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Tajikistan Risk and Resilience Assessment

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ABBREVIATIONS AND ACRONYMS

ACP	Agriculture Commercialization Project	EFCA	Eurasia Foundation of Central Asia
ACLED	Armed Conflict Location & Event Data Base	EITI	Extractive Industry Transparency Initiative
ADB	Asian Development Bank	EU	European Union
AF	Additional Financing	FCV	Fragility, Conflict, and Violence
AKF	Aga Khan Foundation	FSAP	Financial System Assessment Program
ALG	Accountability in Local Government (survey)	FY	Fiscal Year
ASA	Analytical and Advisory Services	GBOA	Gorno-Badakshan Autonomous Oblast
BEEPS	Business Enterprise Survey	GDP	Gross Domestic Product
CA	Central Asia	GNI	Gross National Income
CAEWDP	Central Asia Energy and Water Development Program	GOT	Government of Tajikistan
CARS4	Central Asia Road Links	GPSA	Global Partnership for Social Accountability
CASA1000	Central Asia South Asia Power Transmission Line	GTD	Global Terrorism Database
CAMP4ASB	Climate Adaptation and Mitigation Program for Aral Sea Basin	HPP	Hydropower Plant
CCSA	Cross-Cutting Solution Area	IBRD	International Bank for Reconstruction and Development
CPF	Country Partnership Framework	IFIs	International Financial Institutions
CPS	Country Partnership Strategy	IDA	International Development Association
CPI	Consumers Price Inflation	ICG	International Crisis Group
CPIA	Country Portfolio Institutional Assessment	ICCT	International Center for Counter-Terrorism
CSO	Civil Society Organizations	IFC	International Finance Corporation
CSP	Community Support Program	IED	Identified Explosive Device
CE	Citizens Engagement	IMU	Islamic Movement of Uzbekistan
CLD	Community Led Development	IMF	International Monetary Fund
CMU	Country Management Unit	IOM	International Organization for Migration
DSA	Debt Sustainability Analysis	IRPT	Islamic Renaissance Party of Tajikistan
DCC	Development Coordination Council	IS	Islamic State
DFID	UK Department for International Development	ISIS	Islamic State of Iraq and Syria (Levanta)
DRM	Disaster Risk Management	IWMI	International Water Management Institute
DPF	Development Policy Financing	KWH	Kilowatt Per Hour
EBRD	European Bank for Reconstruction and Development	LDC	Local Development Committee
ECA	Europe and Central Asia	LGA	Local Governance Assessment
		LGP	Local Governance Project
		LITS	Life in Transition Survey
		L2T	Listening to Tajikistan Survey

MDI	Multi-Dimensional Poverty Index	PREM	Poverty Reduction and Economic Management
MFI	Microfinance Institutions	PSD	Private Sector Development
MOF	Ministry of Finance	RRA	Risk and Resilience Assessment
MOEDT	Ministry of Economic Development and Trade	RMR	Risk Mitigation Regime
MOLEM	Ministry of Labor, Employment and Migration	ROSC	Report on Observance of Standards and Codes
MTDS	Mid Term Development Strategy	SCD	Systematic Country Diagnostic
MOEWR	Ministry of Energy and Water Resources	SMEs	Small and Medium Size Enterprises
NATO	North Atlantic Treaty Organization	SOEs	State Owned Enterprises
NGO	Non-governmental Organization	TA	Technical Assistance
NBT	National Bank of Tajikistan	TF	Trust Fund
NDS	National Development Strategy	TJS	Tajikistan Somoni
NEET	Neither Employed nor Looking for Work	UCDP	Uppsala Conflict Data Program
NPLs	Non Performing Loans	UNDP	United Nations Development Program
OBOR	One Belt One Road Initiative	UNICEF	United Nations Children's Fund
OECD	Organization for Economic Cooperation and Development	UNHCR	United Nations High Commission for Refugees
OMON	Special Police Forces	UNODC	UN Office on Drugs and Crime
OSCE	Organization for Security and Cooperation in Europe	USAID	United States Agency for International Development
PEFA	Public Expenditure and Financial Accountability	USD	United States Dollar
PER	Public Expenditure Review	UTO	United Tajik Opposition
PFM	Public Financial Management	WBG	World Bank Group
PPA	Project Preparation Advance	WDR	World Development Report
PLR	Performance and Learning Review	WGI	World Governance Indicators
		VE	Violent Extremism

EXECUTIVE SUMMARY

In recognizing the changing nature and scope of fragility, conflict and violence (FCV), the World Bank (WB) is taking a new and differentiated approach to addressing the full spectrum of FCV situations. This includes action in fragile situations in middle-income countries, not just in the least-developed countries and considering regional conflicts and spillovers, not just national-level fragility. This also includes tackling FCV risks and long-term drivers, not just the adverse development outcomes of conflict. By targeting potential socio-economic fault lines in vulnerable countries, the WB seeks to contribute to the avoidance of wide-scale crises and their significant human and economic costs. The new International Development Association (IDA) 18 ‘Risk Mitigation Regime (RMR)’ pilots development interventions as a prevention tool—scaling up financial support that proactively targets FCV risks and reinforces sources of resilience.

Tajikistan is included as one of four pilot countries (also Nepal, Guinea, and Niger) under the RMR. Countries eligible for support were identified on the basis of the following criteria: (i) evidence of significant FCV risks; (ii) evidence of government and donor commitment to address the risks; (iii) stable macroeconomic framework; and (iv) availability of financial resources. Under the RMR, a “Risk and Resilience Assessment (RRA)” is conducted and then an “Implementation Note” is prepared to guide the allocation of increased financing.

This RRA Report identifies the multi-dimensional risks that increase Tajikistan’s vulnerability to violence and instability, as well as sources of resilience, and makes recommendations on potential areas of WB programming. The assessment draws on a literature review and consultations, including an RRA mission to Tajikistan in February-March 2017 in developing its analysis and recommendations. However, it was beyond the scope of the RRA to include new primary data collection.

Since the end of its civil war in 1997, Tajikistan has made impressive gains that are currently under threat in large part due to an escalating governance crisis that impacts across sectors. Most global indices that examine fragility and conflict place Tajikistan in a category of elevated risk. The primary source of uncertainty surrounds the consolidation of political power, which has undermined the power-sharing principles of the 1997 peace accord that ended a five-year civ-

il war that took upwards of 60,000 lives and displaced many more. Pervasive governance challenges impact across sectors, including consolidation of political and economic power, corruption, and the closing of political space.

Political and security challenges exacerbate, and are exacerbated by, economic, social, and cross-border risks. Tajikistan remains the poorest of the former Soviet Republics, and as the most remittance dependence country in the world, is highly vulnerable to fluctuations in the Russian economy. Rampant and systemic corruption plagues Tajikistan alongside issues of tax practices, and administrative barriers that stymie private sector growth.

Tajikistan also faces the growing specter of radicalization and recruitment to violent extremism as well as decades-long border tensions, disputes with its neighbors over natural resource management and the ongoing threat of climatic and natural disaster shocks. Tajikistan’s more than 1,300-kilometer border with Afghanistan is of concern because of its length and relative insecurity. Decreased U.S. and NATO troop presence has resulted in expanded Taliban and Islamic State (IS) presence. The Tajik-Kyrgyz border is also a source of regular, low-level friction over access to water and pasturage and Tajikistan has experienced tensions with neighboring Uzbekistan over the construction of the Rogun Dam.

Many stakeholders within Tajikistan express concern that large and growing numbers of unemployed and idle youth could be a future threat to stability. This includes the growing numbers of returning and, in particular, deported migrants that might be more susceptible to recruitment to violent extremism. The government estimates that more than 1,000 Tajik citizens have fled to join IS. The return of even a few recruits intent on destabilizing the country through terrorist attacks could have significant repercussions.

Despite challenges, there are several sources of resilience in Tajikistan that could help mitigate FCV risks and potential triggers of violence. These include the collective memory of the severe costs of the civil war and popular interest in stability, the strength of local institutions, ‘up-skilling’ and mobility as a positive dynamic of labor migration, the potential (alongside peril) of energy investments, and the opportunity for enhanced regional cooperation.

The goal of incremental financing support through the RMR is to pilot preventive support to address FCV risks that constrain development progress. Financing cannot be used for ‘business-as-usual’ investment operations that are not linked to identified risks, even if these interventions may contribute to broader development goals. RRA analysis points to three categories of recommendations, including: 1) new areas of programming; 2) considerations for enhancing the ‘FCV sensitivity’ of the current WB portfolio; and 3) process and capacity building support.

Options for new multi-sectoral investments targeting priority FCV risks:

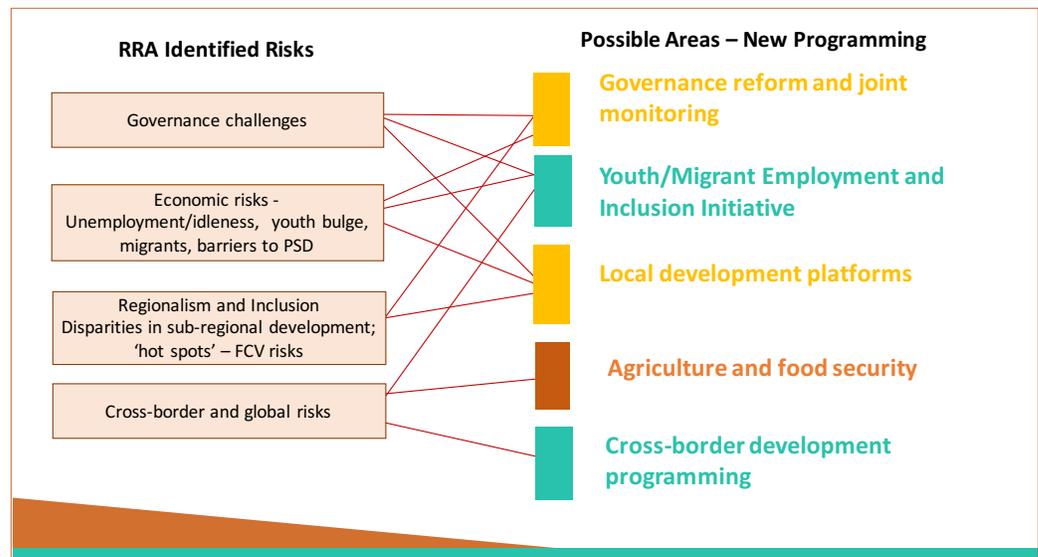
- **Employment and inclusion initiative targeting youth and returning migrants:** Combination of supply side (preparing for and connecting youth to jobs) with demand side (supporting entrepreneurship, re-skilling, SME development) to spur job creation. Also to include complementary youth engagement and inclusion activities.
- **Local development platforms:** Developing new mechanisms to enable the GoT to allocate resources to jamoat (sub-national/community) level, including tailored support to high risk sub-regions. Such an approach would: (i) promote equitable and transparent sub-national resource allocation; (ii) facilitate participation in local decision-making; (iii) build trust between the citizen and state; and (iv) stimulate local economic activity.
- **Cross-border development programming:** Encouraging joint action on shared development challenges, including: exploration of reinvestment in the ‘Friendship Line’, a power transmission line between Tajikistan and/or a regionally-focused Ferghana Valley development program. River basin and riparian zone development on the

Tajik-Afghan border would also address the multi-vector water-food-irrigation-energy challenges faced by both countries.

- **Agriculture and food security:** Recognizing Tajikistan’s vulnerability to climate shocks, natural disasters and resultant food insecurity challenges, additional financing to assist the government to set up a contingency fund to ensure a more structured approach to agricultural risk management, tailored to the risks that threaten sustainable food security.

RRA analysis points to potential pathways to increase the sensitivity of the current World Bank portfolio to governance and FCV risks, with particular attention paid to addressing FCV and governance challenges in high-risk/high-reward sectors such as extractives and energy. Approaches include benefit-sharing arrangements in large-scale infrastructure investments as well as governance and oversight preconditions attached to mitigate governance risks and increase transparency.

The RRA also suggests a series of process-related recommendations, focusing on capacity building to implement RMR programming, risk monitoring and promoting citizen engagement. As a pre-condition for advancement of the Risk Mitigation Regime financing, the World Bank and the Government of Tajikistan could commit to a joint risk monitoring system for the RMR. Joint monitoring would include two categories of indicators. First, a set of contextual indicators to monitor whether FCV risks are increasing or whether the country is on a more positive and stable path. This would include a priority list of governance-related indicators to track reform progress. Second, a collection of programmatic/outcome indicators to assess whether investments through the Risk Mitigation Regime are effectively tackling identified risks.





I. INTRODUCTION

1. ***Tajikistan was ill-equipped for independence in 1991, and slipped almost immediately into violence.*** In the words of a prominent Tajik historian, the country endured “one of the most painful state building attempts of modern Central Asian history”,¹ slipping almost immediately into violence. The civil war that erupted in 1992 took more than 60,000 lives, displaced many more and further damaged the country’s fragile infrastructure. It also brought to the fore the continuing power of regionalism: while the belligerents claimed to espouse varying political and religious aims, they were largely organized, politically and militarily, along regional lines. The civil war also pushed many of the country’s best educated academics, cultural figures and administrators out of the country.

2. ***The civil war ended in 1997 with a peace accord that, thanks to a power sharing agreement, was able for a few years to ensure a degree of peaceful political competition.*** In recent years, the potential for increased fragility has grown in Tajikistan, as have governance challenges. Over the past decade, violence in the country has not been characterized by widespread social or political unrest. Much of it has taken place in two eastern regions, Gharm and Gorno-Badakhshan, that were the backbone of opposition forces in the civil war and which have been traditionally suspicious of the central government. Meanwhile in northern Tajikistan, Islamic fighters—described as the Islamic Movement of Uzbekistan (IMU) or an off-shoot—claimed responsibility for fatal attacks. The magnitude of these attacks was smaller than those in the east, but the attacks have taken on greater significance against the backdrop of announcements in late 2014 that the IMU had sworn allegiance to the Islamic State (IS).² Soon

after that, in perhaps the most significant security event in recent years, a top Tajik special forces commander defected to IS.³

3. ***Political and security challenges exacerbate, and are exacerbated by, economic, social, and cross-border risks.*** Tajikistan remains the poorest of the post-Soviet states, dependent largely on migrant worker remittances, which have fluctuated sharply in the past few years in response to Russia’s economic problems. Private sector development has been hindered by poor governance practices, and the country has recently experienced a series of banking crises. The country is also facing a significant youth bulge with high rates of youth unemployment and idleness. With its unique geography, Tajikistan is also subject to regional tensions around border security and natural resource sharing, particularly over water and riparian zones.

4. ***Indeed, most global indices that examine fragility and conflict place Tajikistan in a category of elevated risk.***⁴ Although Tajikistan has made substantial progress in certain areas over the past decade, trends over the past two years indicate the potential for an increase in fragility, vulnerability, and overall instability that could threaten development progress. For this reason, as part of the World Bank’s IDA 18

1 <http://kamolkhon.com/conflict-resolution-in-tajikistan>.

2 Russia’s RIA Novosti reported the event in October 2015. <https://ria.ru/world/20141006/1027067431.html>. Other reports date the swearing of allegiance to late July 2015, <http://www.eurasianet.org/node/>.

3 Commander of elite Tajik police force defects to Islamic State <http://www.reuters.com/article/us-mideast-crisis-tajikistan-idUSKBN0OD1AP20150528>.

4 The Fund for Peace Fragile States Index assessed Tajikistan as “High Warning.” As a result of oppression against religious groups, the U.S. Department of State Report on International Religious Freedom for Tajikistan designated Tajikistan as a “country of particular concern” a deterioration from its previous rank as a country on the “watch list.” <https://www.uscirf.gov/sites/default/files/Tajikistan%202015.pdf>. Over the past decade, Freedom House Democracy Scores for Tajikistan fell from 5.96 to 6.54 (on a scale from 1 to 7), making it one of the least democratic former Soviet republics. In 2016, the OECD classified Tajikistan as a fragile state for the first time since 2011.

scale up in support to countries facing FCV challenges, Tajikistan was included as one of four pilot countries (also Nepal, Guinea, and Niger) in a new ‘Risk Mitigation Regime.’ The Risk Mitigation Regime provides incremental World Bank financing to undertake preventive programming to target FCV risks before they result in widespread violence. Countries eligible for support are identified on the basis of the following criteria: (i) evidence of significant FCV risks; (ii) evidence of government commitment to address the identified risks; (iii) stable macroeconomic framework; and (iv) availability of financial resources. Under the Risk Mitigation Regime, a “Risk and Resilience Assessment” is conducted and then an “Implementation Note is prepared to guide the allocation of increased financing.

5. ***This Risk and Resilience Assessment (RRA) is intended to provide a comprehensive understanding of the FCV stresses facing Tajikistan and the potential role of the Bank in helping to address these risks.*** The RRA identifies the multi-dimensional risks that worsen Tajikistan’s vulnerabilities to economic, political, governance and social breakdown and propensity for organized violence. It gives greatest priority to fragility risks and fault lines that are actively preventing development pathways from taking root. The assessment utilized a literature review, and a series of consultations, including consultations carried out in-country in three of Ta-

jikistan’s four regions in February-March, 2017, to identify a subset of risks that are analyzed in detail in Chapter 3 of this report. It was beyond the scope of the assessment to collect primary data. Thus data gaps limit the depth of analysis for certain themes.

6. ***Structure of the report.*** Chapter 2 of the Report provides an overview of Tajikistan’s geography, demography, and economy and discusses the historical context that has led to Tajikistan’s current challenges. Chapter 3 then provides an overview of the priority risks—governance and security, economic, inclusion/regionalism, and cross-border/global that increase Tajikistan’s vulnerability to violence and instability. Chapter 4 goes on to discuss the specific triggers or scenarios that could destabilize the status quo or lead to widespread unrest. Chapter 5 identifies sources of resilience the WBG may wish to consider and build upon. In Chapter 6, the Report concludes with suggested recommendations to the World Bank on the way forward. The analysis of this report draws on the Systematic Country Diagnostic for Tajikistan that is under development, the Country Partnership Strategy (CPS) for Tajikistan FY 2014-2018 and the draft Performance and Learning Review (PLR) of the CPS, as well as key fragility frameworks such as the World Development Report 2011 and the International Dialogue on Peacebuilding and Statebuilding (see box 1 for an overview of RRA sources).

BOX 1: RRA SOURCES

This report relies on several sources of information, including Government strategic documents and statistics, WBG assessments and reports, other partner assessments, public opinion and surveys, and RRA mission consultations. Below is the short summary of each category:

Government information:

Tajikistan National Development Strategy, 2015-2030
Tajikistan, Mid Term Development Strategy, 2016-2020
Tajikistan, Demographic Statistics, State Statistical Committee
Tajikistan, Concept on Local Government Development till 2030, Decree of the President of RT, #522, July 2015

World Bank Analysis:

The note on Fragility, Conflict & Disaster Nexus: Focus on Tajikistan and ECA region.
Improving service delivery through governance reform, is decentralization answer for Tajikistan, World Bank Policy Note, March 2013.
Mid-term Report on Youth Entrepreneurship in Tajikistan, Tajikistan Youth Entrepreneurship project LLI, November 2016

Tracking Impact of Tajikistan Land Reform Across Multiple Projects, Donors and Districts from 2006-2016 Using a Common Core of Survey Questions and Field Method, Paper prepared for presentation at the 2017 World Bank Conference on Land and Poverty, The World Bank - Washington DC, March 20-24, 2017

Real Estate Registration Project, Social Assessment Report, March 2016

Water Management in Central Asia: Problems, Causes and Consequences, a social assessment based on water user perceptions, January 2014, Social Development Unit of the Sustainable Development, Europe and Central Asia Department (ECSSO).

Poverty Diagnostic and Social Impact Assessment of the Water Supply and Sanitation Sector in Tajikistan, Concept Note, June 2015 Tajikistan Financial Sector Assessment (FSAP), 2016, World Bank, IMF

Tajikistan: Jobs diagnostic, Strategic framework for jobs, January 2017, Jobs CCSA

Assessment of Household Energy Deprivation in Tajikistan, June 2014, Social Development Unit of the Sustainable Development, Europe and Central Asia Department (ECSSO).

Tajikistan Agriculture Policy Update, August 8, 2014

BOX 1: RRA SOURCES (CONT.)

Other partner assessments:

Sociological survey: The causes of radicalization of young people and measures on its prevention, Eurasia Foundation of Central Asia (EFCA) project, as was conducted in five districts of the Republic of Tajikistan

Inter-governmental fiscal relations analysis, European Union, (ongoing)

Assessment of service delivery in the pilot districts through decentralization, USAID local governance project

Analysis of Peace and Conflict Potential in Rasht Valley, Shurabad District and GBAO, Tajikistan, Aga Khan, GIZ, 2004

Assessing Increased Awareness and Use of Land Restructuring and Land Use Rights and Their Impacts on Farming, Crop Diversification and Household Food, and Gender in 12 Project Rayons of Khatlon Region, Tajikistan, Eric A. Abbott, International Consultant August, 2016, USAID

Tajikistan Food Security Monitoring, World Food Program, 2015-2016

Public opinion and surveys:

Life in Transition (LITS): EBRD: The survey seeks to analyze and understand how transition has affected the lives of people in regions, and what their views are on issues such as democracy, the role of the state, and prospects for the future. LITS sampled 1,500 men and women in Tajikistan to achieve a nationally representative sample.

Listening to Tajikistan (L2T): World Bank, UNICEF, a survey to monitor the impact of emerging trends in poverty throughout the country at high frequency. It tracks the wellbeing and deprivations of a nationally representative random sample of 800 households in Tajikistan.

Doing Business in Tajikistan: The data in this report are current as of June 1, 2015 (except for the paying taxes indicators, which cover the period from January to December 2014).^a

a For more see: <http://documents.worldbank.org/curated/en/109111468186539635/pdf/100861-WP-Box393248B-PUBLIC-DB2016-TJK.pdf>

II. CONTEXT AND HISTORY



A. CONTEXT - DEMOGRAPHY, ECONOMY, DEVELOPMENT TRENDS

7. *Landlocked and largely mountainous, with a population of about 8 million and a GNI per capita of US\$1,240 in 2015 (Atlas methodology), Tajikistan is the poorest country in Europe and Central Asia (ECA).* Bordering Afghanistan to the south, China to the east, Kyrgyz Republic to the north, and Uzbekistan to the west, barely 7 percent of the country's land area is arable, due to its elevation and topography; the rest consists of glaciers, mountains, and pastureland or steppe that support livestock grazing. Endowed with abundant water resources, Tajikistan's hydropower potential, including for export, is substantial. Coal, silver, and gold, are present and possibly significant reserves of hydrocarbons were discovered in mid-2012.

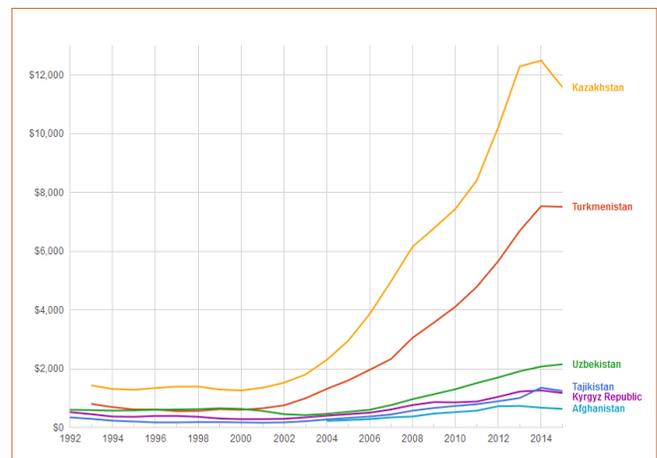
8. *The population of Tajikistan is ethnically diverse, although the vast majority of the population are ethnically Tajik.* According to 2010 estimates, 84 percent of the population are ethnic Tajiks, 14 percent are Uzbeks, and 2 percent consist of other groups (including Pamiri, Kyrgyz, Russian, Turkmen, Tatar, and Arabs).⁵ The population remains largely rural (73 percent). With the exception of Dushanbe (population of about 800,000), most of Tajikistan's cities (as defined by the government) are small with fewer than 50,000 inhabitants. About 40 percent of all urban residents live in Dushanbe. Over the past 15 years, the level of urbanization has grown only by 0.21 percentage points, with limited mobility for rural populations.

9. *Tajikistan is Central Asia's least accessible, most isolated country, with only limited regional and international*

FIGURE 1: TOPOGRAPHIC MAP OF TAJIKISTAN



FIGURE 2: GNI PER CAPITA, ATLAS METHOD (CURRENT US\$)



5 CIA World Factbook, Tajikistan Country Profile, <https://www.cia.gov/library/publications/the-world-factbook/geos/ti.html>

Source: World Bank Development Indicators

connectivity. This is partly a function of the country's geography and topography: internal and regional communication and transportation are problematic, especially in winter. Tajikistan's relations with its neighbors are encumbered by at least three concerns: (a) the management of shared energy and water resources—exemplified by Uzbekistan's opposition to the proposed Rogun Hydropower Plant⁶; (b) the flow of illicit drugs across Tajikistan's territory from South Asia to Eastern Europe; and (c) uncertainties stemming from the situation in Afghanistan following the withdrawal of most international forces.⁷

10. ***The return of stability after the conclusion of the civil war and initial reforms led to growth averaging 8 percent annually from 2000-16, with significant poverty reduction.*** Poverty declined 81 percent in 1999 to 47 percent in 2009 and down to about 31 percent in 2015. Extreme poverty dropped even faster—from 73 percent to 14 percent during the same period. Labor earnings accounted for half the decline and remittances for about one-third. The benefits of growth were also widely shared: consumption by the bottom 40 percent grew faster than that of the population at large. However, economic mobility was volatile and higher in rural compared to urban areas. Moreover, poverty reduction for women was lower than for men and the gender wage gap widened.⁸

11. ***Tajikistan has been unable to create enough jobs for its growing labor force.*** Since 2006, the population has increased by 17 percent, while formal employment rose by only 10 percent. Employment growth in industry has been minimal and only modest in agriculture and services, the two largest sectors. The relatively small construction sector experienced the highest growth rates (8 percent), driven mainly by remittances. This low growth in overall employment, as well as limited internal labor mobility, explain the relatively small contribution of employment to poverty reduction, compared to migration.⁹

B. TAJIKISTAN'S CIVIL WAR

12. ***The civil war grew out of the ferment of the last few years of perestroika.*** The country was drawn into the passionate debates across the Soviet Union on multiparty democracy, sovereignty and self-determination. The debate in Tajikistan often had a strong regional tinge, with certain re-

gions pushing hard for greater self-determination and other regions embracing opposition political parties. These tensions were based on an unequal distribution of power and resources during the Soviet period.

13. ***The debate also saw the re-emergence of regional animosities.*** Tajikistan, which had hoped to remain part of a loosely federated single successor state to the Soviet Union and thus continue receiving the vital economic subsidies from Moscow that kept the country going, had no choice but to opt for independence. A contest for power, economic resources and increased regional rights ensued. The civil war featured fighting between factions representing four regions of the country.

14. ***Regional rivalries that manifested during the Tajikistan civil war were a product of long-simmering tensions that began to emerge after World War II.*** Elites from Khujand dominated both the government and the Communist Party in Soviet Tajikistan during the postwar era. Khujandis seemed to have a monopoly on the most lucrative government portfolios. Sitting in the agriculturally fertile Ferghana Valley and located on rail lines that connected to Moscow, Khujand was also the center of economic production. Elites from Khujand used their position to “distribute patronage and manage networks based on resources distributed from the national level.”¹⁰ By the 1970s, Kulobi elites emerged as the second most powerful group in the country, managing patronage networks and partnering with Khujandis to control most of the country's industrial base. Individuals from these two regions represented the bulk of communist party membership in the country.

15. ***The collapse of the Soviet Union provided an opportunity for regions who had fewer ties to Moscow and limited access to control of industry and patronage networks, to forge a realignment of regional powers in the nascent democracy.*** Groups from Gharm and Badakhshan, who long felt excluded from the most important government and economic institutions, began to agitate for democracy, cultural rights, and other issues that would allow them a more prominent seat at the table. Rivalries among these regional groups first emerged over control of government positions, at both the national and sub-national levels, in the late-Soviet period at a time when Soviet authorities in Moscow had little ability to manage these regional conflicts.¹¹ Long festering resentment of Khujandi/Kulobi domination led to an alliance forged among groups from Gharm and Badakhshan under the umbrella of the United Tajik Opposition. After the civ-

6 Note: At the time of writing the Uzbek opposition to the hydropower plant appears to be abating with a new President in Uzbekistan.

7 The World Bank, “World Bank Group Country Partnership Strategy for Tajikistan for the Period FY15-18” (Washington, DC: The World Bank, May 2014), 3, <http://documents.worldbank.org/curated/en/294261468339630573/pdf/863720CAS0P146010Box385211B000UO090.pdf>.

8 The World Bank, “World Bank Group Country Partnership Strategy for the Period FY15-18” (Washington, DC: The World Bank, May 2014), 4.

9 Ibid., 8.

10 Kirill Nourzhanov and Christian Bleuer, *Tajikistan: A Political and Social History* (ANU E Press, 2013), 141.

11 Lawrence P. Markowitz, *State Erosion: Unlootable Resources and Unruly Elites in Central Asia*, First edition (Ithaca, New York: Cornell University Press, 2013).

il war, the Kulobi faction displaced Khujandis as the group dominating of state organizations of power.

16. ***Most of the fighting was concentrated in the south of the country.*** The war was largely deadlocked by 1993, and negotiations began tentatively the following year. The UN sponsored a ceasefire between opposition and the government in 1996. A peace accord followed in 1997. This accord included an extensive power sharing between the government and the opposition. In 1998, the government pardoned all opposition leaders, even those in exile, and appointed Akbar Turajonzoda, a prominent UTO leader, as first deputy prime minister. The power sharing compromise was strongly criticized by UTO hardliners, while pro-government politicians expressed deep reluctance at another part of the agreement, the legalization of the IRPT.

17. ***The civil war left a terrible legacy that affects the country to this day: the war killed over 60,000 people, displaced more than a half a million¹², and left the poorest republic of the former Soviet Union in shambles – “a ruined economy, a destroyed administration and a highly fragmented society.”¹³*** By the end of the war, the country’s GDP had dropped

to about 70 percent below its 1991 level.¹⁴ Following the war, the country remained sharply divided between regions that had fought on the losing side and a new ruling elite.

C. RECENT VIOLENCE AND INSTABILITY IN TAJIKISTAN

18. ***Most violence involving significantly sized armed group events in Tajikistan since the end of the civil war in 1997 has stemmed from confrontations between government forces and former members of the opposition.*** Violent events have mainly taken place in civil war opposition strongholds. In each case the dominant aim of the opposition has been to push back and deter efforts by the central government to control their regions.

19. ***Much of the violence has been geographically limited, characterized by struggles between the central elite and local leaders for the control of state resources.*** Recent violence has come from Gorno-Badakhshan and Gharm, two eastern regions that have lost much of their political and economic clout.

12 At the height of the Tajik civil war, there were approximately 600,000 internally displaced people inside of Tajikistan and over 100,000 who had fled the country. By 2016, this number was down significantly. According to the UNHCR, there were 19,469 refugees and internally displaced persons living in Tajikistan in 2015.

13 Iskandar Asadullaev, Politics of compromise: The Tajikistan peace process”, Conciliation resources <http://www.c-r.org/accord-article/tajikistan-government>.

14 Challenges of Transition economies: economic reforms, immigration and employment in Tajikistan Omair Amir and Albert Berry, UNDPSP-G&E_ch4_tajikistan-1.pdf



III. FRAGILITY, CONFLICT AND VIOLENCE (FCV) - PRIORITY RISKS

20. *Priority FCV risks for Tajikistan can be divided into four categories: 1) governance risks; 2) economic risks; 3) inclusion, equity and regionalism risks; and 4) cross-border and global risks.* While there are a variety of challenges within each category (see figure 3), the RRA analysis highlights priority risks that are most likely to interrupt development progress and where development interventions could play a key role. Risks include internal and external stresses, institutional challenges, and issues around agency and incentives, and sources of resilience, based on a variety of FCV-related analytic frameworks, including the 2011 World Development Report (WDR): Conflict, Security and Development, OECD States of Fragility Report, International Dialogue on Peacebuilding and Recovery, 2017 WDR: Governance and the Law, and relevant analysis by North, Wallis, Webb, and Weingast on limited access order governance systems.¹⁵ Governance risks are viewed by RRA analysis as a cross-cutting and fundamental constraint to development progress, with impacts across sectors.

A. GOVERNANCE RISKS - CROSS-CUTTING

21. *Governance in Tajikistan closely resembles what Barry Weingast, Douglass North, and John Wallis deem a “limited access order” society—where political and economic relations comprise a small group of elites who interact through highly personalized relationships.*¹⁶ In almost every sector,

political and economic relations are based on highly-personalized relationships, which in the long run diminish chances for economic expansion or political stability.¹⁷ The limited access order emerges from an elite bargain that provides access to political power and rents from key economic sectors in exchange for stability and a commitment to maintain the status quo. Such a system can be stable in a context of economic growth, but is highly unstable in the face of economic shocks, contractions, or structural changes. Furthermore, limited access orders inherently stifle economic growth and dynamism, as business interests of the closed circle of elites are protected from international and domestic competition, and new businesses or sources of rents are seized by elites in power.

22. *The space for civil society in Tajikistan, long restricted, has become even more limited.* The civil society groups that remain active are those that are engaged in service delivery activities and social welfare provision. The government has employed rigid registration requirements and increasingly strenuous financial reporting requirements. Similarly, the government has also worked to limit foreign funding for NGOs by placing restrictions on the amount of foreign financing organizations can receive and on its use. A 2015 law “On Public Associations” requires all non-governmental organizations operating in Tajikistan to declare all grants they received from donors (both domestic and international) with a registry within the Ministry of Justice. Organizations

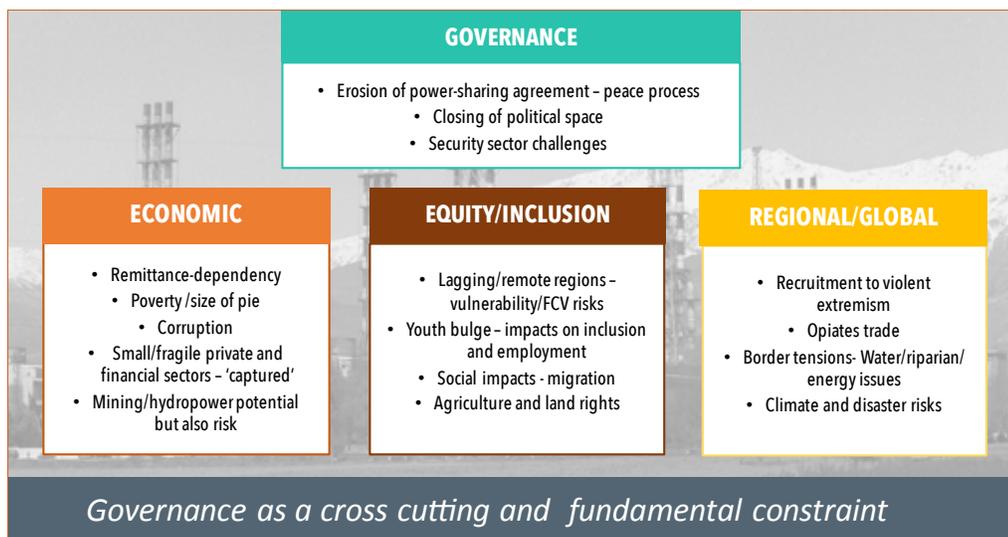
15 See: <http://www.oecd.org/dac/conflict-fragility-resilience/states-of-fragility-report-series.htm>; <http://www.oecd.org/dac/conflict-fragility-resilience/states-of-fragility-report-series.htm>; <http://www.worldbank.org/en/publication/wdr2017>; https://web.stanford.edu/group/mcnollgast/cgi-bin/wordpress/wp-content/uploads/2013/10/Limited_Access_Orders_in_DW_-II_-2011.0125.submission-version.pdf.

16 Douglass C. North, John Joseph Wallis, and Barry R. Weingast,

Violence and Social Orders: A Conceptual Framework for Interpreting Recorded Human History (New York: Cambridge University Press, 2009).

17 Avner Greif, “Impersonal Exchange without Impartial Law: The Community Responsibility System,” *Chicago Journal of International Law* 5 (2005 2004): 109; Avner Greif, Paul Milgrom, and Barry R. Weingast, “Coordination, Commitment, and Enforcement: The Case of the Merchant Guild,” *Journal of Political Economy* 102, no. 4 (1994): 745–76; Avner Greif, *Institutions and the Path to the Modern Economy: Lessons from Medieval Trade* (New York: Cambridge University Press, 2006).

FIGURE 3: RRA FRAMEWORK – KEY RISKS



must also report all projects they conduct with these funds. Local NGOs also report increased inspection of their organizations.¹⁸

23. **Tajikistan’s international ratings for democracy have declined.** Over the past decade, the Freedom House Democracy Score for Tajikistan fell from 5.96 to 6.54 since 2007 (on a scale from 1 to 7), making it one of the least democratic former soviet republics (see Table 1 below). As Freedom House put it, “Tajikistan increasingly resembles a one-party state... Tajikistan’s post-independence elections have been marred by corruption and the intimidation of opposition candidates... Security services arrested approximately 200 members of the IRPT from September 2015 onwards.”¹⁹

24. **The narrowing of political space has been accompanied by general repression of freedom of expression and religion.** The U.S. Department of State Report on International Religious Freedom for Tajikistan designated Tajikistan as a “country of particular concern” under the International Religious Freedom Act—a deterioration from its previous rank as a country on the “watch-list”²⁰

18 World Organization Against Torture, “Tajikistan: Clampdown on Civil Society - Preliminary Findings of a Fact-Finding Mission on the Situation of Human Rights Defenders and NGOs,” November 30, 2015, <http://www.omct.org/human-rights-defenders/urgent-interventions/tajikistan/2015/11/d23494/>.

19 Freedom House, “Freedom House: Nations in Transit 2016--Tajikistan” (Freedom House: Washington, DC), 2, accessed February 2, 2017, https://freedomhouse.org/sites/default/files/NIT2016_Tajikistan.pdf.

20 <https://www.uscirf.gov/sites/default/files/Tajikistan%202015.pdf>.

B. ECONOMIC RISKS

25. **Tajikistan is the poorest country in the former Soviet Union and has been hit by a series of economic shocks, some exogenous and some self-induced.** Economic decline has enormous implications for the size of the economic pie with broader implications for poverty reduction and shared prosperity.

26. **The recent collapse of Tajikistan’s major banks and insolvency underscores the fragility of the Tajik economy.** Large systemic banks in Tajikistan—which account for 84 percent of total financial sector assets—are at high risk of insolvency and illiquidity. Microfinance institutions (MFIs) account for most of the remainder. The National Bank of Tajikistan has already revoked licenses of 17 MFIs since 2015 over their failure to meet the central bank’s minimum capital requirements. The banking sector faces vulnerabilities in credit risk due to rapid credit growth (to the SOEs, and directed lending to government interests), and funding and liquidity risks related to the Russian financial crisis and the pass through to remittances. These weaknesses are aggravated by a high level of non-performing loans, low quality of financial sector enforcement mechanisms, and weak enforcement of prudential regulations. For the past two years, the banking system has been heavily hit by economic and financial crises linked to declining exports and remittances, which have left many of the country’s businesses and individuals unable to repay their loans.²¹

27. **In response to escalating solvency and liquidity issues in the banking sector, the National Bank of Tajikistan recently recapitalized and bailed out key banks.** While this resolved the immediate crisis, risks remain high since the Government decision was not accompanied by reforms to address future vulnerabilities. The country remains on the brink of a financial sector crisis that could have large development impacts both in the short- and long-term.

28. **Systemic governance challenges hold back Tajikistan’s socio-economic development, alongside issues of tax**

28. **Systemic governance challenges hold back Tajikistan’s socio-economic development, alongside issues of tax**

21 Freedom House, “Freedom House: Nations in Transit 2016--Tajikistan.”

TABLE 1: FREEDOM HOUSE NATIONS IN TRANSIT RATINGS AND AVERAGED SCORES²²

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
National Democratic Governance	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.50	6.50	7.00
Electoral Process	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.75	6.75	6.75
Civil Society	5.00	5.50	5.75	6.00	6.00	6.00	6.25	6.25	6.50	6.50
Independent Media	6.25	6.00	6.00	5.75	5.75	6.00	6.25	6.25	6.25	6.25
Local Democratic Governance	5.75	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Judicial Framework and Independence	5.75	6.00	6.25	6.25	6.25	6.25	6.25	6.25	6.50	6.75
Corruption	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.50
Democracy Score	5.96	6.07	6.14	6.14	6.14	6.18	6.25	6.32	6.39	6.54

practices, and administrative barriers that stymie private sector growth. Because of the threat of capture, there are very limited incentives for firms to grow. As one senior representative of a financial institution noted, “doing business in an environment of slowing demand and falling revenues is getting more difficult due to increasing and highly uncertain tax and regulatory pressure.”²³

29. **Indeed, one of the most significant challenges to long term economic stability in Tajikistan is the business environment in the country.** For example, implementation of the new tax code appears at times arbitrary and driven by revenue quotas. This fosters lack of transparency in the financial management of local companies which in turn contributes to informality and corruption. The number and frequency of interactions with authorities increases the potential for abuse and informal payments. In the 2013 Business Environment and Enterprise Performance Survey (BEEPS), 19 percent of respondents said bribery was frequent in dealing with taxes. The same respondents report dealing with public officials or public services regarding taxes takes up 27 percent of their time, compared to the ECA average of 17 percent. Much of this time is dealing with inspections. Law and contract enforcement remains extremely weak and discretionary. As a result of the predatory business environment, the entry of new firms is very low in Tajikistan compared to other countries in the region (figure 4). Despite a significant entrepreneurial potential in Tajikistan with almost 40 percent of the labor force having a preference for self-employment (one of the

highest rates in the region), only about 55 percent of those who attempt to start a business succeed, compared to almost 64 percent in ECA region as a whole.²⁴

30. **According to the World Bank Doing Business indicators, Tajikistan ranks 128 out of 190 economies in terms of the ease of doing business (figure 5).** One of the most significant challenges of doing business in the country is accessing electricity, where Tajikistan stands at 173 out of 190 economies on this measure.²⁵ Another obstacle for business is access to credit. Tajikistan ranks 118 out of 190 economies on the ease of getting credit.²⁶ Not only do entrepreneurs in Tajikistan face challenges accessing credit, once borrowers do have credit they have very limited legal rights compared to other former Soviet republics (Tajikistan ranks 1 on a scale of 1 to 12 in terms of strength of legal rights of borrowers and lenders).²⁷

31. **Globally, Tajikistan ranks 140 out of 190 countries on the ease of paying taxes.** This means that firms in the country are subject to arbitrariness as they deal with government officials, making long term investments riskier than they would be if paying taxes were easier and thus more predictable to firm owners.²⁸ In addition to an unpredictable and challenging tax environment, firms that wish to trade across borders face significant challenges, as Tajikistan ranks 144 out of 190 economies on the ease of trading across borders.²⁹

22 Freedom House, “Freedom House: Nations in Transit 2016–Tajikistan.”

23 Quotes from World Bank consultations in Tajikistan – Feb–March 2017.

24 Tajikistan Jobs Diagnostics and Strategy, January 2017;

25 Ibid., 44.

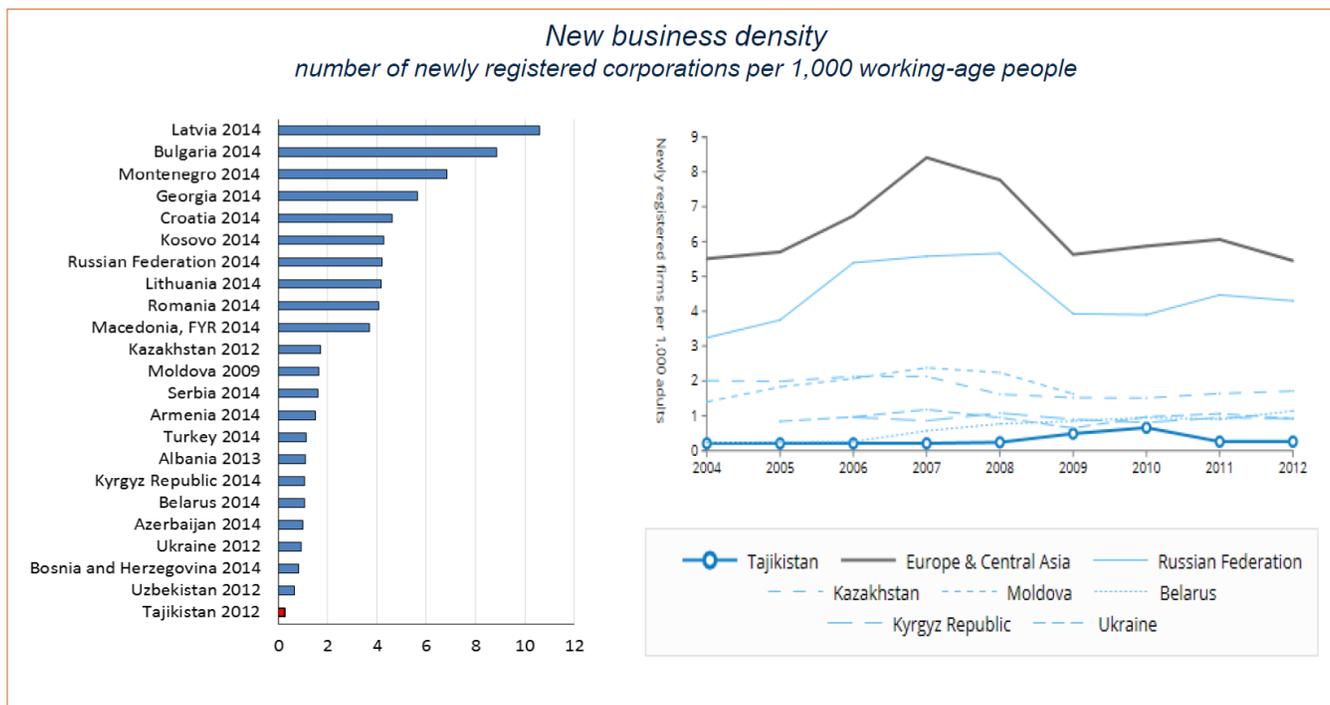
26 Ibid., 62.

27 Ibid., 63.

28 Ibid., 77.

29 Ibid., 83.

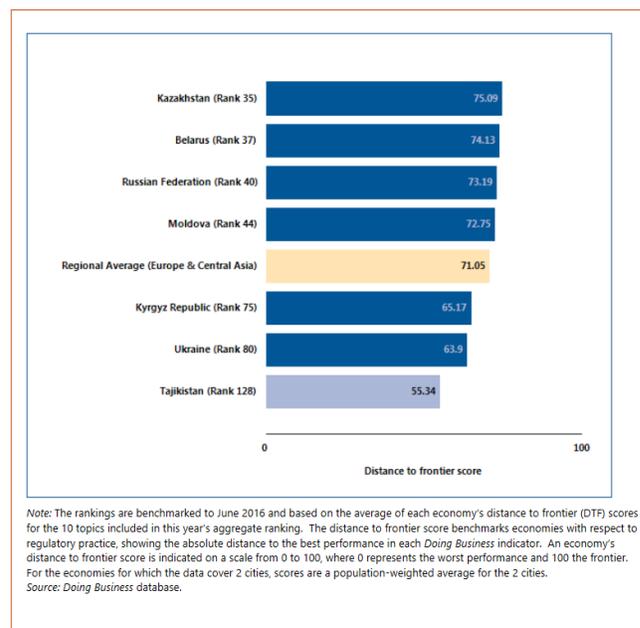
FIGURE 4: NEW BUSINESS DENSITY IN TAJIKISTAN³⁰



32. *With limits on private sector growth and investment, migration and remittances have been the backbone of the Tajik economy, making it vulnerable to economic fluctuations in receiving countries.* According to World Bank and International Monetary Fund data, Tajikistan is the most remittance-dependent country in the world, meaning that the ratio of remittance flows to GDP has been higher than any other country. In addition, more than 90 percent of the remittance inflows come from Russia—Tajikistan is very vulnerable to economic conditions in Russia.³¹

33. *Poverty and unemployment are drivers of Tajikistan’s massive wave of labor migration.* According to the 2009 Tajikistan Living Standards measurement survey, nine percent of the population worked abroad resulting in 28 percent of total households having at least one labor migrant.³² The THPS survey in 2011 showed that more than half (51 percent) of all households in Tajikistan had been involved in labor migration (with one family member currently or previously living abroad) since Tajikistan became independent in 1991.³³ This survey revealed that Tajikistan not only has a

FIGURE 5: HOW TAJIKISTAN AND COMPARATOR ECONOMIES RANK ON THE EASE OF DOING BUSINESS (2016)³⁴



Note: The rankings are benchmarked to June 2016 and based on the average of each economy’s distance to frontier (DTF) scores for the 10 topics included in this year’s aggregate ranking. The distance to frontier score benchmarks economies with respect to regulatory practice, showing the absolute distance to the best performance in each *Doing Business* indicator. An economy’s distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. For the economies for which the data cover 2 cities, scores are a population-weighted average for the 2 cities. Source: *Doing Business* database.

30 Doing business entrepreneurship database, World Bank Group

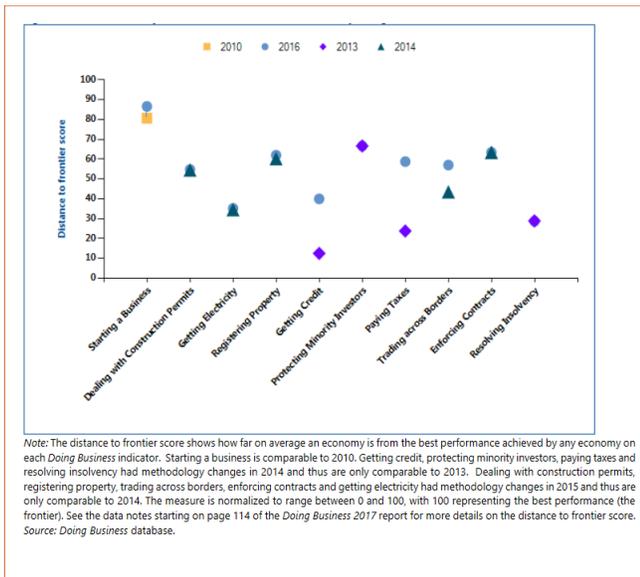
31 Ibid.

32 Alexander M. Danzer, Barbara Dietz, and Kseniia Gatskova, “Migration and Remittances in Tajikistan: Survey Technical Report,” IOM Working Papers (Munich: Ludwig-Maximilians University, Institute for East and Southeast European Studies, February 2013), 1, http://www.dokumente.ios-regensburg.de/publikationen/wp/wp_ios_327.pdf.

33 Ibid., 11.

high dependence on remittances, but that it was poor house-

FIGURE 6: HOW FAR HAS TAJIKISTAN COME IN THE AREAS MEASURED BY DOING BUSINESS?³⁵



holds whose livelihoods depends upon them the most. Similarly, labor migrants are generally low-skilled and work in one sector (87 percent indicated that they work in the construction sector). This implies that migration will not significantly alter or diversify the human capital capabilities of migrants, creating barriers for future employment when migrants return home.³⁶ The clear majority of migrants are men (95 percent) nearly all of them migrate to Russia, with most ending up in Moscow (59 percent).³⁷

34. **The economic slowdown in Russia has drastically reduced the amount of remittances to Tajikistan.** Table 2 below illustrates the amount of remittances into Tajikistan over the course of the past ten years. Remittances hit a peak at \$4.3 billion in 2013. By 2015, this level had fallen to \$2.6 billion—a 60 percent reduction, although remittance rates have increased in 2016-2017.

35. **Remittances are not utilized for investment back in the economy and thus do not contribute to national development and social safety nets.** Migrants prefer to provide assistance through channels where they can use established relations with family members and already-established social networks, such as the mahalla.³⁸ Households spend most of the remittances on immediate cash consumptions needs, education, health, and home repair rather than to promote income generation activities, to invest in businesses, and/or to contribute to social protection systems.³⁹ Over the last decade, the Government has done little to improve systems that would help to effectively absorb remittances by the national economy and provide avenues for migrants and their families to contribute to broader economic growth and development.

36. **According to the World Development Indicators, Tajikistan has consistently maintained the highest official unemployment rates among the former Soviet Central Asian republics.** Unemployment rates have hovered around 11 percent for the past decade. High unemployment is an outcome of a growth model which is based on remittance-driven consumption and neglects the importance of domestic job creation through formal private sector and SMEs. Employment growth in industry was minimal and only modest in agriculture and services, the two largest sectors.

37. **The youth labor inactivity rate is particularly high and growing.** The working-age population (15–64 year olds) rose from 3.31 million in 2000 to 5.23 million in 2015. While the potential workforce is growing, only 43 percent of them are in the labor force. Many working age youth are neither employed nor looking for work (NEET), representing 40 percent of the total, which is high by international standards. Between 2003 and 2013, NEET rates among youth increased from 37 to 41 percent. Almost a third of employed young people are in unpaid (informal) jobs compared to 15 percent of adults. The informal sector is particularly large in rural areas and in agriculture, where unpaid family workers, including youth, are very common.⁴⁰

34 Ibid., 8.

35 UNDP, “Labor Migration, Remittances, and Human Development in Central Asia” (United Nations Development Programme, 2015), 12, file:///C:/Users/jmurtaz/Downloads/CAM&RHDpaperFINAL.pdf.

36 Ibid., 2.

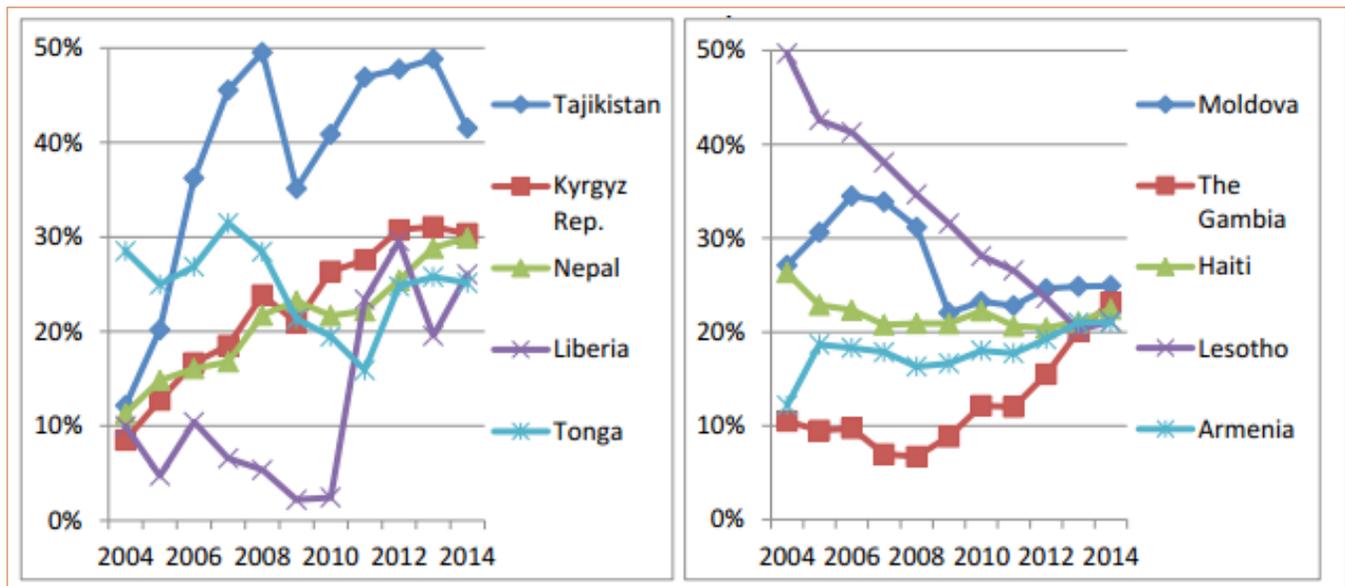
37 Ibid., 21.

38 Mukomel, Vladimir, *Diaspora – Partner in the Development of Tajikistan*, Dushanbe: IOM Mission in Tajikistan, 2014, p.5.

39 Source: World Bank

40 Ibid.

FIGURE 7: RATIOS OF REMITTANCE INFLOWS TO GDP (FOR THE "TOP TEN" REMITTANCE-RECEIVING COUNTRIES)⁴¹



Source: UNDP calculations, based on World Bank and IMF data

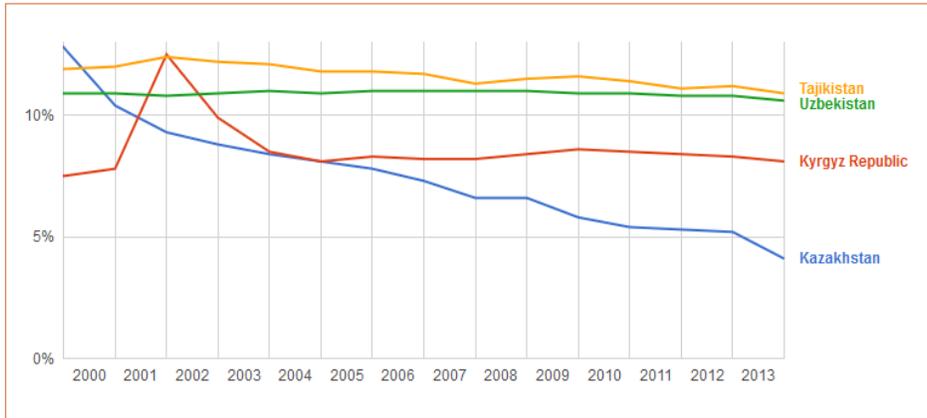
TABLE 2: REMITTANCES TO TAJIKISTAN - NET INFLOW IN USD (MILLION) PER MONTH⁴²

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Jan	45	77	122	96	102	136	175	221	216.6	125.7
Feb	40	68	129	83	103	150	185	228	203.3	126.0
Mar	55	81	145	99	125	185	215	245	239.7	162.8
Apr	53	91	181	111	153	196	239	288	274.6	201.8
May	75	123	220	134	171	255	305	344	352.5	244.5
Jun	96	150	261	172	216	321	332	402	423.2	301.6
Jul	114	189	328	203	259	357	414	493	496.7	306.5
Aug	141	217	319	202	284	392	445	492	448.6	279.9
Sep	129	184	310	203	253	326	382	438	437.3	252.8
Oct	140	225	266	194	262	312	428	439	365.8	237.8
Nov	117	192	194	166	218	274	318	347	253.5	196.4
Dec	118	177	195	169	218	270	326	363	227.0	190.0
TOTAL	1,123	1,774	2,670	1,834	2,363	3,174	3,764	4,298	3,939	2,626

⁴¹ Ibid.

⁴² Source: World Bank

FIGURE 8: UNEMPLOYMENT RATE IN TAJIKISTAN (2000-2013)



Source: World Development Indicators

C. REGIONALISM, EQUITY, AND INCLUSION RISKS

38. *As the experience in the Tajik civil war illustrates, fragility and violence has been driven by leaders with regional power bases fighting for greater autonomy and resources from the central government.* The civil war was characterized by fighting between groups defending the status quo and the IRPT that sought political and religious reforms, including greater regional autonomy—it was a conflict rooted in ideological and regional rather than ethnic differences. Those promoting the status quo included groups from Sughd province, which had been the industrial base in the north and had benefited most substantially from Soviet subsidies, and factions from Kulob. The United Tajik Opposition was characterized by groups with ideological differences with the central government—seeking cultural, religious, and political reforms. These ideological differences also mapped onto distinct regional differences. The UTO consisted of groups from GBAO and Gharm. The eminent scholar of the Persianate world, Olivier Roy characterized the Tajik civil war as the “War of the Kolkhoz [collective farms].”⁴³ According to Roy, the roots of the civil conflict were in forced internal migration by the Soviets of whole populations from one part of Tajikistan to another. The Soviets resettled populations into new collective farms in the recently irrigated land in the south where they retained their local identities. Rather than reducing tensions between groups, these forced population transfers fomented the divisions that would serve as the basis for the Tajik civil war.

43 Olivier Roy, *The New Central Asia: Geopolitics and the Birth of Nations* (NYU Press, 2007), 94.

39. *There appears to be strong correlations between those sub-national areas where civil war violence was strongest as well as those where recent violent incidents have taken place.* Recent violent incidents have been most prevalent in those areas that witnessed the most extreme violence during the civil war (see Figures 9 and 10), especially the Rasht Valley, several districts in Southern Khatlon, and GBAO. Violence in these areas has been triggered by intraelite conflicts that, in some cases, has spilled over into street protests and larger scale violence.

40. *Although not touched by civil war violence, political violence has emerged recently in the more deeply impoverished parts of Sughd Province in northern Tajikistan in the densely populated Ferghana valley.* Although there has been limited violence, the Islamic Movement of Uzbekistan and associated groups appear to be responsible for targeted killings of police officers as well as a suicide bombing. Sughd province, most of which is located in the fertile and densely populated Ferghana Valley, has been a prime recruiting ground for both violent and non-violent Islamist extremist groups.

41. *Another source of violence that does not appear connected to the civil war are skirmishes along the borders of the country.* These include skirmishes in southern Tajikistan along the Afghan border, which are typically associated with the drug trade. There are also conflicts over land and water in the Ferghana Valley in northern Tajikistan. These very localized conflicts typically involve conflict over land resulting from unresolved border demarcation issues.

42. *The civil war has left an important legacy of continued violence where fighting was most intense, but it also left a legacy of poverty, poor service delivery and stunted development.* There appears to be some correlation between FCV risk areas and poverty (see Figure 11), and an even stronger correlation between non-monetary poverty measures and previous violence (see Figure 12). Non-monetary measures include indicators such as access to services, education levels, and employment rates. This is particularly true of several districts in the Region of Republican Subordination (Tavildara, Rasht, Tojikobod, and Nurobod) and GBAO that have high levels in non-monetary measures of poverty and violence (both civil war violence and more recent conflict).

43. *Regionalism is exacerbated by Tajikistan’s system of intergovernmental relations, in which national government agencies decide on resource allocation to sub-national administrative units, which are responsible for public service*

FIGURE 9: LOCATIONS - CONFLICT EVENTS DURING CIVIL WAR (1992 - 1997)*

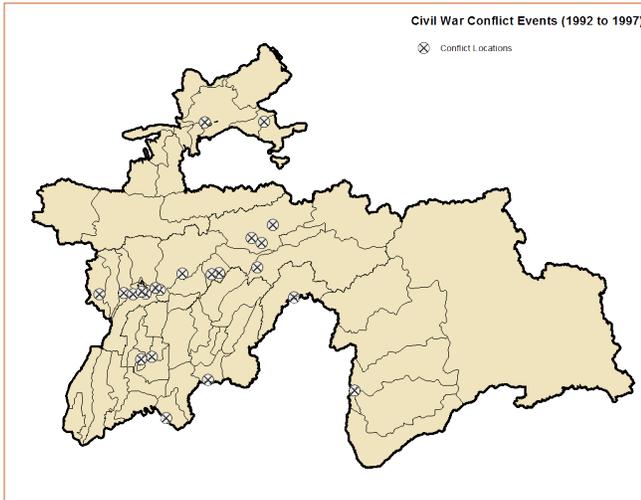


FIGURE 10: LOCATIONS - CONFLICT EVENTS IN POST-WAR PERIOD/RECENT VIOLENCE (1998 - 2015)*

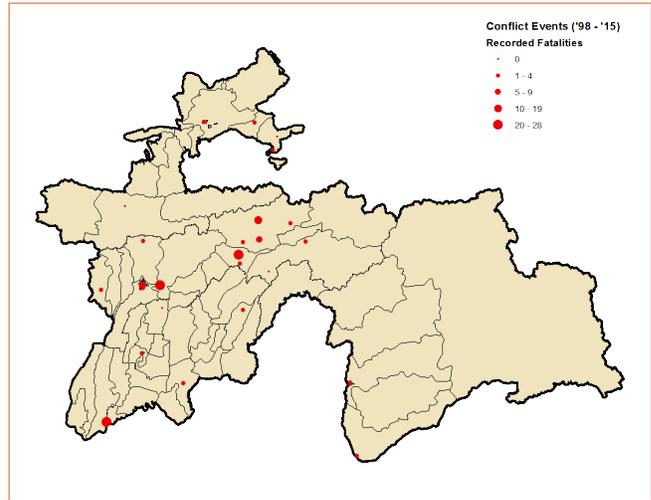


FIGURE 11: CONFLICT EVENTS (1998-2015) AND POVERTY RATES**

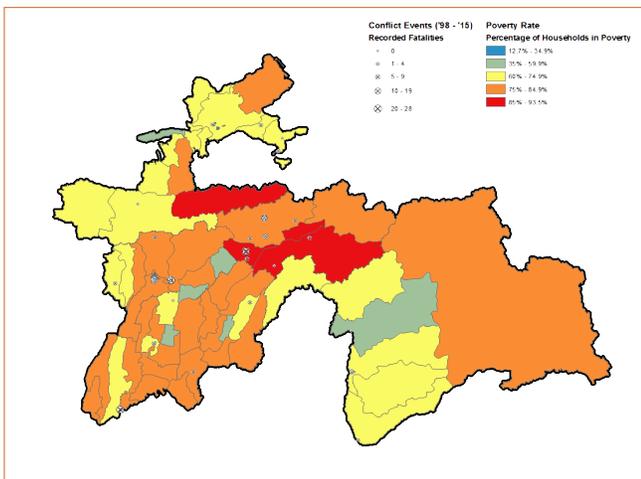
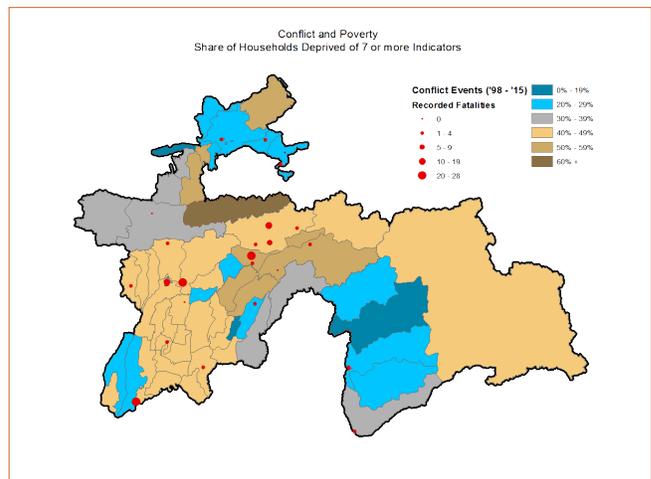


FIGURE 12: CONFLICT EVENTS (1998-2015) AND NON-MONETARY POVERTY MEASURES**



*Figures 9&10 illustrate conflict event data recorded between 1992 and 2015 by the Global Terrorism Database (GTD) and the Uppsala Conflict Data Program (UCDP)—reviewed by expert consultants as part of RRA analysis.

** Poverty and non-monetary poverty measures derived from WB ‘Poverty Mapping in Tajikistan’ Report, April, 2016. Non-monetary poverty indicators measure “deprivations” or “vulnerabilities” to provide information on living standards and the quality of life, including on issues such as education, employment, services, and infrastructure.

delivery but are not accountable for doing so down to citizens. This system creates regional inequities in resource allocation, as well as challenges for the transparent, efficient use of public funds.⁴⁴ This state of affairs persists despite a legal framework that allows for sub-national administrations and local communities to play active roles in decision-making over resource allocations and service delivery. The legal

framework includes the 1994 Law on “Self-Government in Towns and Townships,” which attempted to decentralize authorities and responsibilities to the local administrations in villages and towns in rural areas (jamoats).⁴⁵ An amendment to this law was made in 2009, which aimed at enabling greater citizen participation in local administration and facilitating local social and economic problem-solving. The amend-

44 “Improving Service Delivery through Governance Reforms: Is Decentralization the Answer for Tajikistan?” World Bank (2013), p. 6-7.

45 For an overview of the sub-national administrative structure in Tajikistan, see Cieslewska (2015) pps. 102-104.

BOX 2: SUMMARY - SUB-REGIONS IMPACTED BY CONFLICT/AT RISK

Gorno-Badakhshan (GBAO): This is the poorest, most sparsely populated, and most geographically remote province of Tajikistan that suffered significantly during the civil war. In recent years, it has witnessed several outbreaks of intra-elite violence, based on cleavages that emerged during the civil war, that have spilled over into mass protests and street violence. These isolated events have mobilized some citizens in this remote region and have reopened grievances towards the central government. Unlike other regions of Tajikistan, the Pamiri population that constitutes the majority of residents in GBAO has a distinct ethnic and religious identity.

Southern Khatlon (Shorobod, Hamadoni, Nosiri Hisrav, Sharitus districts): These were areas of heavy fighting during the Tajik civil war. These districts also share a border with the increasingly volatile Kunduz provinces in Afghanistan. In recent years, several violent incidents along the border have involved drug smuggling and kidnapping of locals. Although there have been some remnants of civil war fissures, the primary violence in this region has been criminal activity related to cross-border smuggling and the drug trade with Afghanistan.

District of Republican Subordination (Rasht, Tavildara districts):

Several high profile violent events have taken place over the past decade in Rasht. In almost every case, the violence was intra-elite as it featured former IRPT commanders who had since integrated into the Tajik government. The Government of Tajikistan has blamed Islamic extremists for recent episodes. The root causes of violence in these districts appear to be the same regional rivalries that triggered the Tajik civil war.

Sughd (Isfara, Kohistani Mastchoh): Sughd province in northern Tajikistan was historically the wealthiest, most industrialized, and maintained the closest ties to Moscow. Since the collapse of the Soviet Union, several districts have experienced high poverty rates and have emerged as fertile recruiting ground for violent extremist groups, such as the Islamic Movement of Uzbekistan, as well as non-violent religious extremists such as Hezb-e Tahrir. There was almost no violence in northern Tajikistan during the civil war. The violent events that have occurred in recent years, such as suicide bombings, represent a new kind of violent extremism that has not been previously present in the country.

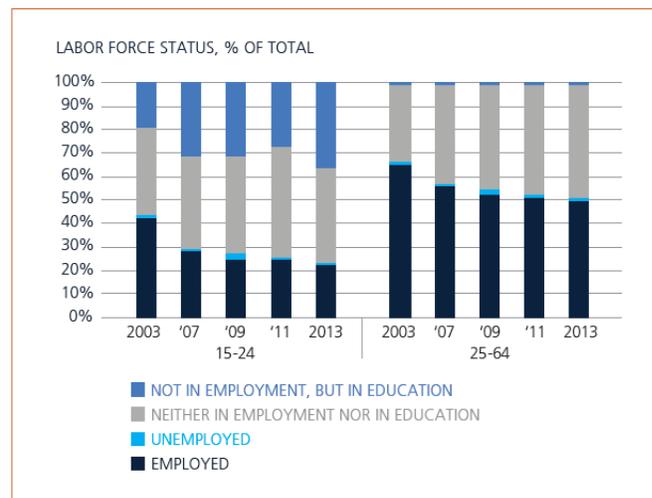
ment included changes to provide jamoat administrations with budgets, and introduce a system for direct election of jamaot councilors (rather than appointment by district (rayon) governments). The 1994 and 2009 laws were only partially implemented, however, due to concerns over inadequate capacity of jamoat administrations to manage resources autonomously.⁴⁶ Fiscal decentralization has not taken place, and the system for direct election of jamoat councilors has yet to be enacted. However, in 2015, the Local Development Committee (LDC) was established under the President's Office to promote socio-economic development in the regions, and build capacity of the sub-national administration to plan and implement programs. The establishment of the LDC signals the government's interest in revisiting the agenda of reforming intergovernmental relations.

44. *In addition to regionalism risks, Tajikistan faces a significant youth bulge, with high rates of youth unemployment and idleness that represent both a threat and opportunity for future stability.* According to UNICEF, 33 percent of the population is less than 14 years old, and young people aged 14-30 make up 35 percent of the total population. Just five percent of the population is over 60 years old. Each year 130,000 enter the working age population, with 50 percent youth unemployment.⁴⁷ The majority of returning economic migrants are also male youth. This creates a situation in which the young age dependency ratio will be relatively high,

46 "Improving Service Delivery through Governance Reforms: Is Decentralization the Answer for Tajikistan?" World Bank (2013), p. 4.

47 State Statistics Committee; quoted by the GoT - Deputy Minister for Labor and Migration

FIGURE 13: YOUTH IDLENESS



Source: World Bank Jobs Diagnostic 2017

and the old age dependency ratio will be quite low. An implication of this is that the government should invest heavily into education – a challenge compounded by the brain drain associated with external migration and the fact that nearly 75 percent of the population remains in rural areas.⁴⁸

45. *Lack of opportunities for youth may well be the key long term challenge for Tajikistan.* Youth participation in the labor market declined rapidly from 2003, and those look-

48 <https://www.unicef.org/tajikistan/overview.html>.

TABLE 3. SOCIAL GROUP MEMBERSHIP AND PERCENTAGE WHO ATTENDED A MEETING OF THE ORGANIZATION IN THE PAST YEAR

Women's association	2013	2%	95%	1%	66%	32%
	2016	8%	88%	0%	75%	25%
Youth group	2013	2%	96%	1%	64%	27%
	2016	4%	90%	0%	79%	21%
Farmers' association	2013	8%	90%	1%	72%	22%
	2016	14%	84%	0%	63%	36%
Credit or savings group	2013	2%	96%	1%	69%	31%
	2016	6%	92%	0%	13%	85%
Trade union	2013	6%	92%	1%	89%	8%
	2016	13%	86%	0%	93%	8%
School management committee	2013	6%	91%	1%	88%	11%
	2016	13%	84%	0%	93%	7%
Community housing committee	2013	3%	94%	2%	87%	13%
	2016	10%	89%	0%	84%	16%
Gashtak/gap	2013	7%	90%	1%	92%	7%
	2016	7%	91%	1%	77%	22%

ing for work now are likely to be more poorly educated than their predecessors and few will have received any vocational training.⁴⁹ One 2012 study of youth in the Ferghana valley noted a sense of alienation and exclusion that went well beyond unemployment. Those interviewed “feel largely excluded from politics, the economy, the legal system, protection by law enforcement, quality public services and decision making processes at local, family and even personal level,” it noted. Many young people interviewed in the report were left “feeling that they have no legal or non-violent means to live dignified lives in their home countries.”⁵⁰ Another study notes that in areas adjoining the border with Afghanistan, unemployed youth gravitate towards smuggling, which often brings them into contact with warlords and, by extension, radical Islam.⁵¹ This report stressed that the key to radicalization is not poverty per se, but the absence of “social lift” – the opportunity to find better work, identity and a better lifestyle.⁵² This can lead not only increase the attraction of IS, but can also make young people more open to radicalization in their own

communities by non-IS militants– local Salafis calling for a stricter and more exclusive form of Islam.⁵³

46. *Women's dominant presence in the informal economy also makes them susceptible to economic shocks; and migration has had significant impacts on gender roles and family structure, including the emergence of a large number of de facto women-headed households.* Tajikistan has a sound legal framework that supports gender equality, but has not implemented many of the laws and international agreements to which it is party. From an economic perspective, educational differences between men and women mean that there are significant income disparities between men and women. Female enrollment in tertiary education is among the lowest in the world.⁵⁴ Women are active in the informal economy, which is typically associated with lower salaries, absence of social benefits, and fewer opportunities for skill development. Women's presence in the informal economy makes their employment situation quite susceptible to economic shocks, making women more economically dependent and prone to insecurity.⁵⁵ The country is plagued by unofficial marriages as well as early marriages and polygamous relationships that often leave

49 Drivers of Change in Tajikistan, DFID November 2011 p38.

50 <http://www.saferworld.org.uk/resources/view-resource/640-nobody-hasaever-asked-about-young-peoples-opinions>.

51 Проект Фонда Евразии в Центральной Азии (ФЕЦА) «Снижение уровня радикализации молодежи в Таджикистане» Автор отчета: Парвиз Муллоджанов .

52 Parviz Mullojanov, interview with WB delegation, March 2017.

53 Ibid.

54 World Bank, “Tajikistan: Country Gender Assessment” (Washington, DC: The World Bank, June 2013), .3.

55 Ibid., 5.

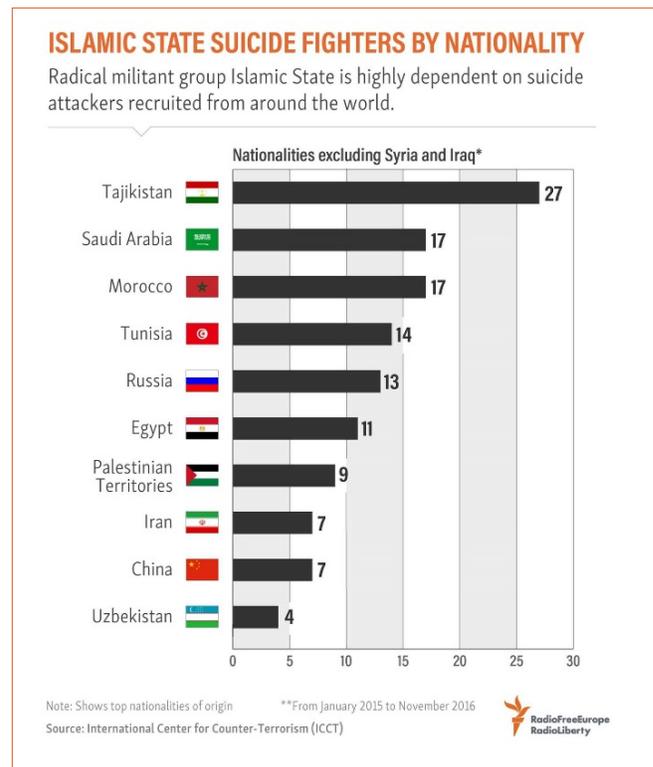
women without legal rights. Representation of women in the political realm also lags behind the government's goal of 30 percent representation of women in public bodies, as men continue to dominate and lead most political organizations in the country.⁵⁶ Finally, violence against women is a pronounced threat in Tajikistan. In a 2005 survey in Khatlon, nearly sixty percent of women between 17 and 47 reported to have experienced physical and/or sexual violence by their husband at least once during their lives.⁵⁷

47. *Data also shows very low participation rates in civic life more broadly, highlighting further challenges of inclusion and citizen engagement.* To get a sense of associational life in the community, the Assessment of Local Governance Survey in Tajikistan⁵⁸ asked whether respondents belonged to any mostly formal organizations that are known to exist throughout Tajikistan. The survey shows very low participation in civic life. The most common social organizations in the sampled jamoats are farmers' associations—and only 8 percent of those surveyed in 2013 said that they belonged to such an organization, while 14 percent in 2016 said they belonged to this type of group. The second most common form of social organization in Tajikistan were gashtak or gaps, a form of microcredit and self-help that predominates within Tajik and Uzbek communities in Central Asia.⁵⁹ Of those surveyed, 7 percent said they participate in gashtak or gap activities.

D. CROSS-BORDER AND GLOBAL RISKS

48. *Tajikistan faces the increasing specter of radicalization and recruitment to global violent extremism, but the scope of the challenge is debated.* Most reports indicate that recruitment is mostly done among migrant workers in Russia and perhaps Kazakhstan. Few figures are available for recruitment, and those that are available are unreliable. President Rahmon announced in early 2016 that more than 1,000 Tajik citizens were fighting for the Islamic State (IS) in Iraq and Syria.⁶⁰ A few months before this, Vladimir Putin claimed that 5-7,000 Russian or citizens of former Soviet states were fighting for IS.⁶¹ The Soufan Group estimates that a combined total of 2,000 young people from Kazakhstan, Kyrgyz-

FIGURE 14: SUICIDE FIGHTERS BY NATIONALITY



stan, Tajikistan, Turkmenistan, and Uzbekistan are in Syrian and Iraq with IS—an estimated 380 from Tajikistan.⁶² Radio Free Europe recently listed Tajikistan as the highest contributor of suicide fighters recruited from around the world (see figure 14).

49. *In late 2014 and early 2015 two events happened that may change the nature of the Islamist threat to Tajikistan.* In late 2014 a faction within the IMU, which has long been closely linked to Al-Qaeda and the Taliban, reportedly pledged its allegiance to IS.⁶³ Then in May 2015, Colonel Gulmurad Halimov, commander of the Tajik OMON, the Interior Ministry's Special Forces, defected to IS. Halimov was a rising star in Tajikistan's security establishment who had received Special Forces training from both the US and Russia. Halimov is now believed to be one of the highest-ranking IS commanders.

50. *Halimov's defection and partial IMU switch of patrons means that the bulk of Tajik militants inside and outside the country report to single command and have a high-ranking, charismatic leader.* Reports in late 2016 and

56 Ibid, 1-2.

57 Ibid., 3.

58 Jennifer Murtazashvili, "Assessment of Local Governance in Tajikistan" (Washington, DC: United States Agency for International Development, October 2016).

59 For more on gashtak/gap, see Victoria Koroteyeva and Ekaterina Markarova. 1998. "Money and Social Connections in the Soviet and post-Soviet Uzbek City." *Central Asian Survey* 17(4):579.

60 Uran Botobekov, "ISIS and Central Asia: A Shifting Recruiting Strategy," *The Diplomat*, accessed February 1 2017, <http://thediplomat.com/2016/05/isis-and-central-asia-a-shifting-recruiting-strategy/>; <http://rus.azattyk.org/a/tajikistan-more-than-thousand-fighters-syria-iraq/27508035.html>.

61 <http://kremlin.ru/events/president/transcripts/50515>.

62 *Foreign Fighters*: http://soufangroup.com/wp-content/uploads/2015/12/TSG_ForeignFightersUpdate_FINAL.pdf.

63 <http://www.longwarjournal.org/archives/2016/08/former-imu-cleric-denounces-islamic-state.php>.

early 2017 refer to a ‘Tajik battalion’ operating around Mosul. At least two Tajik fighters were involved in an attack on a Kabul military hospital in March 2017. And a report produced in February 2017 by the International Center for Counter-Terrorism (ICCT) reported that 27 Tajiks had carried out suicide operations in Iraq and Syria from December 2015 to November 2016.⁶⁴ There is no indication yet that Halimov and IS have turned their attention to their homeland. However, IS flags have been seen in various parts of the country, and the impacts of the fall of Mosul and possible return of Tajik IS fighters could lead to a change in approach.

51. *Some scholars of Tajikistan argue that the threat of the Islamic State in Tajikistan remains overblown.* Edward Lemon argues that the closing of space for political and religious expression—not radicalization—is the primary driving force of violence in Tajikistan society. He and others have argued that the Tajik population has been relatively immune to messaging from IS and other Islamist groups.⁶⁵

52. *Many stakeholders within Tajikistan express concern that disenfranchised youth, including the growing numbers of returning and, in particular, deported migrants, might be susceptible to radicalization and recruitment to violent extremism.*

53. *Tajikistan’s more than 1,300 kilometer border with Afghanistan is of concern to countries in the region because of its length and relative insecurity.* The border between Afghanistan and Tajikistan is neatly separated by the Panj River that sits between the two countries.⁶⁶ The long border is porous, with security checkpoints that dot this lengthy span. Concerns over the situation on the border have become more acute in recent years as the US and NATO forces decreased their presence in Afghanistan. The decreased troop presence has resulted in expanded Taliban and IS presence throughout Afghanistan, especially in northern parts of Afghanistan.⁶⁷ In 2015, the head of Tajikistan’s strategic studies center declared that IS also has a presence along the border, but estimated that only 8,000 “terrorists” were gathered in the area.⁶⁸ It is difficult to establish with any clarity the extent of the threat emanating from Afghanistan.

54. *Potential insurgent activity cannot be separated from drug smuggling and other for-profit criminality that takes place on the border.* The Taliban is heavily reliant on

export of opiates it produces in Afghanistan. A significant percentage of opiates produced in Afghanistan are trafficked through the Tajik-Afghan border for further distribution to Eastern Europe, Russia and China. According to the Bureau of International Narcotics and Law Enforcement Affairs, in 2016 Tajikistan was located at one of the “highest volume illicit drug trafficking routes in the world, between Afghanistan’s opium harvests on its southern border and the illicit drug markets of the Russian Federation and Eastern Europe to the north.”⁶⁹ The UN Office on Drugs and Crime (UNODC) believes that Tajik authorities seize only a very small percentage of the more than 75 metric tons of Afghan heroin and 35 metric tons of opium that flow out of Afghanistan and into Tajikistan. The border has become an important source of livelihood for those who live and work along the border, including local populations, particularly youth, who lack alternatives, and military and police officials who are rumored to take bribes as they turn a blind eye to or even facilitate drug smuggling from Afghanistan into Tajikistan.

55. *With its unique geography, Tajikistan is also subject to regional tensions around natural resource sharing, particularly over water and riparian zones.* Tajikistan has experienced tension with neighboring Uzbekistan over the construction of the Rogun Dam.

56. *The historically complicated and largely un-delimited 970-kilometer-long Tajik-Kyrgyz border, in the Ferghana Valley, with its multiple enclaves is also a source of regular, low-level friction over access to water and pasturage.* This affects about 160,000 residents of some of Sughd’s most densely populated jamoats. The construction of national borders in the Ferghana Valley has exacerbated conflict over natural resources, in particular water and land, because Soviet-era infrastructure to support agriculture and other industries was not designed to suit republic borders. As a result, a collective action dilemma has emerged whereby residents in both countries have no incentive to maintain infrastructure because it does not serve their own citizens, but instead serves those across the border.⁷⁰ Efforts to separate communities from one another across borders have interrupted commerce, trade, and traditional herding arrangements.

57. *Tajikistan is also the country in the ECA region most vulnerable to climate shocks and natural disasters.* In the last year, extreme weather and record snows resulted in 55 cases of disasters and 50 deaths. The Government is seeking new ways to develop early warning systems and

64 <https://icct.nl/wp-content/uploads/2017/02/ICCT-Winter-War-by-Suicide-Feb2017.pdf>

65 Lemon, “Violence in Tajikistan Emerges from within the State,” 73.

66 Ministry of Foreign Affairs, Republic of Tajikistan. <http://mfa.tj/en/border-issues/tajik-afghan-state-border.html>.

67 Asia-Plus, “More than 10,000 Militants Concentrated along Afghan-Tajik Border, Says Tajik Minister,” January 20, 2017, <http://news.tj/en/news/tajikistan/security/20170120/235773>.

68 ATN News, “Around 8,000 Terrorists Gather along Afghan-Tajikistan Border,” Ariana News, accessed January 25, 2017, <http://ariananews.af/latest-news/around-8000-terrorists-gather-along-afghan-tajikistan-border/>.

69 Bureau of International Narcotics and Law Enforcement Affairs, “Tajikistan: 2016 International Narcotics Control Strategy Report” (Washington, DC: US Department of State, 2016), <http://www.state.gov/j/inl/rls/nrcrpt/2016/vol1/253311.htm>.

70 Madeleine Reeves, “Locating Danger: Konfliktologii and the Search for Fixity in the Ferghana Valley Borderlands,” *Central Asian Survey* 24, no. 1 (March 2005): 67–81.

build community resilience to protect households assets and vital source of rural livelihoods, prevent and respond to the avalanches, land and mud slides, and flooding that have posed significant stress on infrastructure, agriculture and food security, and livelihoods, particularly in remote regions.

58. *Tajikistan is not well prepared to address the consequences of climate change and natural disasters.* There are number of factors that exacerbate disaster impact in the country, including poverty, a vulnerable economy, acute infrastructure needs and lack of financial capacities of the government and population to address the consequences of disasters. As concluded by Tajikistan's country diagnostic hazard note, the

potential impact on fiscal sustainability could be significant in case of natural disasters since the country has very limited fiscal reserves for quick and effective response.

59. *Given low level of preparedness, poor awareness and weak social cohesion at the community level, natural disasters may potentially exacerbate existing inequalities, trigger loss of already scarce economic assets by the farms and households such as land, livestock, and housing.* Thus disaster risk magnifies socio-economic fragility of the rural population. The majority who suffer are the poorest households, women and children.



IV. POTENTIAL TRIGGERS/ SCENARIOS

60. *The following section briefly highlights potential triggers of heightened fragility or more wide-scale violence and instability in Tajikistan.* These are sparks that could turn the risks described in Chapter 3 into more explosive drivers of conflict that would interrupt development progress. The likelihood and possible scenarios for future forms of FCV are also included.

61. *Risks of regionalism remain acute.* Subnational violence is a continuing risk, over power-sharing, access to resources, and/or linked to risks of violent extremism.

62. *Tajikistan is also vulnerable to a broad array of economic and climatic shocks that could result in widespread instability.* A banking crisis is already underway, its impact lessened so far by the small proportion of Tajiks who have bank accounts. Further extension of the crisis, however, could affect both public and private sector, resulting in the collapse of payment system for public sector employees, for example, and the suspension of the vast majority of banking transactions. The impact of Russia's economic problems underlines another major potential threat: Tajikistan's deep dependence (through migration) for any degree of financial stability on

its neighbors. Another growing area of concern are natural disasters, which are becoming more frequent as climate change's impact is increasingly felt.

63. *The young population of Tajikistan does not have the memory of the Civil War—the value of stability may no longer be as deeply held.* The argument that the population is still so traumatized by the horrors of the civil war that it would do anything to avoid more violence has long been a convincing source of resilience. However, nearly one half of the population no longer has clear first hand memories of the period. These are the young people who are having increasing difficulty finding work and who express alienation and a sense of exclusion from society at large.

64. *The IS threat.* While the Taliban has not tried to intervene in its Central Asian neighbors' affairs the IS has a different view of its mission. The chances of IS intervention are slim, but the consequences would be grave. The presence in its highest ranks of a former senior security officer from Dushanbe has put Tajikistan on the jihadist map and may well be boosting Tajik recruitment to the IS cause.

V. SOURCES OF RESILIENCE



65. *This Chapter details potential sources of resilience that could help to mitigate FCV risks and potential triggers of violence.* These include the public’s aversion to a return to mass violence, local formal and informal social institutions, access to the Russian labor market, women, hydropower and mineral wealth, and a shared physical and cultural heritage with its neighbors as part of the ancient “Silk Road.”

66. *With the memory of a brutal civil war and its far-reaching impact, mass mobilization to violence may be unlikely— stability is deeply valued.* Despite significant cracks in the social contract between the people and the state, the older generation in Tajikistan are well aware of the opportunity costs of violence. In general, most longitudinal surveys. In general, most longitudinal opinion surveys show an improvement in public perception—especially with satisfaction with individual economic and personal situations than in previous years. Given the depth of the economic and security devastation in Tajikistan in the aftermath of the civil war, it is not surprising that small marginal changes in one’s economic situation produce increased individual satisfaction. On the other hand, these positive assessments are at odds with other cross-national indices that show a deterioration in human rights, democracy, and economic freedom in the country. For example, according to the LITS survey, despite a growing economic crisis that has forced thousands of unemployed migrant laborers back to Tajikistan from their work abroad, 75 percent of respondents said their economic situation is better than it was four years ago. Similarly, despite increased levels of political repression, 75 percent also said that the political situation in the country

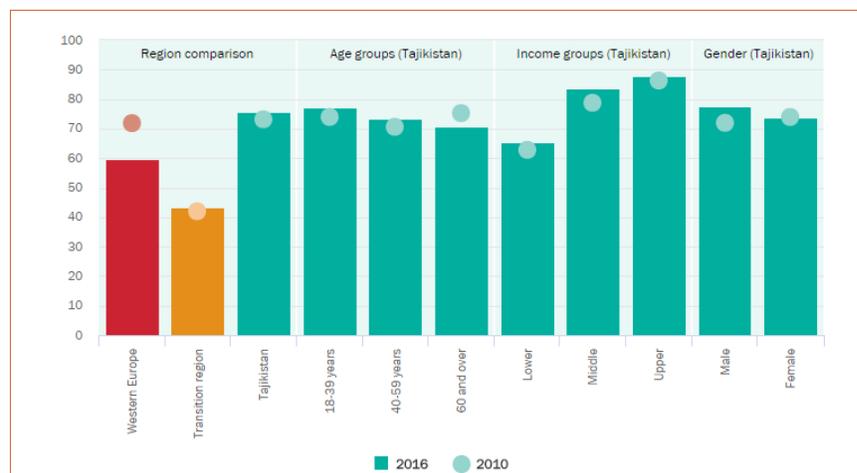
TABLE 4. LIFE IN TRANSITION III KEY FINDINGS

Percentage of respondents that agree or strongly agree with the following statements	Tajikistan	Transition region average
Economic situation better than 4 years ago	75	24
Political situation better than 4 years ago	75	28
Household lives better than 4 years ago	71	29
There is less corruption than 4 years ago	57	23
Satisfied with personal financial situation	63	31

Source: EBRD Life In Transition III Survey

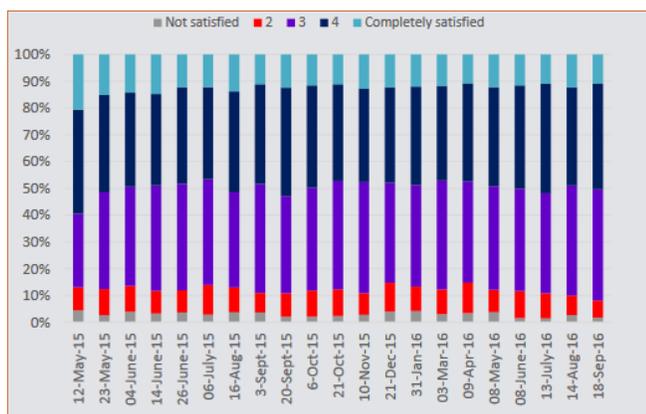
is better than it was four years ago, 57 percent said there is less corruption than four years ago, while 63 percent said they are satisfied with their personal financial situation (see Table 4). According to the same survey, life satisfaction among Tajikistani respondents increased from 73 percent in 2010 to

FIGURE 15: LIFE SATISFACTION: PERCENTAGE OF RESPONDENTS WHO ARE SATISFIED WITH LIFE, ALL THINGS CONSIDERED



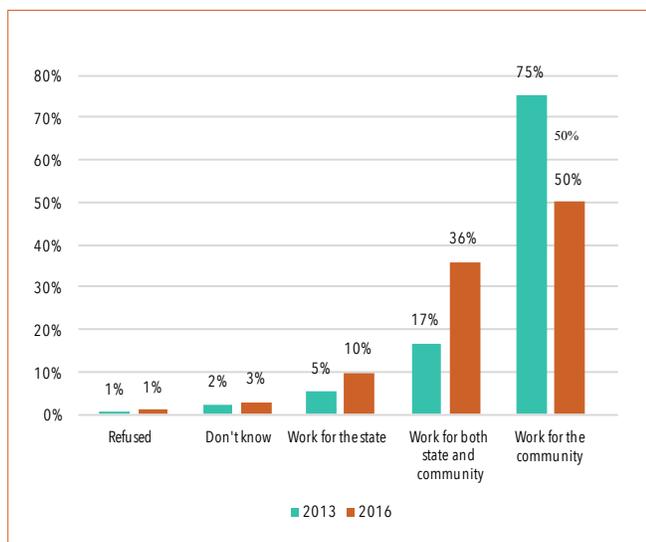
Source: EBRD Life In Transition III Survey

FIGURE 16: PERSONAL LIFE SATISFACTION



Source: Listening to Tajikistan

FIGURE 17: DO REPRESENTATIVES ON THE MAHALLA COMMITTEE WORK FOR THE COMMUNITY OR DO THEY WORK FOR THE STATE?



75 percent in 2016, making Tajikistan the second happiest country in the transition region, despite its status as one of the poorest countries in terms of GDP per capita.

67. *The Listening to Tajikistan Survey showed that most of the population is satisfied with the quality of their lives.* The survey data shows that there is not significant variation among individuals regarding life satisfaction among urban/rural dwellers nor is their variation among the top 60 percent of earners or the bottom 40 percent. On a scale of 1 to 5, life satisfaction in Tajikistan remained largely steady over the two-year period of the survey at around 3.4 (see Figure 3). The memory of the brutal 1992-97 civil war may also play its part, though as mentioned, this may be fading now that over 50 percent of the population are 24 or under.

68. *Where the state has been absent or ineffective in its development focus, local institutions provide an important source of resilience to FCV risks.* One such institution of particular significance in Tajikistan is the mahalla. Cieslewska defines the mahalla as “a self-governing small community regulated by rules based on traditional practices and customs deeply rooted in the Central Asian Islamic tradition” that continue to be observed by local communities to this day (2015:1). While historically informal in nature, recent legislation (the 2008 “Law on Public Self-Initiative Bodies”) suggests an intention to incorporate mahallas as part of the formal state administrative structure. Despite this ambiguity, evidence suggests that mahallas continue to play an important role in contemporary socio-economic life. In a survey of nearly 1,400 households from all four regions of the country carried out by the USAID Tajikistan Local Governance Project (LGP), the clear majority of respondents (86 percent) indicated that they have a mahalla committee. Individuals were asked for whom they believe mahalla officials work—the state or the community (Figure 17). Three fourths of respondents said that mahalla officials work for the community, 17 percent said they work for both the community and the state, while 5 percent said they work for the state exclusively. Mahalla leaders had the highest level of citizen accountability of any public organization.

69. *Labor migration can be viewed as a risk but also a source of resilience, with a range of economic benefits, skill development and changing gender roles.* There are positive benefits to migration, which include increased human capital for migrant populations in construction and industrial techniques along with the remittances they provide. Migrant laborers represent a better educated population than those who have remained in the country. Three-quarters of migrants have secondary general or secondary vocational general education. About 17 percent of migrants have degrees from higher educational establishments. Many migrants in Russia have expressed a desire to help the Tajik economy through skills-transfer programs and appear to be ready to contribute to the development of Tajikistan, despite the fact that they reside in Russia.⁷¹

70. *Absence of men as a result of labor migration has created opportunities for women.* Women have taken on leadership positions in rural areas. The ALG data finds many female mahalla leaders have emerged since mass male migration abroad began to occur. This may change community dynamics in the years to come. Similarly, there has also been a substantial feminization of agriculture in the country because so many men have left the country.⁸² A recent Feed

71 IOM, “Diaspora: Partner in the Development of Tajikistan” (Dushanbe: International Organization for Migration, 2015), 15.

the Future survey showed that women in households with a family member working abroad had higher levels of women's decision making in households with no members working abroad.⁷² The influx of women into the agricultural and local government sectors creates possibilities that these areas can be platforms through which gradual transformations in the role of women can take shape.

71. ***Tajikistan's hydropower potential and mineral wealth could be a significant source of economic growth but is also fraught with governance risks.*** The Rogun Dam, on the Vakhsh tributary of the Amu Darya River in Tajikistan, for example, is an important symbol of Tajikistan's independence and a cornerstone of the government's plans for developing the national economy. The mountainous state lacks the industry and natural riches that bless other former Soviet Central Asian republics but has more than 40 percent of Central Asia's water, prompting the sentiment, "water is life". For this reason, the government has pinned Tajikistan's economic hopes on its hydropower potential. However, investment in

Rogun could also mean a reduction in government spending on the social sectors for several years. Based on the current governance environment, there are also acute risks around benefit sharing, oversight and transparency.

72. ***Tajikistan also shares a rich physical and cultural heritage with its neighbors.*** Cities such as Penjikent and Khujand were important cities on the "Silk Route" connecting China with South Asia, Iran, Anatolia, and the Mediterranean world. Major investments and new efforts to place Central Asia on the global map of trade, including the One Belt One Road (OBOR), provide an opportunity for Tajikistan and its four Central Asian neighbors to revive and make accessible a unique heritage. Improving connectivity and reducing barriers to the movement of people and goods across the countries that comprise the Fergana Valley, and between Penjikent and the historically Tajik cities of Samarkand and Bukhara in Uzbekistan are two examples of clusters with the potential to attract tourists from Europe, Russia, China, and South Asia and the local job-creating services that they require.

72 Ibid.



VI. RECOMMENDATIONS: WORLD BANK SUPPORT THROUGH THE RISK MITIGATION REGIME

A. BACKGROUND AND CURRENT WORLD BANK APPROACH

73. *Since Tajikistan's independence, the World Bank's strategy and portfolio has evolved over time in response to a changing development context.* Tajikistan joined the World Bank in 1993 and IDA in 1994. Since 1996, the Bank has provided US\$1.11 billion in IDA grants, highly concessional credits, and trust funds, of which US\$890 million has been disbursed. In the late nineties, the World Bank's program focused on post conflict reconstruction projects and providing emergency funding in response to food insecurity and natural disasters. Beginning in 2000 following the peace agreement, the focus shifted to economic and social development through investments aimed at restoring productivity-led growth and job creation, better access to healthcare and safe drinking water, land rights, diversification of agriculture in rural areas, and an improved business environment.

74. *The World Bank Group Country Program Strategy (CPS) for 2015–18 supports efforts to reduce poverty and promote shared prosperity in Tajikistan.* The CPS includes three pillars: 1) advancing private sector-led growth through improving the investment climate and strengthening competitiveness in key sectors; 2) supporting social inclusion by increasing access to improved social services, including education, health, social assistance, water supply and sanitation; and 3) promoting regional connectivity to increase the country's access to regional markets and global information and knowledge. Mainstreaming climate change, improving governance, and narrowing the gender gap are cross cutting measures. Tajikistan's new National Development Strategy (NDS) 2016-2030 also reflects these objectives, with a focus on energy independence and the efficient use of energy; connectivity; food security; and expanding productive employment.

75. *The Bank's active portfolio currently comprises 22 operations, including regional projects, totaling US\$366.9 million.* The largest share of the active portfolio is in the water sector (23 percent), followed by energy (14 percent), transport (12 percent), governance (12 percent), urban, and rural development (9 percent), education (8 percent), health (7 percent), agriculture (6 percent), environment and natural resources (5 percent), trade and competitiveness (3 percent), and social protection and labor (1 percent). Three projects are currently being prepared and scheduled to be delivered in FY17: i) Nurek Rehabilitation (US\$170 million, including US\$100 million Scale Up Facility); ii) Strengthening Critical Infrastructure (US\$20 mln), and iii) Zarafshon Irrigation Rehabilitation and River Basin Management Project (US\$16.6mln TF Grant funded by EU). Four projects are in preparation and scheduled to be delivered in FY18: i) Tajikistan Railways Project (US\$30 mln); ii) Road Sector Investment Project (US\$30 mln); iii) Rural Water Supply and Sanitation Project (US\$25 mln) and iv) Additional financing (US\$15 mln) for Agriculture Commercialization Project. The World Bank's Trust Fund (TF) portfolio in Tajikistan includes 25 Bank-executed trust funds totaling US\$12.7 million and 18 Recipient executed Trust Funds totaling US\$92.9 million. Trustfund activities complement the Bank assistance program and finance a wide range of projects in key strategic sectors, including education, energy, agriculture, food security, and the social sectors.

76. *The CPS also puts a special emphasis on collaboration and policy dialogue with development partners through the regular platform of the Development Coordination Council (DCC), which is chaired by the World Bank and comprises 28 international agencies active in Tajikistan.* The DCC plays an important role in fostering country ownership and mutual accountability through several sector-specific and thematic working groups: public administration and gov-

ernance, private sector-led growth, development of human potential, energy independence, food security, and transport connectivity. The Bank is working with a number of other development partners in the implementation of key CPS program areas, including with Asian Development Bank on energy reforms; the European Union on water policy and irrigation; Japan on health and nutrition; DFID on public financial management and investment climate reforms; and EBRD on energy and financial sector reforms. In response to changes in the donor landscape, the Bank is actively exploring opportunities to engage with new donors including the Islamic Development Bank, the Asian Infrastructure Investment Bank, the Eurasian Development Bank, China and Russia to in key sectors including transport, energy and education. The Bank worked closely with other partners and the Government to inform the preparation of the NDS (2016-2030), and MTDS (2016-2020).

77. *The draft Performance and Learning Review (PLR) for the FY15-18 CPS finds that the deteriorating domestic economy and changes in IDA financing terms have had a significant impact on delivery of the Bank's program.* The banking crisis, a deteriorating macroeconomic environment, and pressures on the private sector has led to tightened fiscal space, reduced demand and fewer job opportunities. At the same time, a positive joint IMF-WB Debt Sustainability Assessment and changes in the Bank's CPIA led to the rapid transition of IDA financing terms from full grants to mixed IDA grant/credit and then to full IDA credits in the first two years of the CPS implementation. The switch from grants to mixed grants/credits to full credits, and then back again to grants/credit in the third year of IDA implementation, has made negotiations with GoT difficult. The changed terms had the effect of shifting government priorities towards infrastructure investments, which resulted in the dropping of some operations in social protection and services.

78. *The draft PLR underscores that CPS objectives remain valid but challenging due to limited GoT commitment to reforms, and with increased risks to inclusive growth and job creation in the private sector.* Nevertheless, the PLR finds that progress on the Tajikistan CPS indicators remains broadly satisfactory, given the conservatively set indicators. The review also highlights the low capacity of implementing agencies, poor financial management and procurement capacity that have also slowed disbursement rates and affected the country's liquidity problems.

79. *Preparation of a new Systemic Country Diagnostic (SCD) has been launched and it will provide a robust analytical foundation for a new Country Program Framework (CPF) for Tajikistan for 2019-2023—both these strategic documents offer the opportunity for the World Bank program to more directly address FCV risks and institutional*

challenges that could constrain development progress. Findings of this Risk and Resilience Assessment will help inform the developing SCD scheduled to be delivered by September 2017. As part of its participation in the IDA 18 Risk Mitigation Regime, Tajikistan is expected to see a substantial increase in its IDA allocations.

B. TAJIKISTAN AND THE RISK MITIGATION REGIME

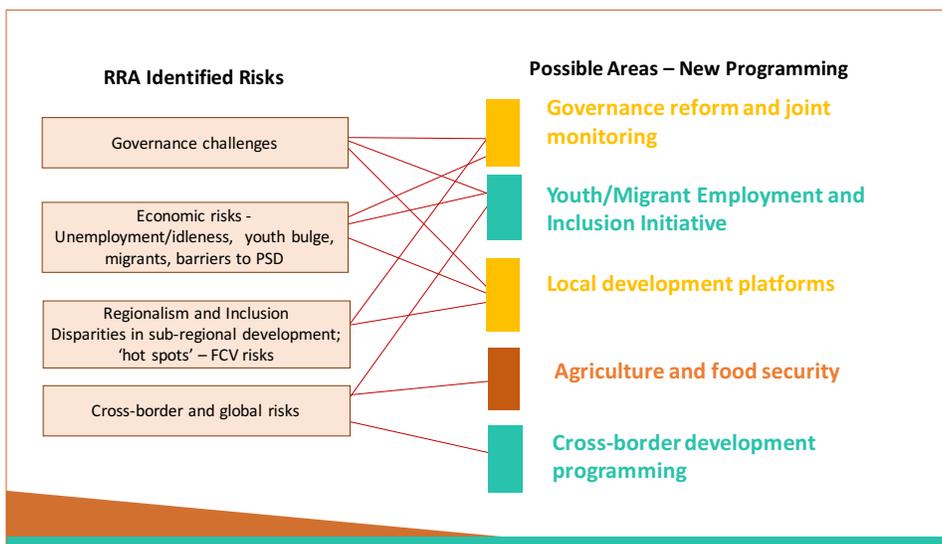
80. *The goal of incremental financing support through the Risk Mitigation Regime is for the World Bank to pilot preventive support to address FCV risks that constrain development progress.* Funding is flexible to respond to country-specific risks and can be used, for example, for operations targeted at tackling grievances surrounding economic marginalization and uneven development; reducing conflicts surrounding land use; addressing regional imbalances; creating meaningful livelihood opportunities for youth at risk; and increasing transparency in natural resource governance. However, financing cannot be used for 'business-as-usual' investment operations that are not linked to identified risks, even if these interventions may contribute to broader development goals.

81. *In the case of Tajikistan, the RRA finds that the World Bank has a unique role to play in addressing FCV risks through the Risk Mitigation Regime due to its credibility, convening power, neutrality, and capacity.* Based on stakeholder consultations and RRA analysis, the following principles can help guide identification of priorities for Tajikistan under the Risk Mitigation Regime.

- The Bank has a key role to play in continuing to push for governance reforms and oversight, particularly on high risk/high reward investments (like hydropower, mining, and extractives) that are particularly vulnerable to capture.
- The Bank portfolio could more directly tackle FCV risks while maintaining its emphasis on areas of comparative advantage and expertise on issues such as job creation and labor markets, energy, agriculture and water investments.
- The Bank could consider making its current portfolio and investments more 'FCV sensitive' alongside advancing new areas of work under the Risk Mitigation Regime.

82. *Government stakeholders, in introductory conversations on the Risk Mitigation Regime, were particularly interested in programming related to job creation and private sector development, promoting local development, the potential of cross-border development programming and on issues related to commercialization of the agriculture*

FIGURE 18: NEW PROGRAMMING AREAS IN RESPONSE TO RRA-IDENTIFIED RISKS



sector and disaster risk management. However, consulted Ministries wanted additional time to map risks and consider the most appropriate mix of potential investments. Local and provincial government expressed interest in working with the Bank to address specific development needs based on their local development plans.

83. *RRA analysis points to three categories of recommendations, including: 1) new areas of programming that directly address identified risks; 2) considerations for enhancing the ‘FCV sensitivity’ of the current WBG portfolio; and 3) process support.* New programming includes options for innovative and multi-sectoral operations that address the political, economic, inclusion, and cross-border/global risks and potential sources of resilience identified in the RRA. Based on sector analysis, suggestions are also made on how to make current investments more sensitive to governance issues and underlying drivers of FCV. Finally, process recommendations are included to tackle challenges related to effective multi-sectoral project design, capacity building, citizen engagement, and ongoing risk monitoring.

Recommendations - New Programming

84. *The following proposed new investments respond directly to priority areas identified in the RRA that heighten the potential for conflict and instability or that reinforce potential sources of resilience.* Figure 18 summarizes RRA-identified risks and suggestions for new targeted programming. Nearly all the proposed engagements would need to be multi-sectoral in their approach, recognizing the multi-dimensionality of the challenges. The following section details the types of activities that may be considered within each of these proposed new investments.

85. *Employment and Inclusion Initiative targeting youth and returning migrants: RRA analysis underscores the growing risks of youth unemployment and idleness, including due to demographics and youth bulge and in light of the recent recession in Russia and the need to provide opportunities for the increasing number of returning migrants (majority youth).* The initiative would build on findings from a recent Jobs Diagnostic Report completed for Tajikistan, pilot programming through the Youth Empowerment and Entrepreneurship initiative, a recently launched study on Youth Inclusion in Central Asia and global

experience on youth programming in FCV environments.

86. *The aim would be to combine supply side interventions (preparing for and connecting youth to jobs) with the demand side (supporting entrepreneurship and, importantly, the nascent SME sector and high potential value chains) to spur job creation.* The program would also include complementary youth engagement and inclusion activities to increase participation and voice. There may also be scope to consider the ‘up-skilling’ of migrant laborers as has been done in the Philippines and Indonesia to increase earning power and mobility. A particular focus would be on the profiling and targeting of ‘at risk’ youth who may be most vulnerable to recruitment to violence and close coordination with private sector development activities. Activities could include:

- On the “supply side”: profiling of potential beneficiaries and providing tailored services (training and improved job matching for wage employment and entrepreneurship training informed by best practices);
- On the “demand side”: a package of training/business development services to start-ups and existing SMEs; comprehensive support to high-potential value chains or sectors⁷³; competitive matching grant mechanisms to increase expected rate of return of private investment,⁷⁴ business incubators;

73 See for example Tunisia Productive Inclusion for Young Men and Women (P158138)

74 Through subsidies aimed at increasing job creation. See for example design of Lebanon Subsidized Temporary Employment Program (STEP) and Capital for Private Jobs.

- Promoting *youth engagement*, including for example through “soft” skills development, peer mentoring, youth-led community engagement, dialogue and volunteer opportunities.

87. For *returning migrants*, some of whom would be eligible for the support above, in addition activities may include: (i) Support/improvement in skills certification and expanded job matching/job search assistance; (ii) Retraining (vocational skills) or business skills training linked to access to finance; (iii) Competitive matching grants for migrant-led start-ups; (iv) Priority or referrals to services above.

88. Foundational analytic work would be required on a range of issues in order to design the program, including on profiling ‘at-risk’ youth, assessing youth preferences and constraints, jobs-focused value chain/sectoral assessments, and qualitative data collection on youth/migrant barriers to inclusion and integration.

89. **Local Development Platforms:** RRA analysis identifies that regionalism has featured prominently as a driver of FCV, including during the civil war and in characterizing recent violence. The existing government system for sub-national resource allocation also risks exacerbating regional tensions. There are also significant regional disparities in poverty and non-income poverty measures across Tajikistan—remote districts, border communities, and those that were impacted by violence are often most affected. Where the state has been absent, local institutions, however, have also been identified as a source of resilience in managing and mitigating FCV risks and supporting community-based development. The GoT has put in place a legal framework with the potential to introduce greater levels of transparency, equity, and accountability in intergovernmental relations. However, the framework has yet to be implemented due to concerns over the capacity of local (jamoat) administrations to manage resources for local development investments. Recognizing these challenges, the GoT recently created the Local Development Committee to fill an important gap by mandating it to, among other functions, build capacity at all levels of the sub-national administration.

90. **The proposed local development platforms would enable the GoT to allocate resources to the jamoat-level using a simple set of transparent criteria (such as population size and poverty levels as well as FCV risks) to finance investments prioritized through participatory, inclusive local development planning.** Local development investments would be accompanied by a program of capacity-building for local governments and community-based organizations. Such an approach would address drivers of fragility by: (i) equitable and transparent sub-national resource allocation; (ii) providing avenues for participation, voice, and accountability in local decision-making and resource utilization; (iii) building trust between the citizen and state by increasing provision of

basic services; and (iv) stimulating local economic activity through modest local development investments. Activities could include investments across sectors (e.g., water supply and sanitation, health, small infrastructure, education, sport and cultural facilities). Efforts could also be made to improve transparency and effectiveness of service delivery, including through the potential of one-stop-shop administrative service delivery centers at local level. The program would provide capacity building on developing project proposals, governance and implementation and monitoring of small works projects chosen by citizens. The proposed initiative would be coordinated with other international partner investments in local governance and local development and could build on the CASA-1000 Community Support Program (CSP) under preparation. Baseline diagnostics would be required to assess public financial management (PFM) systems at local level and to identify policy options that would provide scope for increased flow of resources, greater discretion in application of funds and local level accountability. Preliminary analytic work would also be required to design the citizen service center approach, including the implementation of a Governance Diagnostic, a citizen experience survey on service delivery and access to identify gaps in service access, and differences in access, cost and quality across gender and income levels.

91. **Cross-Border Development Programming:** RRA Analysis points to Tajikistan’s unique geography, subject to cross-border tensions around natural resource sharing, including between border communities and at the national level. However, Tajikistan also shares a rich physical and cultural heritage with its neighbors, with the potential of development progress, opening of markets, and new energy sources through regional cooperation.

92. **The aim of proposed new programming is to encourage joint action on shared development challenges in an effort to enhance regional cooperation.** This could include further exploration of reinvestment in the ‘Friendship Line’, a power transmission line between Tajikistan and Uzbekistan to take advantage of a potential window for increasing cooperation between the two countries. The ‘Friendship Line’ officially the Central Asia Energy transmission line, dismantled in 2007, provided for interchange of electric power between thermal power abundant downstream countries (Uzbekistan, Turkmenistan and Kazakhstan), and hydropower abundant Tajikistan and the Kyrgyz Republic during the winter and summer periods. CA countries lost up to an estimated 2 bln USD between them from dismantling this line. Additional financing may be considered by linking this component with the on-going regional connectivity project – Central Asia Road Links (CARs-2) and planned CARs-4.

93. **A regionally-focused Ferghana Valley Development program involving Tajikistan, Uzbekistan, and Kyrgyz Republic focused on job creation through increased connectivity, agricultural and horticultural development, tourism**

and cultural heritage could also be considered. River basin and riparian zone development on the Tajik-Afghan border would also build confidence and address the multi-vector water-food-irrigation-energy challenges faced by both countries. Finally, further regional cooperation on disaster prevention, management and response, could provide a non-political issue as a foundation for enhanced communication and to build trust. Additional financing for the on-going work under CAMP4ASB regional project and Central Asia Energy and Water Development Program TF that aims to strengthen cooperation among five Central Asia and Afghanistan in the area of water resource management may be considered.

94. ***Agriculture and food security: As highlighted in RRA analysis, Tajikistan is the country in the ECA region most vulnerable to climate shocks and natural disasters.*** The Government is seeking new ways to develop early warning systems and build community resilience to protect households assets and vital source of rural livelihoods, prevent and respond to the avalanches, land and mud slides, and flooding that have posed significant stress on infrastructure, agriculture and food security, and livelihoods, particularly in remote regions. With only 7 percent arable land, the country's food security situation remains vulnerable to seasonal and external shocks and may not be sustainable in the long run. The seasonal nature of poverty and its association with food security is also observed through the Listening to Tajikistan survey carried out by the poverty team.

95. ***Additional financing for the Agriculture Commercialization Project (ACP) may be considered.*** The project development objective is to increase the commercialization of farm and agribusiness products by improving the performance of selected value-chains and productive partnerships through increased and more affordable access to finance, and strengthened capacity of project beneficiaries to create more productive employment opportunities on rural farms. Further financing could be targeted to assist the government to set up a contingency fund to ensure a more structured approach to agricultural risk management, tailored to climatic and disaster risks that threaten sustainable food security.

Recommendations Toward an 'FCV Sensitive' Portfolio

96. ***In addition to new areas of programming, RRA analysis also points to potential pathways to increase the sensitivity of the current World Bank portfolio to governance and FCV risks.*** Building on the Bank's current strong portfolio across a variety of sectors, activities to more directly tackle these risks could be undertaken as part of project supervision, restructuring and additional financing efforts under IDA 18. Table 5 provides a snapshot summary of some of the key sectors, risks, and potential issues and objectives to consider.

97. ***Particular attention needs to be paid to addressing FCV and governance challenges in high-risk/high-reward sectors such as extractives and energy.*** The GoT is highlighting the potential economic growth potential of mining and of major hydropower projects. Indeed, the SCD and growth models for Tajikistan emphasize the need to capitalize on opportunities for investment. However, these are also the sectors most vulnerable to governance challenges that is highlighted in the RRA analysis, and where reforms, community engagement, and transparency/oversight will be critical to ensure investments do not become triggers for violence and instability. The potential of the mining industry to trigger social discontent and FCV has been widely studied. This is often driven by a mismatch between expectations from local populations for direct employment in mining activities and improved "local content" in subsidiary businesses and the ability of the mining companies to deliver on these expectations. A sound legal framework that protects the rights to land use – when mining industries displace people's access to land and livelihoods and commitment to local economic development are critical to ensuring that a limited focus on sector development does not worsen disparities and generate tensions.

98. ***Benefit-sharing arrangements in large-scale infrastructure investments can promote FCV-sensitive approaches.*** The MoEWR is piloting an innovative approach to sharing benefits with local communities from revenues generated through electricity exports from the CASA-1000 through the Community Support Program (CSP). Other line agencies/sectors (mining, for example) may consider introducing similar mechanisms as part of existing and future large-scale investments. Alternatively, if the GoT decides to pursue the Local Development Platform recommendations, it could channel a portion of revenues from energy and mining revenues as a means to share benefits. A Sovereign Wealth Fund may be another way of managing governance risks if large export earnings materialize.

99. ***Governance and oversight pre-conditions attached to large scale investment projects can also be effective in mitigating the risk of elite capture and rent seeking.*** The Bank's recent Nurek Hydropower Plant Rehabilitation Project and the accompanying threshold reform conditions as a pre-condition for investment could serve as a model for future support. Under this operation the number of critical covenants were included, which will serve as preconditions for Bank's and other donors support, including in the areas of financial management (restructuring of short term debt of a public energy utility, cost recovery tariff policy including mitigation of tariff increases for the most vulnerable), corporate governance, financial transparency, increased efficiency of inventory and asset management.

TABLE 5: CONSIDERATIONS – ENHANCING FCV SENSITIVITY IN THE WB PORTFOLIO

Sector	Possible FCV Risks (Sector)	WBG programming	Possibilities for Enhancing FCV Sensitivity
Water supply and sanitation	<ul style="list-style-type: none"> - Water most severe nonmonetary risk to poverty vulnerable groups - Highly centralized, inefficient, untransparent governance - Poor water management systems and unfair processes for distribution contribute to water scarcity and potential conflict - 'upstream/downstream' tensions/potential conflict, including across borders 	<p>Poverty Diagnostics in Water and Sanitation; Rural Water Supply and Sanitation Project; Social Accountability in Water Sector Dushanbe water supply</p>	<ul style="list-style-type: none"> - Promote decentralization and reform of governance of water sector - Community mobilization and citizen engagement for effective management of shared water resource
Land Reform	<ul style="list-style-type: none"> - Series of reforms that have improved land rights but majority of poor rural households have small land plots/poor quality - Social tension and potential conflict around allocation of scarce land - Lack of land market and tenure security stalls mobility – particularly for vulnerable groups (women, poor) - Land capture by large farm managers and developers 	<p>Real Estate Registration Project; Environmental Land Management and Rural Livelihoods project; Land Governance Assessment (proposed)</p>	<ul style="list-style-type: none"> - Continue to expand land registration services/ implementation of land reform policies - Aim to make land certificates tradeable to increase the mobility of rural population - Improve the governance and transaction system of property registration - Remove barriers for vulnerable populations
Mining	<ul style="list-style-type: none"> - Significant growth potential but subject to corruption and governance challenges – elite capture and rent seeking - Mining and extractive industry does not feature social corporate responsibility or citizen engagement mechanisms - Absent conditions for responsible mining including benefit sharing with the shareholders, employees and local communities 	<p>Private Sector Competitiveness Project; EITI Technical Assistance; CASA 1000 CSP</p>	<ul style="list-style-type: none"> - Tackle the sector's challenges as part of the reforms to promote more liberal investment climate and private sector environment - Promote community engagement and mobilization for oversight and to ensure protection of land and established livelihoods
Energy	<ul style="list-style-type: none"> - Access to energy is seen as one of the important part of social contract in Tajikistan as electricity shortages in rural areas affect the quality of social service delivery. - Rural households have fewer coping strategies than urban ones to meet the basic needs for heating. Fuel form the bulk of energy expenditures. - Poor electricity governance and frequent rise in electricity tariffs is an important source of citizens grievance 	<p>Winter Energy Program (PPA); CASA1000; Nurek Hydropower Rehabilitation project; Energy efficiency</p>	<ul style="list-style-type: none"> - Widen partnership with CSOs on transparency and accountability of energy utility - Broaden the engagement with CSOs/ consumers on more socially responsible energy tariff policy - Promote energy efficiency and affordable technologies to at the rural level - Economic and social empowerment of rural communities along CASA1000 corridors with close proximity to large energy facilities
Access to Finance	<p>Escalating banking crisis could trigger payment system collapse, economic shock, social unrest and instability. Government decision to recapitalize and bail out key banks was not accompanied by necessary reforms of corporate governance practices needed for future stability. High risk of bankruptcy among SMEs and borrowers as a result of banking crisis, currency depreciation and high interest rates.</p>	<p>Development Policy Operation; Financial sector development (TA and lending to the equity of key banks); Consumers and deposit protection TA; Financial literacy TA; Access to Finance for rural SMEs/farms through Agriculture Commercialization Project AF</p>	<ul style="list-style-type: none"> - Continue supporting for reforms to promote greater stability, create framework for better corporate governance, and enforce critical regulatory framework of the banking system - Boost small banks and microfinance institutions in order to enable them to fulfil the function of a responsible and affordable finance provider to SMEs, rural farms, communities and individual entrepreneurs - Technical assistance and capacity building activities aimed to strengthen consumer protection, mobile banking and other financial sector instruments which could make individual small borrowers more resilient to financial crisis

DRM	<p>High disaster risk in Tajikistan and limited financial reserves poses threat to fiscal sustainability. Both central and local Government lack capacity and mechanisms for emergency response. More frequent natural disasters amid low preparedness further undermines socioeconomic resilience of rural households especially in remote mountainous areas</p>	<p>Strengthening Critical Infrastructure Against Natural Hazards</p>	<ul style="list-style-type: none"> - Strengthen focus on building local DRM resilience through targeting local communities with the combination of awareness raising, DRM planning, capacity building and investments to strengthen the resilience against various natural disasters, such as floods, mudflows, earthquakes, etc.
Social Protection	<p>Decline of remittance and fiscal pressures have eroded an already very limited social protection system in Tajikistan. GoT is unable to protect vulnerable populations against rising prices and lack of assistance - could lead to widespread grievances. Social protection mechanisms are virtually nonexistent at the community level (except for informal mobilization of resources)</p>	<p>Targeted Social Assistance, AF Social Safety Nets; Health Services Improvement Project</p>	<ul style="list-style-type: none"> - Promote targeted social protection to compensate against major tariff increases for water and electricity - Given Government's indicated interest to set up a system of social assistance and compensation for disaster response, consider social cash transfer scheme for compensation - At the local level consider introduction of local and community based social protection and services as administered by local Government, jamoats, communities at cost effective way.

Recommendations – Process Support

100. ***In order to support effective implementation of the Risk Mitigation Regime in the challenging Tajikistan context, a series of process-related recommendations are also included.*** These focus on ensuring necessary resources for capacity building, ongoing risk monitoring and promoting transparency and citizen engagement. It is envisioned that these activities could be supported through a combination of financing from the enhanced Project Preparation Facility, trust fund, and Bank budget resources.

101. ***Risk monitoring system:*** As a pre-condition for advancement of the Risk Mitigation Regime financing, the World Bank and the Government of Tajikistan could commit to a joint risk monitoring system. Since the RRA represents a snapshot assessment in time, the monitoring system would aim to provide for ongoing monitoring of risks to measure progress, allow for mid-course corrections under the risk mitigation regime, and to anticipate crises. GoT commitment to track progress on governance risks could be a pre-condition for eligibility for RMR financing. The risk monitoring system could also include capacity building initiatives for the GoT in data collection. Financing could include support for joint monitoring on governance reform indicators, rapid and perception-based surveys, data on migrants and migration, and for poverty and non-poverty welfare measures sub-nationally.

102. ***Given the complex context in Tajikistan, learning, monitoring and adaptive programming are critical.*** Through the proposed risk monitoring system, the Bank and Government will together monitor two categories of

indicators. First, a set of contextual indicators to monitor whether the overall situation is deteriorating and FCV risks are increasing or whether the country is on a more positive and stable path. This will also include a priority list of governance-related indicators to track reform progress. Second, a collection of programmatic/outcome indicators to assess whether programming and investments through the Risk Mitigation Regime are contributing to positive progress. These indicators will have to be further developed based on the design of Risk Mitigation Regime programming. Table 6 below presents illustrative indicators in each category to be further developed as part of the Implementation Note and in consultation with the GoT.

103. ***Supplementary project preparation/supervision/capacity building funds:*** In order to successfully implement the RMR financing, additional support is also needed to promote multi-sector project preparation, baseline analytics for effective risk-sensitive design, hands-on supervision and to address implementation capacity constraints. This could include, for example, a centralized/cross-program PIU for the Risk Mitigation Regime financing that would also promote learning across RMR activities. Funding for these types of activities would be required from the enhanced for FCV Project Preparation Facility, trust fund resources, and Bank budget. Funding (potentially through the GPSA) for enhanced support to citizen engagement across programming should also be provided, including support to national NGOs, community based organizations, capacity building and civil society engagement in proposed multi-sectoral programming and in tracking governance indicators to enlarge the space for civil society.

TABLE 6: ILLUSTRATIVE INDICATORS – RISK MONITORING SYSTEM

CONTEXTUAL INDICATORS – MONITORING EVOLVING FCV RISKS		
Type of Risk	Illustrative indicators	Possible Data Sources
Political and governance risks	Political participation and voice	<ul style="list-style-type: none"> - Freedom House ratings - Bertelsmann Transformation Index: Political and Social Integration, Political Participation, Stateness - Civil society surveys
	Rule of Law	World Governance Indicators (WGI)
	Public Financial Management:	<ul style="list-style-type: none"> - Improved accountability of public expenditures measured by the quality of annual financial reports (PEFA25i and iii) - Key procurement information is made available to the public in a timely manner through appropriate means (PEFA19iii) - Total value of contracts that were awarded through an open and competitive process (Percentage)
	Enforcement of regulatory framework for natural resource management	EITI
Economic risks	Corruption	<ul style="list-style-type: none"> - Transparency International ratings - WGI Indicators - TI Global Corruption Barometer Percentage of Citizens reporting they paid a bribe to access key public services - World Economic Forum: Favoritism in Government Decisions - World Economic Forum: Diversion of Public Funds
	Private sector: Taxation, new business density, legal rights	<ul style="list-style-type: none"> - Doing Business Surveys (paying taxes) - WB EBRD Business Enterprise Survey (BEEPS)
	Financial sector stability: banking supervision (Nonperforming loans; capital adequacy; deposits to capital; liquid assets to total assets; effective banking resolution framework in place)	IMF ROSC and FSAP, World Bank, IFC, EBRD, NBT banking supervision
	Remittance levels/migration trends	Administrative data; NBT; IOM
	Tracking remittance flows/investment	Administrative data; NBT; State Investment Committee; IOM
Regionalism, exclusion risks	Inequality in poverty/nonmonetary poverty measures at subnational level	GP Poverty/GoT State Statistical Committee (Goskomstat)
	Perceptions of wellbeing, confidence, trust disaggregated by regions	Listening to Tajikistan Survey; additional survey perception data
	Youth idleness/unemployment rates	NEET data; perception surveys
Crossborder and global risks	Figures/trends – recruitment to VE	Soufan Group; Intl Center for Counter Terrorism; Global Terrorism Database (GTD); additional qualitative research
	Crossborder tensions and violence incidents	Armed Conflict Location & Event Data Project (ACLED), Uppsala Conflict Data Program (UCDP)
	Fluctuation in food prices/food shortages	Administrative data, Goskomstat (CPI inflation data)
FCV monitoring	<ul style="list-style-type: none"> - Tracking violent incident data subnationally - Tajikistan rating on FCV indices 	<ul style="list-style-type: none"> - ACLED, UCDP, GTD - Fund for Peace Fragile State Index, OECD States of Fragility

PROGRAMMATIC/OUTCOME INDICATORS – RISK MITIGATION REGIME FINANCING

Program Type	Illustrative indicators	Possible Data Sources
Governance	Access to administrative services	<ul style="list-style-type: none"> - Annual citizen experience survey/governance diagnostic: Percentage increase in citizen access to administrative services (survey/governance diagnostic) For example: percentage of citizens stating it was “easy” or “very easy” to access administrative services. - Annual citizen experience survey/governance diagnostic: Percentage stating the cost of service is prohibitive.
	Inspections/Tax Administration	<ul style="list-style-type: none"> - Increase in Voluntary Compliance number of active taxpayers - Improved taxpayer service – number of hours required for filing tax reporting OR BEEPS: Time Tax - BEEPS: Informal Payments for Tax Administrations - BEEPS: Number of Inspections (Tax)
Employment and Inclusion – Youth/Migrants	<ul style="list-style-type: none"> - Youth perceptions – economic opportunities and participation (disaggregated by regions, gender) - Employment rates; new business development – project beneficiaries 	Survey to be developed; project data on employment rates/new businesses sustained
Local Development Platforms	<ul style="list-style-type: none"> - Subnational Government Share of revenue and expenditures - Transfers to subnational government - Local perceptions – welfare and participation (participating localities) 	To be developed as part of local development platforms Citizen Engagement indicators: Number of citizens attending local community planning meetings, number of CSOs participating, number of citizen proposals, etc.
Regional Development Programming	<ul style="list-style-type: none"> - Establishment of enhanced crossborder communication/cooperation on development activities - Cross border trade 	To be monitored through regional project data; Ministry of Economic Development and Trade; Goskomstat
Agriculture and Food Security	Improved strategy/capacity to manage disasters and climatic shocks	To be developed based on baseline national/local level strategies + tracked in response to economic shocks

104. *In advancing the Risk Mitigation Regime program package, continued close cooperation with international agencies under Development Coordination Council (DCC) will be essential:* The DCC could serve a platform for discussion and collaboration on proposed new programming under

the RMR, potential cooperation on advancing the risk monitoring systems with partners with complementary expertise (for example in judicial and security sector reform), as well as exploring synergies in advancing a more ‘FCV sensitive’ World Bank portfolio.

ANNEX 1 - REFERENCES

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