

#### **(1) Domestic Transport**

Cargo transportation on road remains at the level of self-service and professional logistics companies provides insufficient service. Consequently, they result in higher cost.

#### **(2) Transit Transport**

Services such as timeliness, cost, and safety by road transport are much lower than those of railways. Trucks are more influenced by seasonal factor, border crossing, and security than railways. Although speedy transportation is an advantage of road against railway, road transport in Tajikistan has little competitiveness. CAREC attempts to facilitate international transport on road and focuses on smooth border crossing of transit cargoes.

#### **(3) International Transport**

As a common problem with transit transportation, custom clearance is a large problem of road transportation. ABBAT terminals are working as international transport terminal as well as transit because the terminal handles more international cargoes than transit.

## **5. Customs**

### **5.1 Organization**

Tajikistan Custom Service has its headquarters in Dushanbe and regional bureaus and manages all branches and border checkpoints. Custom services are provided at (1) border checkpoints, (2) terminals (road, railway, airport), and (3) standing custom offices in bonded factories. Passengers can pass only at manned checkpoints of above (1). In principle, cargoes pass by two-stops: (a) temporary clearance at (1) border checkpoints with documentation and sealing and (b) actual clearance at (2) terminal or (3) bonded facilities. The total custom points of (1)-(3)

are counted for 87 in Tajikistan territory.

## 5.2 Custom Reform

Tajikistan Custom has been working to simplify the procedure of operations. It updated its Custom Law and introduced HS Code, which is the world standard prepared by World Customs Organization (WCO), as its classification. The Customs revised its code to comply with Kyoto Convention in 2005.

## 5.3 Clearance Time and Cost

The World Bank provides data of custom clearance cost and time to indicate the actual situation. ADB also uses the data. The data shows the longer time and higher cost of Tajik customs than neighbor countries.

## 5.4 Preparatory Documentation

The preparatory documentation is considered as the major factor of extended processing time.

### (1) Procedure and Permission from Other Authorities

Generally, it is accepted that Customs require a permission or license from other authorities at the preparatory stage of clearance. Depending on the nature of traded materials, Tajikistan Custom requires documentation from other authorities of Table 5.1. Although the procedures are similar with other countries, this paperwork is also a problem for custom clearance.

**Table 5.1 Related Authorities in Preparatory Documentation**

Name of Ministries	Name of Agencies
Ministry of Economy and Industry	Standardization and Metrology Department (Tajik Standard)
Ministry of Agriculture	Chamber of Commerce and Industry
Ministry of Health	
Ministry of Defense	
Ministry of Transport	

Source; ADB TA-4451-A "Tajikistan : Capacity building and institutional strengthening for the customs modernization and infrastructure development project" Appendix B.

#### 1) Certificate of Origin

Chamber of Commerce and Industry issues certificates of origin. It takes half day to obtain a certificate. It is not electrified but handled manually.

2) Tajik Standard

The certificates from Tajik Standard, which is under MEDT and followed after the Gos-standard of former Soviet Union, are requested for various commodities.

3) Tax Exemption Application

Tajikistan's import exceeds export currently. Not all imported cargoes are commercial-based, but certain portion is aid material or ODA cargoes. Because these cargoes can be imported without duties, they require special permission from related ministries and more time for the process.

**(2) Procedure at Custom**

1) Documentation Paperwork

Importers or custom brokers prepare their application on the software of ALTAGTD, which was originally made in Soviet Union and customized for Tajikistan. The application has many input items with heavy penalty for errors. It leads to long time for preparation of application.

2) Database Creation of Valuation Price

Custom brokers require to submit 'Declaration of Fact,' which shows the appropriateness of the commodity price. The document indicates the detailed information such as cost and discount rate for items more than US\$ 1,500.

**5.5 Custom Clearance**

**(1) Clearance by Trucks**

Trucks are to be cleared at ABBAT terminals which are equipped with custom officials and temporary warehouses. In case of these trucks are to be bonded without TIR carnet, it may require custom escort, because a bonded transport system has not been established.

**(2) Clearance by Railway**

Custom clearance is conducted at railway terminals. Terminals have customs and brokers. Railway operators send cargo list or manifesto to customs. Wagons and containers are principally sealed and only custom officers may open them.

**(3) Introduction of EDI**

Customs tries to solve existing problems by information technology. With a support from ADB, the software development has been in progress. The Customs adopted the SAD form of EU in January 2009 and revised it for EDI input.

**(4) Border Crossing**

Tajikistan has already joined the convention of CMR and other important land transport agreements. In addition, TIR carnet has been introduced by establishment of ABBAT. Consequently, the trucks are supposed to cross the border with minimum waiting time, theoretically.

In fact, they took time to cross border with cargo inspection even with a TIR carnet. Then, the speed of processing in Tajikistan is almost half of China and Kazakhstan.

## **6. Logistics Enterprises**

### **6.1 Business Category and Institutional Framework**

Surface Transport Administration of Ministry of Transport and Communication has Automobile Transport Unit, Railway Transport Unit. Aviation sector is supervised by Civil Aviation Administration of the Ministry.

There is no supervising authority for warehouse and logistics services.

### **6.2 Business Operation**

There is few logistics operator with high quality service because of small market and scale. ADB considers following factors can explain them.

#### **(1) Lack of Modern Vehicles**

Vehicles are not well maintained. Its safety standard is low and fuel efficiency is not high. Freezer vans are so limited that they do not contribute to export agricultural products.

#### **(2) Lack of Equipment**

Appropriate storage facilities and handling equipment are insufficient. Warehouses only provide the storage function and there is no special storage functions for such as hazardous materials, bulky commodities, or temperature-controlled goods.

#### **(3) Lack of Logistics Services**

Local logistics service provider can perform only limited area of services. Especially, the reliability of intermodal service is low.

#### **(4) Low Financial Services**

Operators cannot receive sufficient level of financial service and have difficulties to update their equipment. Banks are unlikely to disburse loans and their interest rate is high.

### **6.3 Association**

Development of business association is expected to improve their business environment because each company cannot change the situation only by itself.

ABBAT, the association of international transportation operators, is a great progress as it can issue a TIR carnet.

## **7. Free Economic Zone**

### **7.1 Background**

Tajikistan Government has exchanged FTAs (Free Trade Agreement) with five countries in CIS (Commonwealth of Independent States) ever. Besides these agreements with CIS countries, Tajikistan tries to complete economic cooperation agreement with Azerbaijan, Afghanistan, Iran and Turkey.

By the growth of transit cargo volume through Tajikistan, Tajikistan government is trying to simplify custom clearance procedure, e.g., paperwork reduction, preliminary application etc, to install single-window-inspection system. The installation of single-window-inspection system is supported by international aid agencies, ADB (Asian Development Bank), GTZ (Deutsche Gesellschaft für Technische Zusammenarbeit) and USAID (United States Agency for International Development).

Considering above background of current logistics condition in Tajikistan, it is expected to increase of trade volume and FDI (Foreign Direct Investment) and expand international cargo transport including transit cargo transport in parallel.

Thus Tajikistan government tries to develop “Free Economic Zone (FEZ)” with the aim of enhancement of manufacturing industry and upgrading and expanding international logistics infrastructure. President Rahmon declared that raw cotton export from Tajikistan without additional value would be prohibited by year 2015 (current rate of raw cotton export is around 12%).

The policy to enhance cotton processing industry in Tajikistan is moving forward currently.

### **7.2 Outline of FEZ Development**

The Tajikistan Parliament has enacted “Free Economic Zone” law in 2004. Based on the law, the plan of FEZ in Tajikistan has been progressed. The FEZs approved by the government (refer to the following figure) is four areas at this time. The major FEZs are those of “Panj” and FEZ “Sugd”.

Feasibility studies on logistics center development in both FEZs Panj and Sugd have more chances to be supported by international aid agencies, Eurasia Foundation and USAID, EU (European Union) are preceding the study, whose title is “International Logistical Centers Network in Central Asia”, and the study is intended to develop effective logistics network in Central Asia. The study suggests developing a logistics center at Nij Pyanj, the border with Afghanistan, in Tajikistan. However, EU, Eurasia Foundation and USAID have no intention to develop infrastructure of FEZ, consequently finding source of development of FEZ in Tajikistan is under severe condition.

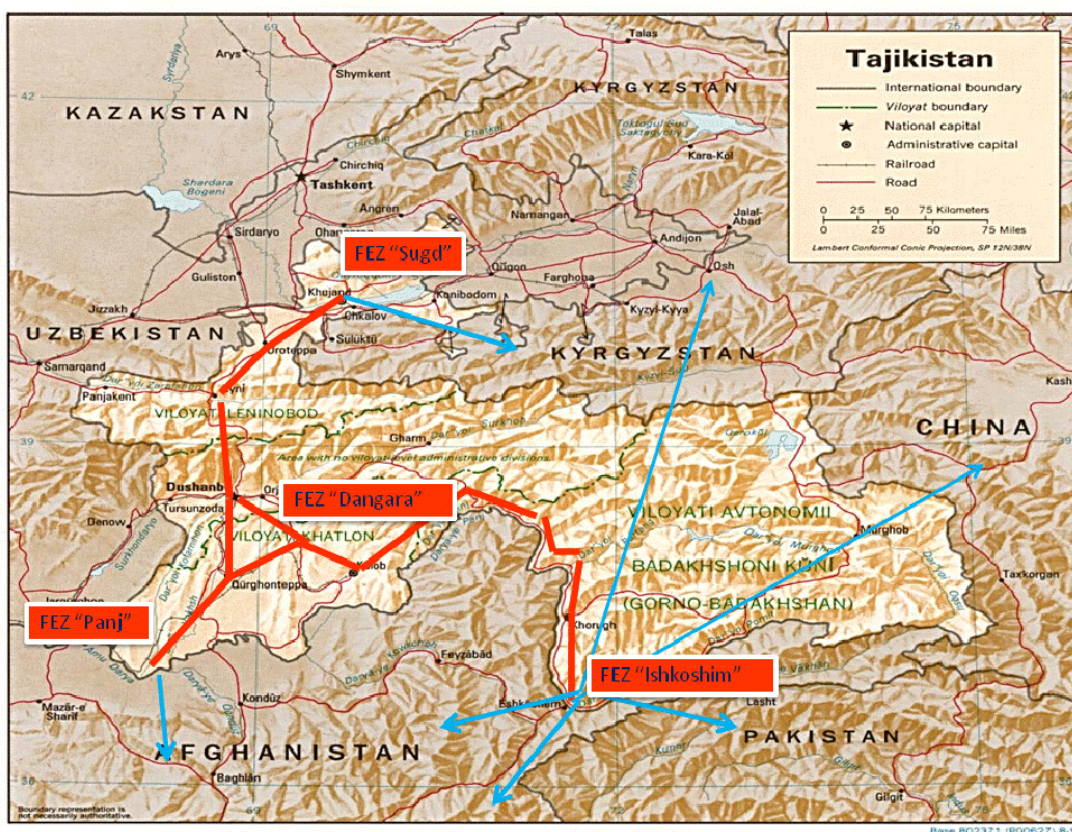
The government still has left behind the problem of inter-ministerial function of FEZ development and management, because entities involved are more than one. In the past, the President proposed establishing the committee to lead FEZ development. The main function of the committee is to coordinate the inter-ministerial role in regard to FEZ enhancement. The member of committee is consisted of first vice minister from each ministry. Consequently, the committee appointed the Ministry of Economy Development and Trade to be responsible ministry for FEZ enhancement.



However, the ministry in charge of logistics infrastructure improvement is the Ministry of Transport and Communication (MOTC) specifically. ABBAT is the association of private companies in charge of international trucking business in Tajikistan, and approved by the Tajikistan government. ABBAT has logistics terminals and transshipment facilities near the border all over the country. The government provides authority to use the land for logistics terminals managed by ABBAT. Furthermore, ABBAT is only issuing entity of TIR<sup>1</sup> carnet in Tajikistan, consequently international trucking company is asked to become a member of ABBAT. MOTC manages ABBAT as an administrative supervision in effect.

USAID supported to make governmental acts regarding Free Economic Zone. The reports supported by USAID are indicated as follows.

- Decree of Majlisi Namoyandagon Majlisi oli of the Republic of Tajikistan on Approving Regulation of Free Economic Zone “SUGHD”
- Decree of Majlisi Namoyandagon Majlisi oli of the Republic of Tajikistan on Approving Regulation of Free Economic Zone “PANJ”



Source: Ministry of Economic Development and Trade

**Figure 7.1 Planned area of FEZ**

<sup>1</sup>TIR<sup>1</sup> stands for *Transports Internationaux Routiers* (International Road Transport) and is an International Customs transit system.

### **7.3 Implementation Body of Free Economic Zone**

Ministry of Economy Development and Trade (MEDT) take charge of responsibility to develop FEZ . Number of MEDT officers is around 200, the department in charge of FEZ development is supposed to be administration office by each FEZ area.

There are administration office in Sugd and Panji FEZs. The administration office of Sugd FEZ has already been established within the FEZ area, while the Panji FEZ office has been established on 19<sup>th</sup> Feb. 2010 at the previous custom office in Panj. The administration office of FEZ is independent of MEDT on organizational structure; however, MEDT still supports the administration office by public budget.

### **7.4 Current Condition of FEZ**

The current conditions of above two FEZs are described as follows:

#### **(1) Panj FEZ**

The development of Panj FEZ is supposed to be implemented based on the governmental act, “Order #277 of the Government of Tajikistan on May 2, 2008”.

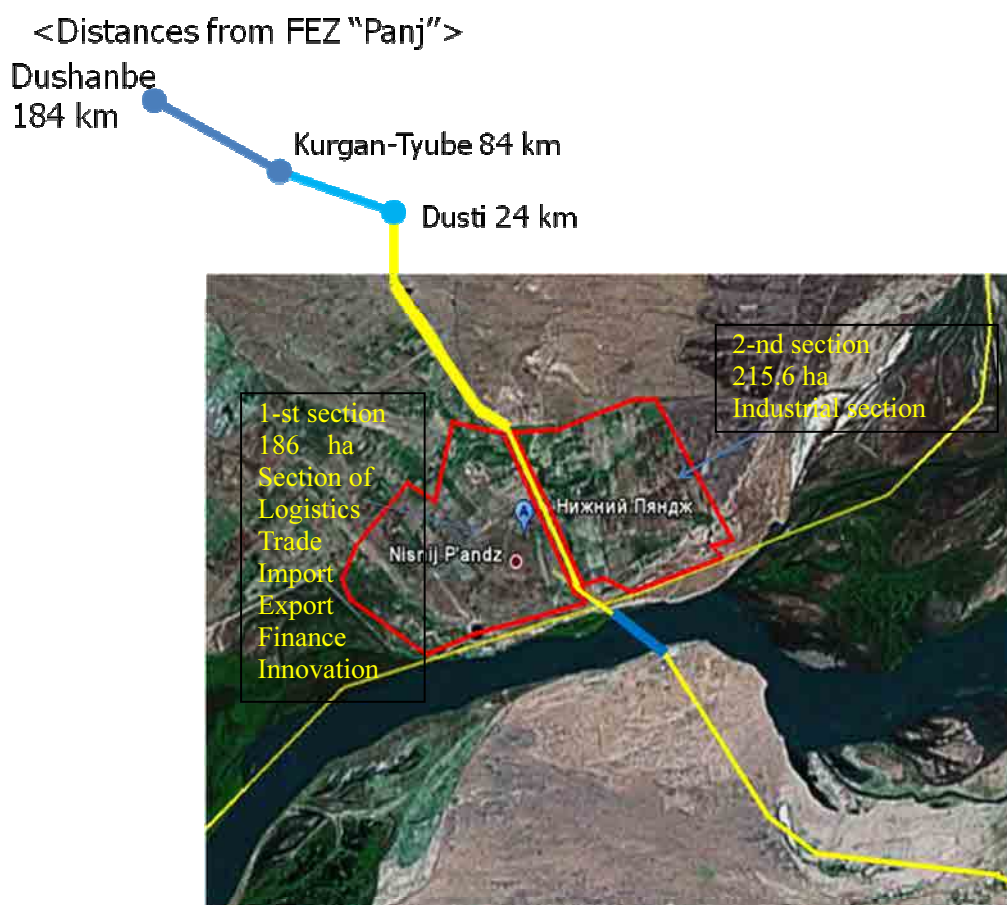
The planned area is around 400 hector, located on near the border with Afghanistan (near the Panj Bridge developed by US aid).

In regard to important transport infrastructure connecting to FEZ “Panj”, road construction between Kurugan-Tube and Nij Pyanj supported by Japan grand aid is supposed to be accomplished after 2012. There are other transport infrastructure project besides above road construction, e.g., the Kurugan-Tube airport development (in planning phase), the railway development between Kalkhazabad and Panj (in planning phase) and so on.

Panj FEZ is still under planning phase as an export processing base and as an international logistics bases. MEDT considers realizing the infrastructure development together with MOTC.

There are large potential of agricultural products, especially vegetable cultivated in this region. However, productivity of agriculture is not realized due to current limited market accessibility. This area has large area of raw cotton cultivation and has potentials to become export processing bases of not only agricultural products but also cotton products.

EU is conducting the study on logistics development in Central Asia mentioned above; the study term is from March 2009 to December 2010; the objective of the study is to propose international logistics bases appropriately in each country in Central Asia. In case of Tajikistan, the study team is to propose international logistics base development at Panj FEZ area through the viewpoint of importance as an international logistics route.



Source: Ministry of Economic Development and Trade

**Figure7.2 Map of FEZ "Panj"**

## (2) Sugd FEZ

The development of Sugd FEZ is also supposed to be implemented based on the governmental act, "Order #277 of the Government of Tajikistan on May 2, 2008".

Planned lot area of Sugd FEZ is about 320 hector. Domestic companies and number of the companies which are currently running in this area is around 30. However, these companies located on this area receive tax incentives from the government, and are also fenced off. The government will start to register these companies in this area as preferential company from 2010.

A feasibility study (F/S) on Sugd FEZ development is to be conducted by the united implementation entity between USAID and Eurasia Foundation. Title of the F/S is supposed to be "Free Economic Zone Sugd – Concept of Fergana Valley Logistics Center". USAID is conducting another project whose name is "The USAID Regional Trade Liberalization and Customs Project (RTLС)". This study will be a part of the RTLС project. The first priority of the RTLС is to develop international logistics bases in Tajikistan. At the same time, EU is also conducting a logistics study project in Central Asia. USAID takes a course of collaboration with EU project (including international freight demand

forecasting examination).



Source: Ministry of Economy Development and Trade

**Figure 7.3 Plans Drawing of Sugd FEZ**

## 7.5 Perspective of FEZ in Tajikistan

In 2004, the act of “Free Economic Zone” was prepared in Tajikistan. The government is revising the act currently. Especially Panj FEZ attracts attention by development of resources transport route from not only Central Asia and Middle East but also East Africa to China and expansion of transportation route from China to Central Asia and Middle East. Hence, Panj FEZ also attracts attention as an important logistics base to Afghanistan in the short term.

EU is conducting the study project with the aim of establishment of efficient logistics network in Central Asia. The main outcome of this study is to propose to develop logistics base in each country in Central Asia. Panj FEZ is supposed to be logistics base in Tajikistan by the EU project.