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COUNTRY PARTNERSHIP STRATEGY

FOR

TAJIKISTAN

FOR THE PERIOD FY15-18

May 14, 2014

**Central Asia Country Management Unit
Europe and Central Asia Region**

**International Finance Corporation
Eastern Europe and Central Asia Region**

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CURRENCY EQUIVALENTS

Currency Unit = Tajikistan Somoni (TJS)
 US\$1 = 4.8241 Somoni
 (April 21, 2014)

GOVERNMENT FISCAL YEAR

(January 1 to December 31)

WEIGHTS AND MEASURES

Metric System

ABBREVIATIONS AND ACRONYMS

AAA	Analytical and Advisory Activities		
ADB	Asian Development Bank	IMF	International Monetary Fund
AF	Additional Financing	INSEAD	European Institute of Business Administration
AIB	Agro-Invest Bank	IOM	International Organization for Migration
APL	Adaptable Program Loan	IsDB	Islamic Development Bank
CAPPAS	Central Asia Programmatic Poverty Analysis Support	IT	Information Technologies
CARs	Central Asia Road Links	KfW	German Government-Owned Development Bank
CASA-1000	Central Asia-South Asia Electricity Transmission and Trade project	JCPPR	Joint Country Portfolio Performance Review
CAEWDP	Central Asia Energy & Water Development Program	JCPS	Joint Country Partnership Strategy
CEM	Country Economic Memorandum	LFS	Labor Force Survey
CIS	Commonwealth of Independent States	LIC	Low Income Countries
CPI	Consumer Price Index	LSIS	Living Standards Improvement Strategy
CPIA	Country Policy and Institutional Assessment	M&E	Monitoring and Evaluation
CPPR	Country Portfolio Performance Review	MCH	Maternal and Child Health
CPS	Country Partnership Strategy	MDGs	Millennium Development Goals
CPSCR	Country Partnership Strategy Completion Report	MENA	Middle East and Northern Africa
CSDF	Communal Service Development Fund	MIDP	Municipal Infrastructure Development Project
CSO	Civil Society Organization	MIGA	Multilateral Investment Guarantee Agency
DCC	Development Coordination Council	MISP	Multiyear Integrated Statistical Program
DfID	Department for International Development	MOF	Ministry of Finance
DPO	Development Policy Operation	MSMEs	Micro, Small and Medium-sized Enterprises
DPT	Diphtheria	MTDS	Mid Term Development Strategy
DSA	Debt Sustainability Analysis	NBT	National Bank of Tajikistan
EBRD	European Bank for Reconstruction and Development	NDS	National Development Strategy
EC	European Commission	NRI	Networked Readiness Index
ECA	Europe and Central Asia	NTC	National Testing Center
ECAPOV	ECA poverty data base	OECD	Organization for Economic Cooperation and Development
ECASTAT	ECA Stat Trust Fund	PAMP	Public Employment and Sustainable Agriculture
ECF	Extended Credit Facility	PDPG	Programmatic Development Policy Grant
EDB	European Development Bank	PER	Public Expenditure Review
EFO	Externally Funded Outputs	PFM	Public Financial Management
EITI	Extractive Industries Transparency Initiative	PPCR	Pilot Program for Climate Resilience
ESW	Economic and Sector Work	PPP	Public-Private Partnership
EU	European Union	PSD	Private Sector Development
FDI	Foreign Direct Investment	QFD	Quality Function Deployment
		READ	Russia Education Aid for Development
		RICA	Rural Investment Climate Assessment

FIRST	Financial Sector Reform and Strengthening Initiative	ROSSTAT	Russia Statistic Agency
FSD	Finance Sector Development	SAI	Supreme Audit Institution
FY	Fiscal Year	SDC	Swiss Development and Cooperation
GCI	Global Competitiveness Indicators	SECO	State Energy Conservation Office
GDP	Gross Domestic Product	SME	Small & Medium-sized Enterprise
GEF	Global Environment Facility	SOE	State-Owned Enterprise
GNI	Gross National Income	TA	Technical Assistance
GPE	Global Partnership for Education	TAJSTAT	Tajikistan Statistics Agency
GPF	Governance Partnership Facility	TALCO	Tajikistan Aluminium Company
GPSA	Global Program for Social Accountability	TAT	Tajikistan, Afghanistan and Turkmenistan
GTZ	German Organization for Technical Cooperation	TJS	Tajik Somoni
HBS	Household Budget Survey	TLSS	Tajikistan Living Standards Survey
HEP	Hydro Electric Power	TSA	Targeted Social Assistance
HR	Human Resources	UNDP	United Nations Development Program
HSIP	Health Services Improvement Project	UNICEF	United Nations Children's Fund
IBRD	International Bank for Reconstruction and Development	UNIFEM	United Nations Development Fund for Women
ICR	Implementation Completion Report	USAID	United States Agency for International Development
ICT	Information and Communications Technology	VAT	Value Added Tax
IDA	International Development Association	WB	World Bank
IFC	International Financial Corporation	WBG	World Bank Group
IFRS	International Financial Reporting Standards	WDI	World Development Indicators
		WHO	World Health Organization
		WTO	World Trade Organization

TAJIKISTAN
**COUNTRY PARTNERSHIP
STRATEGY FY15-18**

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I. EXECUTIVE SUMMARY

1. **Tajikistan is a country of stark contrasts—physical, economic and social.** These include glaciated mountains alongside fertile valleys, vast hydropower resources but chronic energy shortages, huge remittance inflows but low foreign exchange reserves, and robust GDP growth but still high rates of poverty. At the same time, Tajikistan borders East Asia—the most dynamic developing region in the world, Eurasia—one of the most resource rich, and, indirectly, South Asia—the second most populous. Yet, the potential of proximity to these international markets remains unrealized, not only by the country's currently limited regional connectivity, but also by a structural reform agenda and implementation record that remain works in progress.
2. **Against this background, Tajikistan has reached an important turning point in its economic, political, and social development.** Following the re-election of President Emomali Rahmon, a new government was appointed in January 2014; parliamentary elections are scheduled for 2015; and a new long-term development strategy, 2016–25 is currently under preparation that will incorporate post-2015 MDGs for which Tajikistan was a focus country.
3. **Looking ahead, the authorities' goals for 2020 are ambitious: to double GDP, to reduce poverty to 20 percent, and to expand the middle class.** During the previous CPS, poverty declined from 47 percent in 2009 to an estimated 36 percent in 2012, enabling the incomes of the bottom 40 percent of society to grow faster than the population at large. However, poverty reduction for women was lower than for men and MDGs for maternal and child health and access to clean water and sanitation will not be achieved. Moreover, other non-monetary indicators of poverty increased in urban areas, particularly access to heating and sanitation, affecting the welfare of the growing middle class.
4. **Tajikistan will not achieve its goals for 2020 without fundamentally altering its current consumption-driven growth model, which is ultimately unsustainable.** Fuelled by the remittances of migrant workers now totaling nearly half of GDP, as well as higher wages in state-owned enterprises (SOEs), the service sector is expanding while the small industrial sector is contracting. Job creation is insufficient to absorb the youth bulge and wage growth has outpaced that of labor productivity. The limits of this model are now becoming evident: according to WBG estimates, GDP growth averaging 8 percent since 2002 is now projected to decline to 6 percent annually during 2015–18. To achieve higher growth, Tajikistan needs to implement a deeper structural reform agenda designed: (a) to reduce the role of the state and enlarge that of the private sector in the economy through a more conducive business climate, thus increasing private investment and generating more productive jobs; (b) to modernize and improve the efficiency and social inclusiveness of basic public services; and (c) to enhance the country's connectivity to regional and global markets and knowledge.
5. **This CPS would meet country and the WBG's corporate goals—to reduce extreme poverty and promote shared prosperity—by supporting the expansion of opportunities for private firms and poor and vulnerable groups.** It is anchored in policies designed to maintain macroeconomic stability and promote better governance, including through sound public finance management and greater citizen engagement. To increase shared prosperity, the CPS targets interventions to benefit new private firms, small farmers, youth and women. Specifically, through a mix of lending, analytical and advisory services (AAA), and technical assistance, it would: *strengthen the role of the private sector* (by reducing business transaction costs, increasing access to finance, improving electricity supply, and promoting agri-business); *promote social inclusion* (by improving delivery of public services, particularly education, health, social assistance, water supply and sanitation, and citizen engagement); and *expand regional connectivity* (through better access to markets and knowledge through information and communications).

technology (ICT), institutional cooperation, and learning networks). At the same time, investments in climate adaptation and climate-smart practices would help create jobs and thus reduce migration as a coping strategy. To address extreme poverty, the CPS would support government plans to adopt and implement nationwide a targeted poverty benefit.

6. Within this framework, the CPS' indicative program includes a programmatic series of three development policy loans (DPOs) commencing FY16 designed to achieve three 'stretch' goals. The scope and timing of this series would be subject to the authorities' maintaining a satisfactory macroeconomic framework, including fiscal policy consistent with debt sustainability and measures to minimize the risk of a systemic banking crisis. Proposed 'stretch' goals to achieve higher growth would be: (a) to expand credit for the ongoing commercialization of agriculture through the resolution of Agro-Invest Bank (AIB)—preferably involving a foreign investor and management contract. This would be the first step towards modernizing the banking system, leading to increased public trust and savings; (b) to increase the reliability of electricity supply through measures to improve the financial viability of *Barki Tajik*, the state-owned energy utility; and (c) to boost regional connectivity and reduce transport and transaction costs by the further liberalization of aviation and telecommunications.

7. Selectivity was informed by empirical analysis, a client survey, and extensive consultations with civil society and youth. The CPS draws on numerous analytical reports, including the last Country Economic Memorandum (CEM),¹ which highlighted growth opportunities in agribusiness, mining, and hydropower exports, and also a recent Europe and Central Asia (ECA) regional flagship report on diversified development,² which underlined the importance of investment in human capital and institutions. It also reflects feedback from a client survey, which highlighted two top development priorities: improving the quality of public services and combatting corruption. Meanwhile, economic growth, private sector development, job creation (especially for young people), and education and training for employment are considered the four most critical areas for reducing poverty and promoting shared prosperity. In line with the recommendation to strengthen collaboration with non-state actors, the WBG held extensive consultations with civil society organizations (CSOs) and young people, who comprise 40 percent of the population. The CPS' focus on private sector development, social inclusion, and regional connectivity as well as its three cross-cutting themes—governance, gender, and climate—resonated with virtually all participants and attracted wide support among most groups. A theme repeatedly raised was exclusion—of firms from factor inputs and domestic markets, of poor and vulnerable groups from higher education and social services, and of citizens and firms from business opportunities and global knowledge.

8. In summary, this CPS seeks to help lay the foundation for Tajikistan to transition to a new growth model led by investment and exports. It will involve assisting the authorities to define and then implement during the next few years a new, more sustainable growth model that allows more space for the private sector. If conditions to implement 'stretch' goals through DPOs do not materialize, the CPS would nevertheless contribute to a greater role for the private sector by foundational reforms and to poverty reduction and shared prosperity through investment in basic human needs, social services, and infrastructure.

¹ *Tajikistan's Quest for Growth—Stimulating Private Investment*, Report No. 54677-TJ.

² *Diversified Development: Making the Most of Natural Resources in Eurasia*. 2014.

II. COUNTRY CONTEXT

A. Political and Regional Context

1. **Landlocked and largely mountainous, with a population of about 8 million and a GNI per capita of US\$880 in 2012 (Atlas methodology), Tajikistan is the poorest country in Europe and Central Asia (ECA).** Bordering Afghanistan to the south, China to the east, Kyrgyzstan 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.³ 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. It is also the country most vulnerable to the adverse impacts of climate change in ECA.
2. **Shortly after independence in 1991, civil and political conflict persisted until mid-1997, causing widespread loss of life and physical damage.** It also resulted in a significant exodus of human resources, mainly from industry and public administration, and a serious deterioration in the quality of human capital. Uniquely among post-Soviet states, Tajikistan's transition from plan to market has in effect been delayed by a decade—until the turn of the century. Many first generation reforms such as land and water use rights are just getting underway.
3. **Political and administrative centralization unified the country and concentrated authority in the executive branch.** The influence of the Presidency is far-reaching. President Emomali Rahmon—in office since 1994 and recently re-elected to a fourth term ending in 2020—continues to dominate the political scene and his People's Democratic Party has a majority of seats in both houses of parliament (*Majlisi Oli*). Following the election, a new cabinet was formed and several agencies were restructured with the aim of bringing more dynamism to government, particularly in the related energy and water sectors.
4. **Tajikistan is Central Asia's least accessible, most isolated country, with only limited regional and international connectivity.** This is partly a function of the country's geography and topography: internal and regional communications and transportation are problematic, especially in winter. It is also due to regional trade and transit obstacles and to vested interests that have inhibited liberalization of the transport system, in particular aviation. Moreover, 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 Plant; (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 by end-2014.

B. Poverty and Shared Prosperity

5. **The return of stability and initial reforms led to growth averaging 8 percent annually from 2000-13, with significant poverty reduction.** Poverty declined from 81 percent in 1999 to 47 percent in 2009 and, based on more recent, albeit not exactly comparable survey data, to about 36 percent in 2012.⁴ Extreme poverty dropped even faster—from 73 percent to 14 percent during the same period. Labor

³ Mountains cover 90 percent of its 143,100 km² land area, of which over 50 percent is at least 3,000 meters above sea level.

⁴ Poverty estimates for 1999, 2003, 2007 and 2009 are based on Living Standards Surveys (LSS) and data for 2012 on Tajikistan's Household Budget Survey (HBS). Thus, due to different design and implementation protocols, the earlier (TLSS) and most recent (HBS) data are not strictly comparable.

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.

6. The drivers of poverty reduction differed according to income level and place of residence. During 1999-2009, the period for which comparable micro data are available, more than one million rural people were lifted out of poverty. While poverty dropped substantially nationwide, Khatlon and Gorno Badakshan Autonomous Oblast lagged and remain the poorest regions. As noted in Figures 1 and 2, middle class, mainly urban groups benefited more from increased labor earnings and remittances than poor and vulnerable groups and the bottom 40 per cent. Remittances accounted for 25 percent of poverty reduction in rural areas and 18 percent in urban areas.

Figure 1: Factors of Income Poverty Reduction by classes, 2003-09

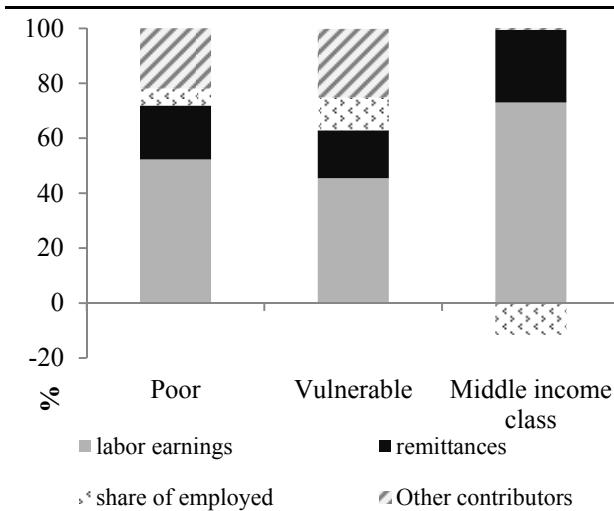
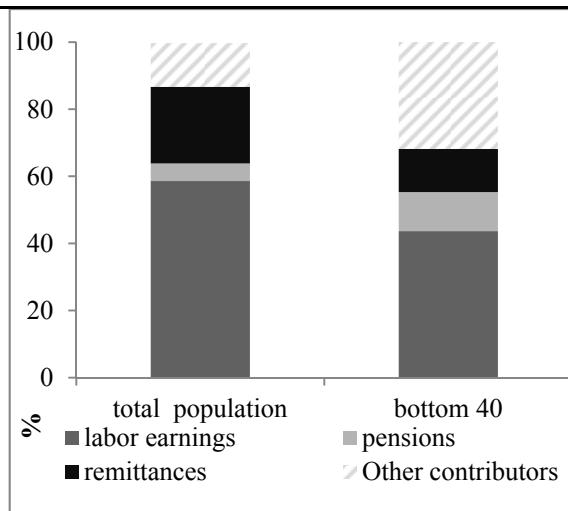


Figure 2: Factors of Income Growth for Bottom 40 percent, 2003-09



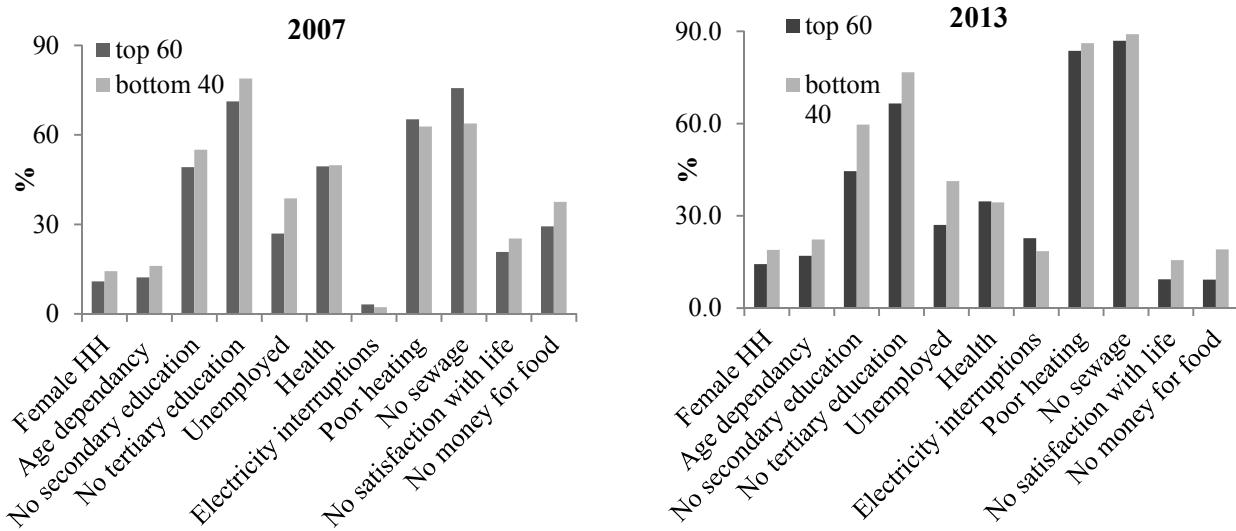
Source: ECA poverty team based on ECAPOV data

7. Despite these advances, non-monetary indicators of poverty indicate growing deprivation and inequality. Poverty remains widespread and linked to specific factors such as continued high fertility (at 3.8, the highest in the CIS), insufficient jobs (with young people, over 40 percent of the population, accounting for 60 percent of registered unemployed), and the uneven impact of remittances on different population groups. However, inequality in Tajikistan—comparable to Moldova and lower than Georgia and the Kyrgyz Republic—is not high. Nonetheless, the poor continue to be disadvantaged by limited access to high quality education and health care; and they receive little help from a weak social protection system whose benefits until very recently were small and poorly targeted. Health outcomes are lower than in comparable ECA countries, in particular for infant, child, and maternal mortality; and chronic malnutrition affecting almost 30 percent of children under five is a particular concern.⁵ Finally, access to basic public services such as electricity, heating, clean water, and sanitation—remains very limited in rural areas where most of the poor live.

⁵ *Situational Analysis: Improving economic outcomes and expanding nutrition programming in Tajikistan*, World Bank/UNICEF, 2012

8. Recently available micro-data suggest that limited or no access to education (secondary and tertiary), heating, and sanitation are the main contributors to non-monetary poverty. These three are the most unequally distributed services, with access to education varying by income level and to heating and sanitation according to location. Figure 3 below, comparing deprivation in the bottom 40 and top 60 percent of the population in 2007 and 2013, indicates expanded coverage and lower inequality in terms of monetary poverty, but reduced coverage and increased inequality in access to electricity, heating, and sanitation.⁶

Figure 3: Comparing deprivation of Bottom 40 and Top 60, 2007 & 2013



Source: Staff estimates

9. These indicators of deprivation correlate with Tajikistan's uneven progress towards its Millennium Development Goals (MDGs).⁷ Only 13 of 42 MDGs are likely to be achieved by 2015, according to the most recent (2010) progress report, with 13 still technically possible, but six very unlikely. On the positive side, primary and lower secondary enrollment is now almost universal and infant and child mortality have dropped to 52/1,000 and 65/1,000 live births respectively. On the negative side, potable water supply remains a serious challenge, especially in the countryside where only 48 percent of rural communities have access and over 60 percent of water available does not meet local or World Health Organization (WHO) standards. Moreover, four lagging indicators are gender-related: maternal mortality, one of the highest in ECA; the ratio of girls to boys in upper secondary and especially tertiary education; the share of women in non-agricultural employment; and the number of female legislators.

10. Tajikistan ranks the lowest in ECA on gender, where disparities especially in access to education remain significant contributors to poverty. The key issues include: disparities in favor of boys throughout the education system, but especially at university level; gender-based sectoral and occupational segregation and resulting earnings inequities; and weak implementation of gender policies.

⁶ Beyond Transition, towards Inclusive Societies, 2011 and Measuring Multidimensional Vulnerability: Social Exclusion Index for Europe and Central Asia, 2012, UNDP Bratislava Regional Center

⁷ Table 2 attached to Annex 2 (Tajikistan at a Glance) summarizes Tajikistan's progress towards its MDGs.

Annex 7 (Gender and Women's Empowerment) summarizes the outcome of a recent diagnostic assessment.

C. Economic Developments and Medium-Term Prospects

Growth and remittances

11. **Tajikistan's economy was adversely affected by the 2008-09 global economic crisis, but growth recovered quickly and averaged over 7 percent annually during 2010-13.** Recovery was spurred by remittance inflows, which rebounded sharply and continued to grow, exceeding US\$4 billion in 2013 (Figure 4). Remittances fueled private consumption and, to a much lesser extent, investment. This in turn contributed to strong growth in services, which accounted for more than half total growth in 2013, followed by agriculture, accounting for one fifth (Figure 5). Consistent with lower international food and fuel prices and a relatively stable exchange rate, consumer price inflation declined from close to 10 percent at end-2010 to 3.7 percent by end-2013.

12. **Remittances helped drive growth by supporting consumption.** With GDP growth averaging 6.8 percent annually and consumption averaging 13.1 percent annually, consumption grew faster than GDP in each of the last five years. By contrast, investment (gross fixed capital formation) varied significantly, contributing to GDP growth in some years (*e.g.* 2008, 2010-11, and 2013) but in others (*e.g.* 2009 and 2012) not. Indeed, investment during 2009-13 averaged barely 0.3 percent annually.

13. **Exports remained broadly stable, albeit at a low level compared to other regional and global low income countries.** In 2013, Tajikistan's exports were less than 17 percent of GDP, compared to about 50 percent in Kyrgyzstan, Cambodia, and other countries at similar income levels. The share of aluminum and cotton in total export value declined from 80 percent in 2008 to 48 percent in 2013, which indicates some diversification but also lower volume and prices for aluminum.

Figure 4: GDP Growth and Remittances

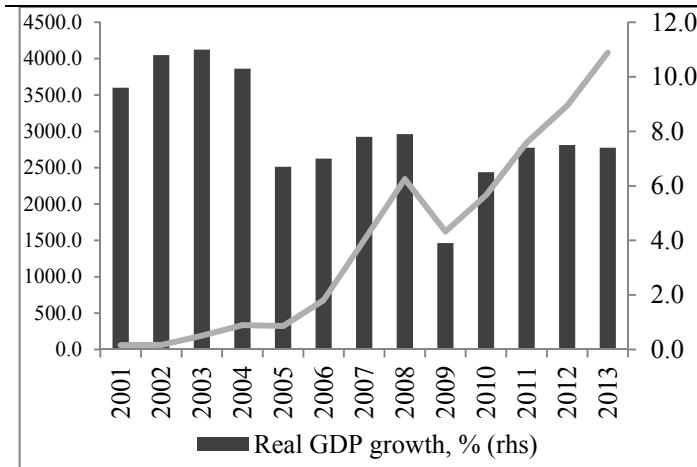
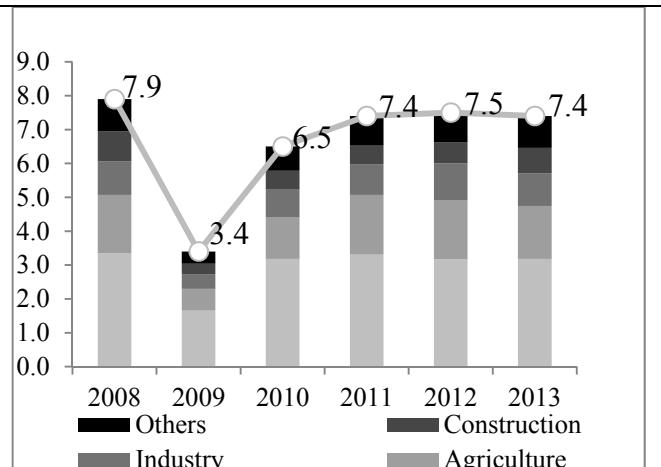


Figure 5: Sectoral contributions to GDP growth



Source: Bank staff estimates based on TajStat and NBT data.

Source: TajStat and Bank staff estimates

14. **The difficult environment for doing business in Tajikistan as well as obstacles to foreign direct investment (FDI) have discouraged private investment and limited overall investment.** Averaging about 15 percent of GDP annually since 2008, total investment is low by regional and international standards. Public investment accounts for 80 percent of the total, or 12 percent of GDP, and private investment for 20 percent, or only 3 percent of GDP—much lower than the ECA developing country average. The main obstacles cited by both local and foreign entrepreneurs are inadequate infrastructure, in particular insufficient and unreliable energy supply, the weak rule of law, especially as regards property rights, and tax policy and administration.⁸

15. **With international reserves averaging barely 1.5 months of imports during the last five years, Tajikistan's economy is highly vulnerable to external factors beyond its control.** For example, its reliance on remittances and the export of only two commodities expose the country to external demand and international price shocks. Likewise, its dependence on food and fuel imports makes it no less vulnerable to changes in global food and fuel prices.⁹ Meanwhile, with foreign direct investment (FDI) below 2 percent of GDP in 2013, remittances remain the principal source of financing of the current account deficit, which in 2013 was about 3 percent of GDP.

16. **Tajikistan adopted a flexible exchange rate policy under the 2009-12 IMF Extended Credit Facility (ECF) program.** Absent major external shocks, the nominal exchange rate remained relatively stable in 2012-13, contributing to lowered inflation expectations. Meanwhile, the recent weakening of both the Russian and Kazakhstan currencies is exerting pressure on the *somoni*. If the authorities were to mitigate this pressure by intervening in the foreign exchange market, the already low level of reserves could deplete quickly.

Macroeconomic implications of large remittances

17. **Remittances helped drive growth and reduce poverty, but also raised the threshold at which recipients are willing to enter the labor market.** In 2012, average economy-wide wages in Russia were almost six times higher than in Tajikistan, although the differential in construction and trade—the two sectors where most Tajik migrants work—was lower, at 2.5 and 4 times respectively (Figure 6). However, it is these two sectors that have seen the highest wage increases over the past four years (apart from the financial sector), suggesting that access to the Russian labor market may be pushing up wages in Tajikistan.¹⁰ If so, the consequence could be serious because rising labor costs affect competitiveness directly. Figure 7 shows that although real wages in Tajikistan have risen by almost 300 percent since 2005, labor productivity has increased by only 32 percent during the same period. While higher wages are essential for poverty reduction, increases much larger than productivity growth will hamper job creation.

18. **The impact of remittances on the economy is similar to that of other remittance-dependent countries, but the risk of Dutch disease appears low.** Remittances are the largest external financing item and an important contributor to poverty reduction. Their main impact on the economy to date has been increased consumption, at present the main source of growth. This consumption is mostly import-based—*i.e.* remittances are used mainly to purchase tradable goods—which has mitigated potential pressures on the *somoni*'s exchange rate and on competitiveness. In the circumstances, the risk of Dutch disease appears to be low.¹¹

⁸ Global Competitiveness Index, 2012 World Economic Forum.

⁹ Food imports constitute over 80 percent of food consumption and food accounts for 58 percent of the CPI basket.

¹⁰ How far can remittance-driven growth go? Economic Report No. 5, March 2014, World Bank.

¹¹ Workers' Remittances and the Equilibrium Real Exchange Rate: Theory and Evidence, IMF Working Paper WP/10/287, 2010. This paper shows that standard 'Dutch Disease' results of appreciation can be substantially weakened even overturned, depending on the degree of openness and the share of tradables in consumption.

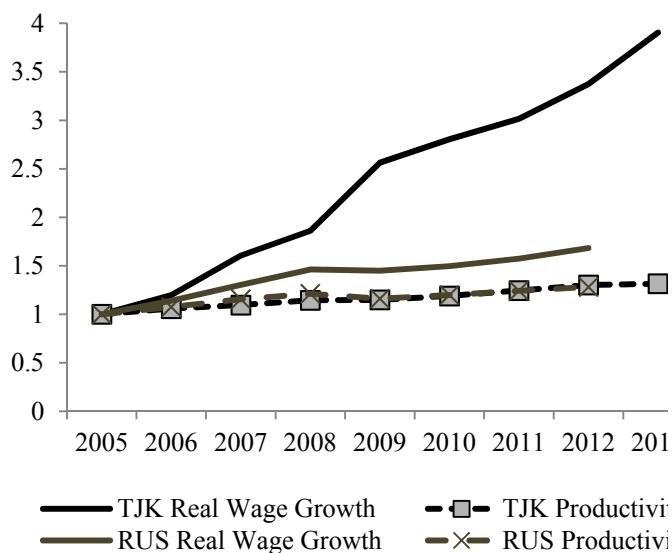
Lagging investment and the reform context

19. **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 was minimal and only modest in agriculture and services, the two largest sectors. The relatively small construction sector experienced the highest growth rate (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.

Figure 6: Average wages in Tajikistan & Russia, 2012 (in US\$)



Figure 7: Real Wage and Productivity Growth in Tajikistan and Russia, 2005=1



Source: World Bank Staff calculations on ROSSTAT and TAJSTAT

Source: World Bank Staff calculations on ROSSTAT

20. **Increased private investment and new business development are crucial prerequisites for increased job creation.** Large remittances, if properly channeled within a much improved business environment, could lead to much higher investment. Examples of this in other countries with high levels of remittances include Armenia, the Kyrgyz Republic, Lesotho, and Nepal, where total investment averaged 25 percent of GDP in 2012, including private investment averaging 19 percent of GDP. These high rates of investment, including private investment, suggest that Tajikistan's policymakers need to reduce the state's footprint in the economy, prioritize public expenditures within a realistic fiscal envelope, and dramatically improve the business environment.

21. **Global competitiveness indicators confirm that these are priority areas for improvement.** For example, the World Economic Forum's 2012 Global Competitiveness Indicators show that, although Tajikistan did as well as, or exceeded the scores for factor-driven economies, it needs to improve its infrastructure, macroeconomic management, and market size. This means for infrastructure, addressing electricity, transport, and water shortages; for macroeconomic management, reducing *quasi* fiscal deficits; and for market size, diversifying exports beyond aluminum, cotton, and labor.

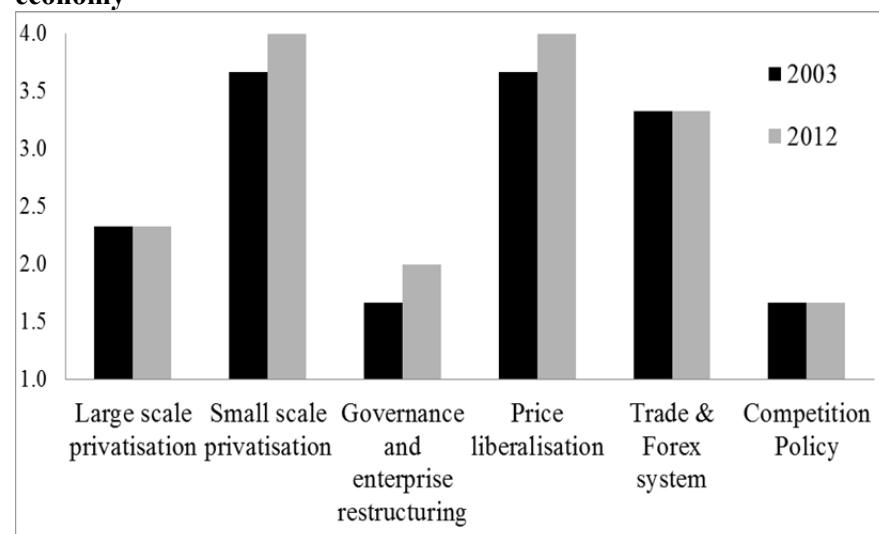
22. Another important area is the country's financial sector, which remains fragile and is a significant element in the economy's overall vulnerability. Dominated by banks, Tajikistan's financial sector remains shallow by regional standards, with credit to the private sector equal to only 12.5 percent of GDP in 2013, down from 13.5 percent in 2012. Four large banks control about three quarters of total assets—of which three are linked to agriculture, construction and state-owned enterprises (SOEs) respectively, with the fourth handling government payments. By end-2013, non-performing loans had increased to 23 percent from 18.2 percent at end-2012. Governance issues, poor enforcement of prudential regulations, and weak consumer protection are the main concerns. More generally, financial sector development overall is undermined by directed lending, which distorts the market, misallocates credit, and weakens confidence and the credit culture. By contrast, rapid expansion of microfinance, where IFC is a prominent player, reflects the strong demand for capital by small traders and businesses.

23. To improve competitiveness,

Tajikistan also needs to improve market-related institutions.

Despite early gains in small-scale privatization, price liberalization, and reform of the trade and foreign exchange system, the remaining transition agenda—including privatization of large state-owned enterprises (SOEs), corporate governance, and competition policy—remains a work in progress. Tajikistan's low scores for large scale privatization and governance and enterprise restructuring (Figure 8) reflect the still high number of poorly managed SOEs that contribute to *quasi* fiscal deficits. Likewise, its even lower score for competition policy indicates the lack of a level playing field and the close linkages between government agencies and the private sector.

Figure 8: Tajikistan –A decade's progress in transition to a market economy



Source: EBRD Transition Report 2013

Recent economic developments

24. In the first quarter of 2014, GDP growth slowed but remained strong at 7 percent year-on-year (yoY). Slower growth of remittances during the last quarter of 2013 (8.1 percent yoY compared to 25.8 percent in 2012) has not yet translated to slower growth of services and construction—the two sectors most dependent on remittances, which together accounted for almost two-thirds of growth in the first quarter of 2014. Supported by strong revenue performance and contained expenditures, the state budget recorded a surplus of 1.1 percent of GDP in January–March 2014. In March 2014, average inflation fell to 4.1 percent from a 6.7 percent a year earlier. Against this background, the National Bank of Tajikistan (NBT)—the country's central bank—lowered its refinancing rate in 2013–early 2014, facilitating a modest increase in credit to the private sector.

25. Tajikistan's risk of debt distress is moderate. Government debt fell from 36.6 percent of GDP in 2009 to 32.3 percent of GDP in 2013. The 2013 Debt Sustainability Analysis (DSA) reduced the risk of debt distress from high to moderate, implying that Tajikistan will move to an IDA credit-grant blend in

FY15. However, standard stress tests with a one-off shock to non-debt creating flows (mainly private transfers) revealed significant vulnerability to a sustainable debt path, as in the previous DSA. Further, the overall fiscal stance is probably worse than official data suggest because of SOEs' soft budget constraints, directed lending by banks, and other *quasi* fiscal risks. Indeed, given SOEs' large liabilities, total public debt is arguably much higher.

Medium-term prospects

26. Tajikistan's growth is projected to ease to 6.8 percent in 2014 and to average 6 percent through 2018 in the baseline scenario, which assumes maintenance of prudent macroeconomic policies and moderate structural reforms.¹² Three factors explain this trajectory: first, a projected slowdown in growth in China over the medium-term and lower growth in Kazakhstan, Russia, and Turkey in 2014—four countries that accounted for two-thirds of Tajikistan's exports in 2013; second, continued weak demand and low prices for aluminum; and third, slower growth in remittance flows. Inflation is projected to remain relatively low, due to expected stable global food and fuel prices, a moderate nominal depreciation of the *somoni*, and an adequate monetary policy. Private investment is projected to increase to a still modest 6.4 percent of GDP, if measures to improve the business environment and make more productive use of remittances are implemented vigorously. This would help gradually to re-balance growth towards private investment and exports. Gross investment is projected to increase to 16.2 percent of GDP by 2018.

27. The baseline scenario also assumes medium-term fiscal consolidation consistent with debt sustainability. The fiscal deficit is projected to decline to below 1 percent of GDP as improved public finance management and revenue collection partially compensate for slower economic growth. Capital expenditure as a share of GDP would fall only moderately as the externally-financed public investment program remains significant and government investments in energy and the social sectors are maintained. Social spending, including outlays on the national-wide poverty benefit program, is projected to benefit the most from increased revenues. The efficiency of public spending is expected to improve as a result of dialogue with and financial support from the WBG and other development partners. While the baseline scenario is expected to lead to a gradual decline in public sector debt to less than 30 percent of GDP by 2018, it may need to be re-visited later to reflect the fiscal and macroeconomic implications of pending government decisions regarding the proposed Rogun hydropower project.

¹² The baseline scenario for Tajikistan employs the Bank's most recent projections for global, regional and country-level growth. It also assumes for the time being that the impact of ongoing geo-political tensions on Russia's economy and growth prospects will be limited. The Bank's current 'low risk' scenario for Russia projects growth slowing to 1.1 percent in 2014, before increasing slightly to 1.3 percent in 2015. The 'high risk' scenario is -1.8 percent (contraction) [Russia Economic Report No. 31, March 2013].

Table 1: Macroeconomic Trends and Projections (2009-2018)

(In percent of GDP, unless otherwise indicated)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	Actuals		Estimated		Projections					
National Accounts										
Real GDP growth (percent change)	3.9	6.5	7.4	7.5	7.4	6.8	6.2	5.8	6.0	6.2
Consumer Price Index (percent change, end of year)	5.0	9.8	9.3	6.4	3.7	6.5	7.0	7.0	7.0	6.0
GDP per capita (in U.S. dollars)	662	741	836	1035	1143	1212	1282	1366	1455	1528
Gross investment	14.3	12.9	15.5	14.9	15.0	15.2	15.5	15.6	15.9	16.2
Public	13.3	10.9	12.5	10.9	10.2	10.2	10.1	9.9	9.8	9.7
Private	1.0	2.0	3.0	4.0	4.8	4.9	5.4	5.7	6.1	6.4
Gross national savings	12.8	20.1	18.1	17.7	16.3	16.7	17.5	17.6	17.5	17.7
General Government Operations										
Revenues and grants	23.4	23.2	24.9	25.2	26.9	25.6	25.3	25.4	25.8	26.2
Tax revenues	17.6	18.0	19.4	19.9	20.2	19.9	19.8	20.0	20.3	20.7
Non-tax revenues	2.3	2.9	3.2	3.8	5.3	4.4	4.3	4.3	4.4	4.4
Expenditure and net lending	28.8	26.9	27.3	25.1	28.2	27.2	27.0	26.8	27.0	27.1
Current expenditure	14.6	15.0	14.8	14.2	15.8	15.8	15.9	16.0	16.2	16.4
Social expenses	9.0	10.1	10.3	12.3	12.3	12.7	13.1	13.5	13.8	14.3
Capital expenditure and net lending	14.2	11.9	12.5	10.9	12.4	11.5	11.1	10.8	10.8	10.7
Overall fiscal balance	-5.4	-3.7	-2.4	0.1	-1.3	-1.6	-1.7	-1.4	-1.2	-0.9
<i>Primary balance</i>	-3.2	-1.9	0.9	0.7	-0.9	-1.1	-1.1	-0.8	-0.6	-0.5
External Sector										
Current account balance	-5.9	-1.2	-4.7	-1.3	-2.7	-2.5	-2.0	-2.0	-2.2	-2.3
Exports of goods and services	15.3	15.4	18.1	18.2	16.0	16.1	16.2	16.2	16.6	17.5
Imports of goods and services	56.0	54.1	68.0	64.5	63.7	63.3	62.9	62.5	61.6	60.7
FDI inflows	0.3	0.3	1.0	1.9	1.2	1.6	1.8	2.0	2.2	2.4
Gross international reserves										
(Months imports of goods and services)	1.1	1.3	1.4	1.5	1.4	1.5	1.7	1.9	2.2	2.5
(In millions of dollars)	256.0	330.5	517.5	594.2	704.5	811.4	980.5	1179.9	1391.9	1669.6
Total public sector debt	38.8	37.9	36.6	32.6	32.1	31.7	31.0	30.4	30.1	29.5
Total external debt	53.5	54.6	50.9	48.1	48.8	45.9	44.0	42.1	40.3	41.5
Unemployment rate (percent)	11.5	..	..	..	..	..	..	..	..	..

Source: World Bank staff estimates based on data from TajStat, MinFin, NBT and IMF.

28. **Finally, the baseline scenario also assumes a narrowing of the current account deficit to 2 percent of GDP and an increase in FDI.** The commercialization of agriculture and development of agro-processing together with better regional connectivity are expected to boost non-commodity exports. Imports of capital goods are projected to rise due to higher investment. WTO accession is expected to facilitate a gradual increase in FDI to 2.4 percent of GDP by 2018 in sectors such as energy, infrastructure, mining, and telecommunications. Foreign currency reserves are projected to increase to 2.5 months of imports of goods and services over the medium-term, but to remain below the prudential norm.

29. **Overall risks to this baseline outlook are substantial.** These include: lower than projected Russian and/or global growth; a steeper reduction in remittances; a slower recovery in the prices of aluminum and cotton; potential slippages in macroeconomic management; and possibly sluggish implementation of structural reforms. External risks include the country's reliance on imports of food and fuel, both subject to periodic price volatility, as well as its exposure to increasingly serious regional trade and transit obstacles. Domestic policy risks include the financial sector's increasing vulnerability with spillover effects to the whole economy, as well as the *quasi-fiscal* activities of large SOEs. There is also

major uncertainty about the financing and timing of large infrastructure investments, such as the proposed Rogun project. On the upside, besides faster growth in the economies of Tajikistan's main trading partners and improved terms of trade, more decisive implementation of structural reforms by the newly appointed and reorganized government—including actions to channel remittances into productive private investments and to reap the benefits of WTO membership—would yield medium and long-term growth dividends.

30. **Under an alternative low case scenario, a possible contraction in Russia's GDP in 2014 would lower Tajikistan's growth significantly below 6 percent.** The negative impact would be transmitted mainly via an estimated 10 percent decline in remittances in 2014. In this case, GDP growth in 2014 would slow to 4.5 percent as the result of a drop in consumption growth to below 1 percent and a sharp (>10 percent) decline in investment. Construction and services would be affected the most, with additional negative impacts on incomes and employment. Lower remittances would help improve the trade balance by reducing demand for imports and the current account deficit would remain slightly above 2 percent of GDP. The budget deficit would widen to over 3 percent of GDP due to lower revenues and only a moderate reduction in expenditures, gradually improving in the medium-term to less than 1.5 percent of GDP.

D. Development Challenges

31. **Tajikistan's biggest challenge in the coming years is to lift its low rates of private investment.** This will require a much better investment climate and strengthened institutions. Existing regulations for starting and operating a business are still too restrictive and access to key inputs is not equal for all companies, discouraging new entrants and reducing the interest of potential investors. Given the constraints imposed by its geography and the small size of its domestic market, Tajikistan needs to make special efforts to improve its image and reputation as a place to start and operate a business and as a venue for quality investment, including foreign investment.

32. **Increasing private investment will also require improved governance, in particular decisive implementation of ongoing governance reforms.** While the governance agenda needs to apply to the entire economy, specific reforms may be better addressed in the context of sector-specific strategies. Challenges to the business environment for both domestic and potential foreign investors need to be addressed, as do challenges to the financial sector, given the low level of financial intermediation.

33. **Sound macroeconomic management will be critical for future growth, given the country's vulnerability to external shocks.** This will require continued vigilance by the Ministry of Finance (MOF) and central bank (NBT). There is an urgent need to rebuild fiscal and foreign exchange buffers, consolidate fiscal accounts to fully reflect the public sector, and stop leakages and the sub-optimal use of public funds. The challenge for policy making is two-fold: (a) to create incentives for the channeling of remittances into productive private investments, including strengthening links between the diaspora and the local economy; and (b) to remove the barriers to internal migration and the efficient reallocation of labor resources within the country.

34. **To achieve sustainable growth, Tajikistan needs to become more deeply integrated into the regional and global economy.** This could be facilitated through labor-intensive exports, including of agro-processed products and light manufactures, which would also help create much needed jobs. In addition to a better business climate, more attention to logistics and infrastructure is needed, so that private entrepreneurs investing in production for export can connect to neighboring markets.

35. **With 70 percent of the population facing extreme hardship due to winter energy shortages, and business citing lack of electricity as a binding constraint, the energy sector reform agenda is a**

long-term challenge. Resolving it will require political will and persistence, given the poor financial management and governance of *Barki Tajik*, the state-owned energy company, which has led to the accumulation of arrears and contingent liabilities, posing macroeconomic and systemic risks.

36. **Economic and social exclusion constrains growth.** Bias and a reliance on personal networks for civil service employment and access to social services and economic inputs limit economic activity, inhibit upward mobility, and exacerbate class, ethnic, and regional tensions. Exclusion of women from employment opportunities that could contribute to higher incomes (education, equal pay, services, asset ownership, and credit) also reduces potential growth.

37. **Climate change and its related impacts put development gains at risk.** Climate change is projected to lead to higher temperatures, more rapid glacier melt, increased incidence of flooding, and also more severe and prolonged droughts. Poor people will be the most affected as they tend to depend more directly on vulnerable land and water resources. Ten years of poverty reduction and shared prosperity is thus potentially at risk, as is the achievement of Tajikistan's national development goals—food and energy security in particular. In addition, there is limited institutional capacity to mainstream climate change adaptation in development plans, programs, and policies.

E. Development Opportunities

38. **Expanding opportunities for private businesses will provide the foundation for a new growth model focused on private sector-led investment and exports.** This requires continuation of efforts to create a business environment conducive to private sector development, including but not limited to: (a) creating a level playing field and strengthening the competition framework, so that insiders or connected parties do not benefit at the expense of other parties; (b) assuring expanded and equal access to finance and energy; and (c) reducing the costs of doing business more aggressively to compensate for the country's geographical disadvantages. Tajikistan has several sectors that could be competitive domestically, regionally, and even globally, but developing them will depend upon removing barriers to entry and attracting private investment. It will also involve creating opportunities for returning migrants to start businesses and to invest their savings locally. As the business environment improves and entrepreneurs (particularly domestic, but also foreign) perceive less risk in investing in Tajikistan, private investment will pick up and begin creating bettering-paying jobs, better service delivery, and more robust tax revenues.

39. **Second, agro-processing and mining are two sectors that offer potentially significant growth opportunities and where important structural reforms have recently been adopted.** Efforts are underway to make investment in agriculture more profitable, especially for exports, by enhancing access to markets and by empowering farmers through strengthening their land-use rights, improving their access to credit and inputs, and enabling them to make their own cropping decisions. The recent growth of non-cotton agricultural exports indicates the potential for growth in agro-processing, including storage of fruit and vegetables, which holds great promise for development, along with textiles and clothing. Tajikistan's application to the Extractive Industries Transparency Initiative (EITI) and its adoption of a new regulatory framework for mining should stimulate its growth, including of SMEs that supply the industry.

40. **Third, meeting energy demand will be important as part of the agenda to reduce poverty and create an enabling environment for private businesses.** Next only to its abundant labor, Tajikistan's vast hydropower potential make it best suited for allocating scarce public resources. Strengthening the electricity sector for reliable domestic supply and potential hydropower exports will require a diverse set of reforms, ranging from making *Barki Tajik*'s operations financially viable and transparent, to leveraging foreign private investment through public-private partnerships (PPPs).

Currently, the government is assessing the feasibility of a large hydropower project at Rogun and other investments to rehabilitate the Nurek hydropower station, which supplies 97 percent of Tajikistan's winter energy. These investments need to be considered in light of riparian concerns and macroeconomic stability, as well as minimizing the costs to the government and sharing costs and risks with private investors.

41. **Fourth, sound macroeconomic management remains the essential foundation for future growth.** Among other things, this means that large infrastructure investment projects need to be carefully appraised and prioritized against the population's needs for better education, health and social protection. Public finance management also requires strengthening to make spending more efficient; and public finance reforms aimed at enhancing the transparency of public procurement, while hardening SOEs' budget constraints—especially those in energy—need to be reinforced by adherence to sound principles of corporate governance and international financial reporting standards (IFRS).

42. **Finally, to realize these opportunities and achieve sustainable growth, Tajikistan will need to invest in human capital and institutions.** Although the country faces challenges and opportunities in all four types of endowments—natural, physical, human, and institutional—it is the scarcity of human and institutional capital that inhibits the country's growth prospects. Given a growing young labor force, policy should focus on enabling youth, particularly from rural and poor families, to acquire knowledge and skills of relevance for private sector development and for capacity development in public sector institutions.

F. Government Priorities

43. **Tajikistan's overall long-term development goals, reflected in its ongoing 10-year National Development Strategy (NDS), 2006-15, are to promote sustainable growth, improve public administration, and develop human resources.** A new long-term strategy is presently being prepared that is intended to be aligned with post-2015 MDG goals, for which the United Nations undertook consultations with the government and a wide range of civil society stakeholders. As was the case for current NDS now nearing completion, the second NDS is expected to be supplemented by a series of 3-year medium-term development programs and strategies.

44. **Tajikistan's current Living Standards Improvement Strategy (LSIS) for 2013-2015 sharpens the focus on poverty reduction and the expansion of the middle class.** It is therefore fully aligned with the WBG's priorities to reduce extreme poverty and promote shared prosperity. The LSIS' three broad-based priorities are as follows:

- *Strengthening the basis of development*—in particular, macroeconomic management, public administration, private sector development, investment climate, special economic zones, and integration with the global economy;
- *Reinforcing sustainable economic growth*—concentrating on energy and industry, physical infrastructure, especially communications and transport, and food security, including agriculture, land use, and irrigation; and
- *Ensuring development of human potential*—focusing on employment and social protection; education and science, basic health care, communal utility services, including water supply and sanitation, environmental stability, gender equality, and demographic projections and planning.

45. **President Rahmon has set quantitative targets for national development by 2020.** In his inaugural address following re-election on November 16, 2013 and national address to Parliament on April 23, 2014, he set two overall targets: to double GDP and to reduce poverty to 20 percent by 2020, while also expanding the middle class. He also reiterated the government's continuing emphasis on achieving energy security, ensuring food security, and increasing connectivity. These critical goals would be achieved by ongoing reforms in agriculture; increasing efficiency and productivity in both land and water resource use; rehabilitating rural social and economic infrastructure; supporting productive SMEs and entrepreneurs; promoting gender equality; and providing social protection and support to the poorest citizens. Education and health in particular will remain priorities for government financing and reform; tertiary education would be a special focus, with admittance to universities via the Unified Entrance Examination expected to increase acceptance on the basis of merit. In supporting and financing these priorities, the government will also aim to utilize budget resources more efficiently.

III. BANK GROUP PARTNERSHIP STRATEGY

A. Lessons Learned from previous CPS and Stakeholder Feedback

46. **The principal objectives of the previous CPS were to mitigate the impact of the 2008-09 global downturn and to pave the way for post-crisis recovery and sustained development.** Key lessons that have informed the design and content of this CPS include the following. *First*, Tajikistan's civil war delayed the country's economic and political transition, including the establishment of modern government institutions, by at least a decade. As a result, several first generation reforms remain still to be fully completed to lay the foundation for sustainable growth. *Second*, though many institutional, legal, and regulatory reforms were adopted to promote private sector development, their impact so far has been limited due to poor governance, capacity constraints, and/or market dominance by related parties. *Third*, sustainable improvement in public service delivery requires a combination of political leadership, dedicated civil servants, and the proactive engagement of civil society. *Fourth*, the poor quality of official data puts development outcomes at risk because policy choices and investment decisions are not based on solid evidence or analysis. The Completion Report for the last CPS is at Annex 2.

47. **Meanwhile, the results of a country opinion survey undertaken in early 2014 have informed CPS preparation and will guide its implementation.** According to this survey, improving the quality of public services and combatting corruption are viewed as the country's two highest development priorities. Meanwhile, economic growth, private sector development, job creation (especially for young people), and education and training for employment are considered the four most critical areas for reducing poverty and promoting shared prosperity. Overall, the WBG is considered an effective, relevant, and respectful development partner, with particularly high scores for collaboration with the government and coordination with other development partners. Lower ratings and thus challenges for the future include the need to strengthen collaboration with non-state actors and to disseminate more effectively the results of its work, including macroeconomic, poverty, and other data.

48. **During consultations at the national and local levels between June 2013-February 2014, stakeholders argued strongly for WBG support to expand economic and social opportunities for excluded groups.** Civil society organizations (CSOs) highlighted: (a) the priority of job creation through private sector development especially in the agricultural and rural sectors; (b) the importance of ongoing and planned reforms in education, health, and social protection; and (c) the need for better relations with neighboring countries, especially in the areas of education, energy, tourism and water resources. CSOs also called for young people, the fastest-growing demographic group, to be a focus of the new CPS. More detailed summaries of the country opinion survey's findings and stakeholder consultations and feedback are at Annex 5.

B. Proposed Bank Group Strategy

49. **The strategic goal of this CPS is to help reduce extreme poverty and promote shared prosperity by expanding opportunities for the private sector and excluded groups, thus supporting transition to a new growth model.** This overarching objective is in line with WBG corporate priorities, with the development challenges and opportunities discussed above (paras.31-44), with the country's medium-term (LSIS) development goals, as well as with the new long term strategy that is currently being prepared. CPS support would be provided through targeted interventions organized around three broad areas of engagement or pillars, as follows:

- *Strengthen the role of the private sector.* The objective is to create enabling conditions to expand micro, small and medium-sized enterprises (MSMEs) and thereby create jobs. Joint IDA-IFC work will reduce transaction costs for business, increase access to finance, and increase the reliability of electricity supply. Growth opportunities will be targeted in agri-business and improvements in the regulatory environment for mining. ;
- *Social inclusion.* The objective is to improve delivery of basic social services (social protection, water and sanitation, primary health care), while expanding access to higher education for youth from poor families, and to land rights for women, thus increasing opportunities for productive employment.
- *Regional connectivity.* The objective is to expand access to regional markets and global information and knowledge through infrastructure improvements (including telecommunications), thus diversifying economic opportunities.

50. CPS activities under each of these three pillars would also be shaped by applying **three cross-cutting themes: gender, governance, and climate change.** Finally, the CPS' overall design, framework, and program reflect reform priorities emerging from policy dialogue with the authorities in the context of routine macroeconomic monitoring, recently completed and ongoing AAA, and investment and development policy operations, as well as Tajikistan's CPIA scores for 2013.

51. **A ‘One WBG’ approach to planning and implementation informed this CPS.** Based on positive practical experience during the last CPS, including joint work on the regulatory environment, individual projects (*e.g.* Pamir Energy, CASA-1000) and AAA (*Khatlon: Reinvigorating Regional Growth* (2012)), the teams merged into one for the launch of the CPS and its preparation. To meet CPS objectives more efficiently, the WBG is combining core competencies in several strategic areas. First, to help meet ‘stretch goals’ that would boost growth, the WBG jointly identified priorities for the DPO series and would collaborate during preparation and/or implementation (see paras. 54-55). Second, to develop MSMEs, the ongoing *Private Sector Competitiveness* project and IFC advisory services are simplifying business registration, permitting and inspections while improving the regulatory environment for mining. A follow-on project is planned for FY18 that would be prepared jointly. Second, given high informality, the WBG will modernize tax administration and increase electronic services for tax filing, permit applications, and regulatory compliance, thus reducing corruption and encouraging greater formality. Third, to promote agribusiness, the WBG provides a full-service approach, including: i) land and irrigation reform to increase sector productivity; ii) development of ‘integrators’ for fertilizer, leasing and marketing services; iii) introduction of new financial products through commercial banks; and iv) direct investments by IFC in suppliers and retail food. Further joint efforts are under preparation, including in the ICT sector, municipal services and hydropower. In Dushanbe, the Bank and IFC share office space and the institutions cooperate on external affairs, IT and HR.

52. CPS support would be provided through the existing portfolio, by new IDA lending averaging US\$60 million annually, supplemented where appropriate by trust fund financing, and by analytical and advisory activities (AAA).¹³ Based on recent AAA and operational experience, lending would be scaled up for higher impact in sectors that underpin shared prosperity, including land reform, water (all uses), energy, and social assistance. The Bank's multi-year engagement in the education sector would be broadened by the addition of higher education. Regional connectivity, which is a new priority area with strong demand from the Government and civil society, will be informed by further AAA. The shift to fewer, but larger investment lending operations already underway during the second half of the last CPS would permit greater selectivity, a more strategic focus on reforms and results, and the continued consolidation of the portfolio. No less important, it would also help reduce administrative and management burdens on the government's limited absorptive and project implementation capacity, as well as on scarce Bank Group staff resources. New trust fund commitments potentially equivalent to up to half of IDA commitments would leverage IDA financing, especially in communal services, energy, environment, and transport.

53. IFC-specific support envisages potential investments averaging up to US\$10-20 million annually, plus technical assistance. Building upon its existing advisory and investment services portfolio, IFC will continue to prioritize activities that contribute to increased access to finance for MSMEs, particularly in rural areas, promote investment climate improvements and reduce costs of doing business, and support development of agribusiness, hydropower and mining. IFC will also seek investment opportunities in other growth-enhancing sectors and develop related advisory services. The indicative work program for FY15-17 is presented in Table 2 below.

54. The indicative IDA lending program provides for 3-4 operations annually¹⁴, including a programmatic series of three DPOs commencing FY16. In addition, one regional project is planned in FY15; others are under consideration. These have the potential to leverage Trust Funds or additional IDA and shared solutions. Based on experience under the last CPS, DPOs are a key instrument to support implementation of structural reforms over the medium-term, helping build policy consensus within the government, as well as strengthening coordination and implementation structures and practices. If the authorities are able to maintain a satisfactory macroeconomic framework and an acceptable reform implementation record, up to one-third of new commitments would be in the form of DPOs to support implementation of the structural reform agenda. If not, the available resources would be re-allocated to augment or finance new investment operations already in the pipeline. The DPOs would address the institutional and policy constraints identified by the Bank and IFC that are holding back progress across all three pillars. Further development of the policy framework would draw upon: (a) the analysis and recommendations of ongoing and planned AAA, in particular the public expenditure reviews currently underway; (b) policy dialogue in the context of ongoing operations in energy, financial sector, public finance management, and social assistance; and (c) recommendations emerging from IFC's advisory services.

55. The scope and timing of the DPO series would aim to achieve three 'stretch' goals that would boost growth. These would be to: (a) resolve AIB, preferably involving a foreign investor and management contract with IFC involvement, thereby facilitating the expansion of credit for the ongoing commercialization of agriculture; (b) increase the reliability of electricity supply through measures to

¹³ The IDA allocations for FY15-17 (IDA-17) and FY18 (IDA-18) are indicative. Actual IDA allocations may vary depending on: (a) the total IDA resources available; (b) Tajikistan's GNI *per capita*, performance rating, and population; (c) the terms of IDA assistance (grants and credits) and deductions associated with MDRI annual debt service foregone; (d) the performance, terms, and other assistance parameters of other IDA beneficiaries; and (v) the number of IDA-eligible countries.

¹⁴ 3 operations in FY15 and FY18, and 4 operations in FY16 and FY18

improve the financial viability of *Barki Tajik*, the state-owned energy utility, possibly involving a management contract for IFC; and (c) increase regional and international connectivity and reduce private enterprises' transaction costs by the further liberalization of aviation and telecommunications. Meanwhile, given the high cost and risk of large public investment projects such as the proposed Rogun hydropower plant, financing arrangements would need to be considered carefully, taking into account debt sustainability strategy, as well as the need to maintain macroeconomic stability and prevent the crowding out of other vital public expenditures.

56. Tajikistan's weak institutional framework and uneven implementation record require the mainstreaming of governance mechanisms in country systems and in WBG-financed operations. Based on experience under the 3-year Governance Partnership Facility (GPF), demand and supply-side mechanisms to strengthen accountability and transparency would be supported by investment operations and by Tajikistan's participation in the Global Program for Social Accountability (GSPA). CSOs would be involved throughout the project cycle and in IFC advisory services. The governance checklist would inform new operations and mid-year reviews. Using a Russian Trust Fund, the budgetary committee of parliament would continue to strengthen its public finance oversight function. In addition, experience with the recently approved health '*results based financing*' project would be carefully monitored. The focus on governance also includes strengthening of country systems in public procurement and in financial management. The procurement team is helping increase procurement capacity in ministries and supporting e-procurement, which will improve competitive access for private sector participation and reduce opportunities for corruption, while the on-going public finance reform project is strengthening the treasury to support e-disbursement.

Table 2: World Bank-IFC Indicative Work Program, FY15-18

Pillars	Current Portfolio	Planned Lending	Advisory, Knowledge, and Non-Lending TA
Private Sector-Led Growth	<p><u>World Bank:</u></p> <p>Land Registration and Cadaster for Sustainable Agriculture (FY05) Fergana Valley Water Resources Management (FY06) Private Sector Competitiveness (FY12) Tax Administration (FY13) Agricultural Commercialization (FY14) ECA Stats TF (FY13-14)</p> <p><u>IFC:</u></p> <p>IFC outstanding portfolio in the financial sector, agribusiness and tourism.</p>	<p><u>World Bank:</u></p> <p>Development Policy Operation-1-3 (FY16-18)</p> <p>Land Immovable Property Registration (FY17)</p> <p>Private Sector Competitiveness—Additional Financing (FY18)</p> <p>Improved Irrigation Efficiency (FY18)</p> <p><u>IFC:</u></p> <p>Potential equity investments, short- and long term debt finance, and risk management instruments to support clients in the financial sector (e.g., banks, microfinance organizations), agribusiness (e.g., primary producers, food retail, supporting infrastructure), basic manufacturing and services sectors, PPP transaction advisory in hydropower projects</p>	<p><u>World Bank:</u></p> <p>Public Expenditure Review (FY14-15) Strengthening Bank Regulation (FY14-15) Agriculture Sector Update (FY14-15) Irrigation Strategy (FY14-15) Financial Sector Policy Dialogue (FY15) Legal Framework for Secured Transactions (FY15) Insurance Market Development (FY15) Supreme Audit Institution (FY15) Energy Sector Dialogue (FY15) Strengthening Capacity for Budgets (FY16) Review of Rogun HEP assessment process (TA) FY11- FY15;</p> <p>Trade and competitiveness (FY15) Mobile banking (FY15-19) MIRPAL (FY10-18)</p> <p>IDF Grant for MoEDT capacity building (FY14-16)</p> <p>Joint study with IFC on sustainable farm advisory systems (FY16)</p> <p>FIRST TA on banking supervision (FY12-16)</p> <p>PEFA (FY18)</p> <p><u>IFC advisory services:</u></p> <p>Konimansur Mine PPP Transaction Advisory (FY09-FY15, ongoing) Access Bank of Tajikistan (FY09-FY15, ongoing) Transformation for MFIs in Tajikistan (FY08-FY17, ongoing) Tajikistan Financial Infrastructure (FY09-FY16, ongoing) Tajikistan Business Regulation and Investment Policy Project (FY13-FY15, ongoing) Central Asia Corporate Governance Project (FY13-FY15, ongoing) ECA Region Resource Efficiency Advisory (FY10-FY16, ongoing) Central Asia Agri finance Project (FY14-FY19, new) ECA Region Agribusiness Standards (FY14-16, new) Potential management contract for Barki Tajik (FY14-16, new)</p>

Pillars	Current Portfolio	Planned Lending	Advisory, Knowledge, and Non-Lending TA
Social Inclusion	<u>World Bank:</u> Energy Loss Reduction (FY05) Municipal Infrastructure (FY06) Public Finance Management Modernization (FY09) 2 nd Dushanbe Water Supply (FY11) Social Safety Net Strengthening (FY11) Environmental Land Management & Rural Livelihoods (FY13) PAMP-2 (FY13) Global Partnership for Education (GPE)-4 (FY14) Health Services Improvement (FY14)	<u>World Bank:</u> Communal Services Development Fund (FY15) 2 nd Public Finance Management/Public Administration, PFM APL2 (FY15) Higher Education (FY16) Social Safety Net Strengthening—Additional Financing (FY16) Winter Energy (FY16) National sanitation (FY17) <u>IFC:</u> Potential investments in private health and education.	<u>World Bank:</u> Programmatic Poverty Studies (FY13-15) Addressing Energy Deprivation (FY14) Review of Social Safety Net Reforms (FY14-15) Governance in Service Delivery 3 (FY15) Higher Education Sector Study (FY15) Social accountability in WSS services (FY18) Implementation of the Governance Checklist (FY14) <u>IFC advisory services:</u> Potential Education for Employment program Potential PPP Transaction Advisory in the social sectors
Regional Connectivity	<u>World Bank Group:</u> CASA-1000 (FY14)	<u>World Bank:</u> Central Asia Road Links (FY15) Tajikistan-Afghanistan-Turkmenistan railway (FY18) <u>IFC:</u> Potential equity investments, corporate and sub-national loans to support investments in infrastructure (e.g., energy generation and cross-border transmission, IT, telecom, aviation).	<u>World Bank:</u> Central Asia Energy & Water Development Program (CAEWDP) Central Asia Regional Rail Study (FY15) Multi-modal transport study (FY15) Central Asia ICT KP (FY14) <u>IFC advisory services:</u> CASA-1000 PPP Transaction Advisory (FY13-FY15, ongoing) Tajikistan Infrastructure Investment Advisory (FY13-FY15, ongoing) Potential PPP Transaction Advisory

57. **To build commitment for deeper structural reforms, the CPS program will invest in joint policy notes and create space for public dialogue.** The goal will be to enable transformative change agents to play a stronger role in the country's development. This will be achieved through collaboration with the Development Coordination Council by setting up a regular platform for policy dialogue on structural reforms with concerned stakeholders, including the government, think tanks, CSOs and the private sector. The intention is to help consolidate the currently small and fragmented circle of reform advocates, raise their profile and voice, and help them overcome resistance from various vested interests. The WBG will contribute to this process by initiating joint policy notes and organizing at least quarterly thematic meetings to discuss and disseminate proposals on various critical areas of structural reforms.

C. Expected Results and Program of Lending and Non-Lending

Pillar 1: Strengthening the Role of the Private Sector

58. **The first pillar would contribute to the twin goals by increasing opportunities for private firms and farmers to invest, grow, and create jobs.** International evidence shows that MSMEs are the most important source of new employment, yet this segment of the private sector in Tajikistan is disproportionately constrained by high regulatory costs, limited access to finance, governance obstacles, and a dominant state role in the economy (45 percent of GDP, EBRD, 2010). As a result, MSMEs have

had a weak contribution to job growth and poverty reduction since 2006. The CPS therefore targets binding constraints that are hampering the expansion of new private investment, particularly for smaller firms and farmers. Building on the previous CPS, the WBG will support implementation by Government of reforms that reduce transaction costs on business, including by use of electronic services, and increase access to finance, electricity, and land. Together with interventions to improve the competitiveness of agribusiness, the WBG will help small farmers become small businesses by increasing the marketed surplus of selected agricultural products. Besides these specific outcomes, CPS activities under this pillar would also improve energy security, which is crucial for private sector growth and welfare improvement for the poor, who suffer most from winter energy deficits.

59. Reducing the costs of doing business and improving the investment climate will continue to be a focus with an emphasis on implementation and service delivery assessment. CPS support would focus on economy-wide regulatory reforms with the objective of reducing compliance costs for the private sector throughout the business cycle—from registration to permits and licensing, tax administration, and inspections. Compliance costs are largely fixed and thus represent a disproportionately high cost to MSMEs. Consequently, these reforms will be critical to enable smaller businesses to grow. Tax administration, which continues to be raised in surveys of the private sector as a leading obstacle to growth, will be a particular focus with the objective of modernizing the State Tax Committee’s service delivery, internal information technology (IT) capacity, and valued-added tax (VAT) systems leading to greater predictability for businesses and improved government efficiency. Drawing upon lessons learned in the previous CPS, activities in this area will emphasize reform implementation through capacity building, governance, and the use of practical tools to enforce regulations, including feedback mechanisms to assess the quality of service delivery. Recommendations emerging from this economy-wide focus will also inform and monitor development policy lending.

60. Expanding MSMEs’ access to credit and bolstering the financial sector remain high priorities. The CPS will continue efforts to develop a robust financial sector that can attract new investment including remittance inflows, while providing new products and services to borrowers and savers. In line with the financial sector reform strategy and action plan, the CPS will support the strengthening of financial sector regulation and supervision (both prudential and consumer protection) and improving financial market infrastructure. In parallel, IFC will continue to work with individual financial institutions providing finance as well as technical assistance on risk management, foreign exchange management, and microfinance growth and transformation strategy. By working both at the regulatory and firm level, the CPS will support the development of mobile banking, which could facilitate better access to finance as well as the intermediation of remittances. Support for immovable property registration will facilitate the use of land and buildings as loan collateral.

61. Access to land and property rights that are well defined and enforced are important enabling conditions for private investment in agriculture, environmental management, and urban development. The way such rights and access are managed at the policy level is also crucial for ensuring socially inclusive development in these areas, particularly regarding women’s land rights. The WBG has supported farm restructuring and the initial creation of a land cadastre and registration system through the *Land Registration and Cadastre System for Sustainable Agriculture* project, but the registration system is still not operational for transactions and large areas of land and property remain unrecorded. In 2014, the registration and cadastre of all properties was united in one entity in line with the law on registration, but this recent institutional reform must be supported by modern IT, a regulatory framework for the property market, and the training of skilled professional staff. The proposed *Land Immovable Property Registration* project (FY17) will provide a platform to continue intensive policy engagement around land, be it related to farm restructuring, pasture reform and other communal areas, or urban planning and upgrading.

62. Improved governance and financial viability of the energy sector are critical to reduce persistent winter energy shortages and to enable private sector growth and higher living standards. The Tajik energy sector is in a state of crisis and poses serious threats to economic growth, macroeconomic stability and social inclusion objectives. The issues related to sector governance and financial viability will need to be addressed as a matter of urgent priority in order to resolve severe winter energy shortages, attract private sector capital, reduce the impact of sector debts on the budget, and secure citizen support for essential sector and tariff reforms. The WBG has been and will continue to assist the country on both the governance and financial issues through lending and technical assistance. The Bank's interventions will help the Government implement its Financial Recovery Plan for Barki Tajik, the state utility, and specifically, to bring Barki Tajik's operations to short term cost recovery levels during the CPS period. Measures that will be undertaken with development partners will include: the completion of the consumer metering programs and improved commercial billing practices to reduce commercial losses and increase revenues; energy efficiency programs to reduce energy consumption; and investments to help mitigate winter energy shortages. IFC will provide assistance in the areas of regulation for clean energy investments, private sector participation in the sector through support to small private generation projects and possibly through a management contract of Barki Tajik. In addition, IFC may consider other infrastructure projects opportunistically.

63. CASA-1000 will establish new mechanisms to improve financial accountability and reduce winter energy deprivation. To ensure that export revenues generated from CASA-1000 are transparently managed and used for permissible purposes, the Government will establish an escrow account that would accumulate funds from all electricity exports, including the existing bilateral Tajikistan-Afghanistan power trade. Monthly statements of receipts and payments will be published on the websites of Barki Tajik and the Ministry of Energy, and the statements will be subject to an annual audit. Permissible uses would include project-related payments and activities agreed with the Bank and financiers targeted at priority investments, such as reduction of winter energy deficits. As part of the Community Support Program for communities along the construction corridor, a number of schemes will be offered for communities during the construction phase of the project and a part of the benefits through a share of CASA revenues. Based on feedback from focus groups in an on-going study of the social impacts of winter energy deprivation, these may include bulk supplies of heating fuels and support for energy efficiency of social infrastructure and homes, in addition to targeted social assistance.

64. Helping increase the efficiency and competitiveness of agroindustry will be a ‘one WBG’ effort, building on significant policy advances made in the previous CPS. In Tajikistan, most private businesses are small farmers and helping them secure access to markets and sustainable income is central to reducing extreme poverty and boosting shared prosperity. The *Agriculture Commercialization* project (FY14) will help small farmers become small businesses by commercializing marketable surpluses. In a complementary manner, IFC will promote development of agro-industry along its value chain, aiming to: (a) increase farmers' access to finance (including through development of mobile banking); (b) expand agro-aggregators' capacity and bankability; and (c) foster private investments in agro-processing and related infrastructure. IFC will also explore opportunities along the agribusiness value chain and seek partnerships with foreign investors planning to set up joint ventures in Tajikistan. Finally, given the importance of livestock for poor communities, the WBG may also support Tajikistan's participation in a regional program for food safety and livestock trade.

Pillar 2: Social Inclusion

65. The second pillar would address extreme poverty and help promote shared prosperity by improving delivery of social services that expand opportunities for excluded and vulnerable groups.

Based on findings from the ECA report on Diversified Development (2014), human capital in Tajikistan is a source of competitive advantage that requires significant new investment in line with the unfinished MDG agenda. Outcomes that CPS activities are intended to influence during the next four years, as reflected in the results framework, include: (a) increased access to, and better quality of *education*—in particular poor students (bottom 40 percent) in tertiary education; (b) improved efficiency and quality of primary *health care*, especially for mothers and children; (c) better access to targeted social benefits by the poorest quintile of the population, including use of a national electronic registry for social services, through the nation-wide rollout of *targeted social assistance*; and (d) better access to safe drinking water (and sanitation) in urban areas, including Dushanbe. .

66. **Education.** With the World Bank and several other development partners already involved in early childhood, general, and vocational and technical education and training in Tajikistan—all high priorities—additional CPS support for education would be selective and focus on the tertiary level. University enrollment averaging 150-160,000 or about 20 percent—with boys outnumbering girls by over two to one—is unchanged since the mid-2000s; and enrollment in non-university tertiary education has also been flat at around 35-40,000. However, quality and completion rates are declining. According to preliminary findings from a World Bank/GIZ study, the private sector sees the shortage of higher education graduates and ‘new economy’ skills as a constraint to growth just when educational quality and completion rates at the tertiary level are declining. Moreover, higher education benefits the richest groups, raising equity concerns. Thus, investments in tertiary education are vital to improving private sector growth and shared prosperity. The READ project financed by Russia established the National Testing Centre (NTC), which will reduce corruption in university access. An ongoing *Higher Education Sector Study* is analyzing efficiency, equity, and effectiveness issues and identifying priorities for enhancing university-level education’s quality and relevance to the particularities of Tajikistan’s economy and labor market. Based on this analysis, as well as studies in *Education Governance* and *ICT Capacity*, a proposed *Higher Education Project* (FY16) would support improvements to the system.

67. **Health.** The main objective of financing and organizational reforms since the early 2000s has been to improve the public health system’s effectiveness and financial sustainability by strengthening primary health care and restructuring the oversized and inefficient hospital delivery network inherited from the Soviet period. While these reforms and related investments have led to some improvements in service delivery, several issues still need to be addressed. First, *per capita* financing in primary health care applies only to the non-salary portion of the budget, representing about 10 percent of total spending on primary care. Most public funds are still allocated through line-item budgets that maintain the *status quo* and deter incentives to improving the efficiency and quality of primary health care services. Second, Tajikistan’s hospital system, characterized by high bed to population ratios, low occupancy, and long average lengths of stay, remains inefficient and continues to consume most of the limited public health resources available. Overall financing for health is barely adequate to cover salaries and utilities, leaving little for drugs, laboratory re-agents, and facility maintenance. CPS support during FY15-18 would comprise the ongoing *Health Services Improvement Project* (HSIP), in particular the piloting of performance-based incentives designed to improve the quality of maternal and child health care and the enhancement of the *per capita* financing system for primary health care. In addition, with support from a second Japanese Social Development Grant, the Bank would expand nutrition training and supplements to pregnant mothers to help address the high rate of child under-nutrition and maternal and child mortality.

68. **Social Protection.** In 2011, recognizing the need for a comprehensive social protection strategy to improve coverage and targeting, the government launched a pilot *Targeted Social Assistance* (TSA) program in two districts. It consolidated the two largest social assistance programs into a single benefit and was twice as effective in reaching the poorest 20 percent of the population using proxy means test to target benefits. A Rapid Social Response Multi-Donor Trust Fund grant supported implementation and evaluation of this pilot and a subsequent IDA-financed *Social Safety Net Strengthening Project* (FY 11) is

supporting development of a national electronic registry for social assistance as well as capacity building to extend the pilot to 25 districts in 2014. As a result of this operation and high-level policy dialogue, the government recently agreed to adopt a nation-wide targeted poverty benefit in place of categorical benefits. Thus, an FY14 policy note is providing the fiscal analysis for the benefit; and the institutional infrastructure for TSA program implementation nation-wide will be provided during FY15-18 through additional financing to the on-going *Social Safety Net Strengthening Project*.

69. Water Supply and Sanitation, Urban Development and Disaster Risk Management interventions will have the greatest impact in ensuring socially inclusive, sustainable and safer communities. Except for the largest cities, urban communities suffer from poor communal service coverage, especially sewerage; and access to basic services is particularly poor in small-towns and rural areas, with dire sanitation conditions. The economic cost of inadequate and unequal access to water supply and sanitation services in terms of health impacts, productivity losses, and coping costs for accessing water is estimated at over 3 percent of GDP. On a *per capita* basis, average costs represent over 9 percent of the lowest quintile's average income. CPS responses to these challenges will be growth-centered and will include: the proposed *Communal Services Development Fund*, with support from EBRD and other partners, with an initial focus on water supply in secondary towns. A *National Sanitation Project* is under discussion, beginning in Dushanbe, to build the sanitation sector from the ground up, including central institutional capacity building, rehabilitation of urban systems, and introduction of innovative decentralized sanitation solutions for small towns and rural communities. These activities will also contribute to make water supply and sanitation climate-smart through loss reduction.

70. Employment and Labor Market Reforms. Despite low unemployment according to official data, Tajikistan's labor market is characterized by limited opportunities for productive work, in particular for women, large numbers of job seekers, and significant underemployment, especially in rural areas. Youth employment is a special concern because of Tajikistan's young population—almost 40 percent of the labor force is less than 25 years old—and because the quality of education at all levels is problematic. Against this background, AAA and TA activities would aim to: (a) deepen understanding of the nexus between education and training, labor outcomes, migration, and poverty; (b) assess the labor market's regulatory environment, in particular the potential for more youth-friendly features; and (c) evaluate the impact of the recently reformed university entrance examination in terms of access, efficiency, and transparency, as well as the relevance and value of higher education in the labor market, in particular for women. Proposed lending (FY18) would link the labor market and private sector competitiveness, based on experience in IFC's *Education for Employment* program in the Middle East and North Africa.

Pillar 3: Promoting Regional Connectivity

71. The third pillar would address the twin goals by reducing the time and cost of Tajikistan's integration into regional markets and global knowledge networks. Geographically isolated with a small domestic market, the World Bank's Tajikistan Trade Diagnostic Study (2006) concludes that reducing economic distance to world markets is a pre-condition for sustained rapid growth and poverty reduction by stimulating private sector activity and trade and investment flows. This in turn would generate higher fiscal revenues and household incomes. The study found that more efficient operations and increased competition in road and air service could lower annual transport costs by 20 percent. Regarding internet connectivity, the World Bank study on Economic Impact of Broadband (2009) found that a 10 percentage point increase in market penetration of broadband services in developing countries increases GDP by 1.38 percentage points on average. Based on these factors, the CPS aims to: (a) increase commerce in the Ferghana Valley by strengthening Tajik-Kyrgyz road links; (b) promoting regional power trade and creating a Central Asia-South Asia energy market; and (c) liberalizing ICT

sector regulation and improvement in international broadband internet connectivity. Investments in infrastructure would be supported by AAA on regional railways and a Tajikistan multi-modal transport study.

72. **Transport—regional roads.** Trade, transit, and transportation are encumbered by poor road connectivity, both domestically and regionally. Central Asia region transport margins can be very high, in some cases exceeding 100 percent, because of low quality roads, border delays, and other soft and hard infrastructure obstacles. Relatively small investments in trans-border links are known to have impacts on ‘agglomeration’ processes disproportionate to the simple economic value-added from lower transport costs. These processes facilitate trade, the competitiveness of domestic products, and the potential for diversification. Regional road transport corridors can dramatically reduce these costs, increasing the scope for profitable trade and also its intensity.

73. CPS support for the proposed *Central Asia Road Links* (CARs) program, strengthening connections with the Kyrgyz Republic, would complement the ongoing regional *Transport and Trade Facilitation Strategy and Action Plan*, 2008-17, which envisages rehabilitation of six strategic regional transport corridors based on their potential to enhance growth and reduce poverty. Focused on the northern *Sughd* region, which accounts for about one quarter of Tajikistan’s GDP and 40 percent of the country’s overall freight turnover, the Tajikistan component of this program would not only facilitate economic and regional cooperation, but also support private sector participation and the WBG’s agro-processing strategy for time-sensitive products, such as fruits and vegetables, clothing and textiles, and other consumer goods.

74. **Electricity trade.** The *Central Asia-South Asia Electricity Transmission and Trade* project (CASA-1000) (FY14) will enable the export of summer surplus hydropower from Central Asia to energy deficit countries in South Asia, improving socio-economic prosperity and stability in all four countries (Kyrgyz Republic, Tajikistan, Afghanistan and Pakistan). CASA-1000 requires that export revenues be placed in an escrow account and managed transparently, thus strengthening financial sustainability of Barki Tajik. In addition, opportunities for reconnecting Tajikistan to the Central Asian electricity grid and associated trade options with Central Asian countries are being explored under on-going AAA on *Regional Energy Trade*. Resuscitation of regional energy trade would provide the fastest means to reduce winter energy deprivation in Tajikistan, which affects 70 percent of the population.

75. **Aviation.** Despite IDA-supported initial reforms, Tajikistan’s air transport system remains plagued by weak corporate governance, limited competition, distorted tariffs, and inadequate regulatory oversight, leading to one of the highest landing costs in the world. It is also hampered by staffing constraints in the three parastatal companies concerned and sub-standard physical infrastructure. In coordination with other development partners, CPS support through a DPO and a possible IFC investment would promote competition through aviation sector liberalization and strengthened governance, enhanced air transport connectivity and safety, as well as greater private sector involvement. However, achievement of these outcomes is a CPS ‘stretch goal.’

76. **Railways.** There is currently no railway link between Dushanbe and the southern regions of the country which would be part of a regional corridor link from Dushanbe through northern Afghanistan to Turkmenistan. ADB is currently financing a feasibility study of the Afghanistan section and plans to help with the Tajikistan component later this year. CPS support for railways would comprise a policy note covering financial, strategic, and technical options for Tajikistan’s railway, complementing similar studies undertaken in other Central Asian countries. Contingent on agreement between Tajikistan, Afghanistan, and Turkmenistan (TAT), a project supporting the TAT rail link is tentatively in the pipeline.

77. **Regional telecommunications connectivity.** Tajikistan can integrate further into global knowledge and economic networks if it increases the diversity and capacity of its international telecommunications links. At present, its connectivity is limited—and lags other landlocked countries in international internet bandwidth *per capita*—constraining the ability of businesses and citizens to connect with global education, trade, or employment opportunities. An inconsistent regulatory framework currently prevents private telecommunications firms from building cross-border fiber optic cables that would connect Tajikistan better with the rest of the world. In this context, as required by WTO, an independent regulatory agency needs to be established to create a

level playing field for all companies, irrespective of ownership.

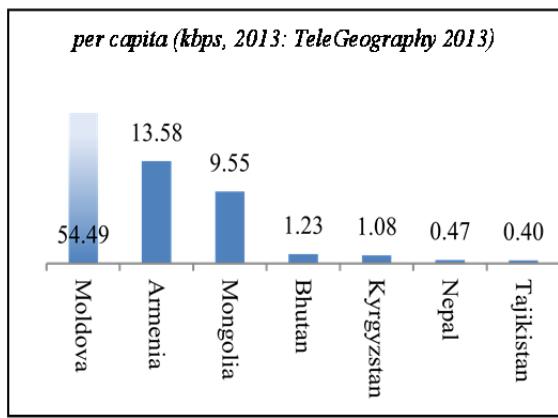
Table 3: International Internet bandwidth per capita (kbps),
Telegeography 2013.

78. An opportunity for Tajikistan arises from the high level of private sector interest in developing the national and cross-border connectivity infrastructure. Leveraging IFC investments in telecommunications, the WBG could help unlock private investment by supporting reforms in the regulatory framework and catalytic investments that extend access to rural and remote regions of the country. Moreover, an ongoing higher education study is raising awareness and working with universities to test the prospects for using the internet and ICT to improve the quality of, and access to higher education. A planned higher education project will build on these results, aiming to connect more students in Tajikistan with regional and global knowledge networks.

79. **Creating regional and international learning networks.** In addition to using university networks to integrate Tajikistan into global knowledge, the WBG will continue the on-going Central Asia Energy and Water Development Program (CAEWDP) to support regional energy-water cooperation. As a platform for knowledge and experience sharing, the CAEWDP supports comprehensive interaction of Central Asia countries and Afghanistan on water and energy linkages. It promotes data-sharing and builds technical knowledge on climate modeling, hydrology, and resource-saving technologies, which is important because climate change impacts in Central Asia extend across national borders. To improve climate resilience, Central Asian countries have requested WBG support for regional collaboration, and a program is under discussion that would build on a series of on-going initiatives, encompassing the annual Central Asia Climate Knowledge Forum, the Central Asia Technical Working Group on Climate, and the ECA Deep Dive Technical Assistance. Finally, as already noted earlier, the WBG may support Tajikistan's participation in a regional food safety and livestock trade program, if regional IDA resources are available.

Cross-Cutting Theme—Gender:

80. Limited access to land, finance, social services and networks represent constraints to female entrepreneurship and participation. Women face specific difficulty accessing finance due to lack of collateral, education, and knowledge. Women are disproportionately present in the low paid informal agricultural sector and have much lower enrollment in tertiary education. Female entrepreneurs are rare and face more obstacles in access to land, finance and networks than men. Due to the large-scale outmigration of males, Tajikistan has the largest share of female-headed households in Central Asia.



Significant gaps in disparities between women and men are still observed after the completion of basic secondary education: according to the 2011 World Development Indicators (WDI) the ratio of female to male enrollment in tertiary education was 52 percent.

81. Narrowing the gender gap in human capital endowments and economic opportunities is critical for achieving inclusive growth and will remain an important area of CPS support. The *private sector-led growth* pillar will focus on improving women's access to economic opportunities, building their capacity and skills, and providing access to land rights and finance leading to higher productivity especially in the low paid agriculture sector. The *social inclusion* pillar will aim to improve equal access to better quality social and public services (health, nutrition, education, social protection). Finally, by supporting regional learning networks and climate change adaption practices, girls and women will have greater access to information that can build resilience and reduce migration as a coping strategy.

82. Achievement of outcomes will be measured by a composite indicator of gender empowerment, including increased access to employment opportunities, land rights and rural productive assets, healthcare and nutritional supplements, and home gardening in food insecure districts. Realizing more tangible gender-specific outcomes such as increased university level participation will take more time to achieve given the rise of traditionalism and cultural factors that are increasingly limiting the role of women in family and society.

Cross-Cutting Theme—Governance:

83. **Governance challenges are cross cutting and pertinent to all pillars of the CPS.** Under *private sector-led growth*, the priority will be to help improve economic governance, and reduce red tape and corruption. Some examples include: mandatory publication of pre-tender documents; expanding opportunities for new firms to bid on WBG-financed contracts; nationwide implementation of the e-filing tax system; improved rule of law and implementation of a more conducive investment climate and business regulation. This should lead to gradual increases in private investment, along with growth in productivity.

84. Under the *social inclusion* pillar, efforts will be made to address three fundamental governance challenges faced by Tajikistan in improving service delivery, namely: (a) the efficient allocation of public resources, (b) their efficient and transparent use, and (c) the use of feedback mechanisms on service delivery. For example, ongoing education financing reforms supported by the CPS will help further improve the targeting of resources to schools by ensuring that money is allocated systematically on the basis of enrollment and other factors that directly affect the cost of education. In supporting structural reforms of the energy and financial sectors, the CPS will help improve corporate governance aimed at enhancing transparency, financial management and accountability. Finally, CPS-supported physical infrastructure projects (communal and urban, roads and energy) will undergo governance and institutional analysis and safeguards to ensure sustainability.

Cross-Cutting Theme—Climate Change.

85. Tajikistan is the most vulnerable country in ECA to the impacts of climate change due to climate stress and its low adaptive capacity. Recent droughts and weather extremes have underlined inadequacies in the climate resilience of major sectors, with increased threats to water resources, energy security, ecology, agriculture, and rural livelihoods. CPS support across all three CPS pillars offer opportunities to address climate change vulnerabilities and seize low-emissions growth opportunities, for instance: *private sector-led growth*—more efficient use of energy resources (resilience and mitigation); *social inclusion*—

sustainable land and water practices in rural areas (e.g., improved efficiency and resilience of irrigation systems and management, reduced erosion and flood/mudflow risk), better disaster risk management, improved sanitation (mitigation co-benefits of wastewater treatment); *regional connectivity*—rehabilitation of road sections taking into account climate variability, new regional program for climate resilience (to design systematic and coordinated approach for efficient and scaled-up response to regional climate challenges).

86. At the second Central Asian Regional Climate Forum (May 2014), a Central Asia regional project on climate change has been proposed to pilot approaches for better identification of local climate risks and their social dimensions in order to strengthen resilience through local planning. Program elements may include improvement of data collection and management systems, institutional development to strengthen stakeholders' capacity for climate action, and the identification and scaling-up of climate-smart investment. The proposed regional project would be informed by national priorities and experience. As a PPCR country, Tajikistan is currently helping communities adapt to climate change and improve rural land practices through the Rural Livelihoods project

D. Implementing Bank Group Strategy

87. **The provisional IDA lending program comprises fourteen operations over four years (FY15-18), including Tajik components of two regional operations.** Six would support private sector development, six would focus on social inclusion, and two regional operations would concentrate on regional connectivity. As noted earlier, Tajikistan's indicative allocation under IDA-17 is subject to the total IDA resources available, the country's CPIA rating, the number and performance of other IDA-eligible countries, and the terms of IDA assistance. In this latter connection, Tajikistan's access to IDA would transition from full grant to 50:50 grant/credit during IDA-17.

88. **Meanwhile, the existing portfolio remains well aligned with the CPS' strategic goal and three pillars.** As of January 2014, IDA's portfolio comprised 13 active projects with net commitments totaling US\$222.2 million, compared to 17 projects totaling US\$208.8 million in July 2010. This downward trend towards fewer operations of larger average size reflects an ongoing effort by regional and country management to consolidate the portfolio and maximize limited WBG budget resources with the goal of improving efficiency and effectiveness. The portfolio's average age is 4.4 years—down from 4.8 years in 2012—with 3 over 8 years old, entirely a result of additional financing. Portfolio quality overall is considered satisfactory, although the number of projects at risk has increased. This is due both to portfolio age and institutional issues. All are on a WBG-Government watch list and will be discussed in May 2014 at a joint review. The last joint WBG-ADB Country Portfolio Performance Review (CPPR) held in July 2013 recommended that both the government and the two institutions need: (a) to continue efforts to strengthen the institutional capacity of implementing agencies, in particular for monitoring and evaluation; (b) to maintain and improve the linkage to sector institutional frameworks; and (c) to improve procurement procedures.

89. **IFC's committed investment portfolio and active advisory portfolio are also aligned with the pillars of the proposed CPS.** As of March 2014, IFC's committed investment portfolio comprised of 20 active projects with 12 clients stood at US\$31.6 million, of which 90 percent disbursed. Investment portfolio is concentrated in microfinance and agribusiness. IFC's advisory portfolio includes 10 projects, most of which represent programmatic and/or regional engagements. The total funds managed by the IFC advisory projects total US\$23 million (13 percent of the total for the ECA region). If reforms and regulatory improvements supported by IFC's advisory projects materialize and if the infrastructure and mining sectors open up for private investments in the coming years, it may significantly increase IFC investment portfolio in Tajikistan over the period of the proposed CPS. .

Development Partner Coordination

90. **All the main bilateral aid agencies are represented in Dushanbe, as are the principal multilateral institutions—ADB, EBRD, EDB, EU, IMF, and the United Nations Specialized Agencies.** A Development Coordination Council (DCC), established in 2006 to enhance donor harmonization and alignment in the spirit of the 2005 Paris Declaration on Aid Effectiveness, comprises the heads of 28 international agencies active in Tajikistan. Chaired by the WBG since early 2012, the DCC plays a key role in fostering country ownership and mutual accountability through several sector-specific and thematic working groups. These are important because the management of external financial and technical assistance by and within the government remains fragmented and weak, despite significant investments in capacity building in recent years. At the 2012 meeting of the Tajikistan Development Forum chaired by President Rahmon, DCC partners re-affirmed their continued support for the country's development and agreed on cross-sectoral, multi-partner coordinated initiatives designed to achieve measurable results by 2015. These initiatives are aligned with the six government priorities reflected in Tajikistan's medium-term Living Standards Improvement Strategy (LSIS): public administration and governance; private sector-led growth; development of human potential; energy independence; food security; and, transport connectivity.

E. Monitoring and Evaluation

91. **The CPS' expected outcomes are expressed in the results framework attached at Annex 1.** Based on discussions with the government and consultations with other stakeholders, it is organized around the CPS' three pillars—private sector development, social inclusion, and regional connectivity—and aligned with the three cross-cutting themes and the WBG's corporate goals. These three areas are then disaggregated into selected NDS/LSIS country goals and related outcomes that the CPS program expects to influence and milestones that will be used to track progress. The matrix also identifies the lending and non-lending interventions that are intended to contribute towards the achievement of CPS outcomes.

92. **While the results framework is designed to monitor progress and measure outcomes, its application is intended to be flexible.** It provides an initial sense of strategic direction for WBG assistance, but should be considered flexible and subject to change if evolving government priorities or external developments so warrant. Similarly, the mapping of AAA by pillar and cross-cutting theme (Annex B4) is intended to be adaptable, especially for the two outer years. Progress would be monitored as part of routine project implementation support and supervision and a mid-term CPS Progress Report slated for end-FY16 would adjust, update, and extend the results framework as needed to reflect activities planned for FY17-18. A CPS Completion Report would be prepared during the first half of FY18.

93. **These internal monitoring and evaluation activities would be supplemented by a number of in-country initiatives.** These would include, on the one hand, deeper engagement by selected civil society organizations and, on the other, periodic reviews by Development Coordination Council (DCC) partners of several CPS-related multi-partner, multi-sectoral initiatives. CPS implementation would also be assessed regularly in the framework of annual Country Portfolio Performance Reviews (CPPRs), as well as quarterly mini-CPPRs of 'problem' or 'at risk' operations. As noted earlier, CSOs would be integrated into the project cycle, including in monitoring and evaluation of IDA-funded projects. For example, under the *Environmental Land Management and Rural Livelihoods Project*, CSOs will actively participate in and help organize village-based communications and training activities, help facilitate

coordination and collaboration across villages implementing land resource management investments, as well as support periodic monitoring and progress reporting.

IV. MANAGING RISKS

94. The overarching CPS objective of supporting transition to a new growth model based on increased private sector investment could be affected by adverse macroeconomic developments and stalled structural reforms. While the WBG's ability to mitigate macroeconomic risks is limited, the CPS will focus the dialogue on improvements in macroeconomic management and policies to accelerate growth, increase resilience to shocks, and build reserves. To further structural reforms, the DPO series would aim to meet stretch goals for improved financial performance and reduced quasi-fiscal activities of state-owned enterprises, particularly in the banking and energy sectors. If the DPO series is delayed or does not materialize, the WBG would continue to collaborate with development partners and facilitate dialogue on macro-fiscal and structural reforms under existing government-donor working groups. In addition, the Bank will shift resources to operations where needs are extremely large (e.g. communal services) while the WBG will continue advisory services and investments to expand agribusiness and improve commercial operations of Barki Tajik.

95. Improvements in public service delivery could be undermined by governance and institutional capacity constraints, including poor data quality. To mitigate this risk, the WBG will expand its investment in PFM and public sector governance reforms with a strong focus on strengthening institutional capacity in core ministries, tax administration, and social sector agencies. To strengthen decision-making, the Bank will support: i) the Ministry of Finance, to increase the availability of accurate and timely financial information; ii) Ministry of Economic Development and Trade, to improve public investment planning and prioritization; and iii) TajStat, to improve the quality of statistics, particularly related to poverty monitoring. The WBG will also work with civil society groups to help monitor implementation of public service delivery and provide a feedback loop to government.

96. Social fragility could reduce economic opportunities for youth and women. Tajikistan is at risk of social fragility due to a variety of factors, including an increase in radicalism and rising traditionalism, which is constraining opportunities for girls to finish secondary school and for women to seek employment. If migration is constrained as an outlet for economic subsistence, coping mechanisms for households will diminish rapidly and youth unemployment would worsen, which may lead to high levels of discontent. The focus of the CPS on social inclusion will increase engagement with youth through higher education and empower women through land rights and improved access to services, while the poverty benefit will enable households to adjust to shocks. By increasing the role of the private sector, the CPS also seeks to lay the foundation for higher job creation over time.

97. Regional dialogue, including Rogun assessment studies. The technical, economic, environmental and social assessments of the proposed Rogun Hydropower Plant are now in the final phase of a five-year process. With support from the World Bank, a fifth and final consultation with riparian countries will be conducted according to international standards of transparency and quality that will solicit comments from governments, CSOs, experts and citizens both in upstream and downstream countries. Riparian comments will be taken into consideration in final reports. Following riparian consultations, the disclosure of final Consultants' reports, Panel of Experts' reports, and a World Bank report will mark the end of the assessment process. The World Bank report will outline key considerations regarding the Rogun assessment studies for decision-makers, including international experience in water-sharing principles and mechanisms to ensure compliance and support coordination among the riparian countries. The risk is that, notwithstanding high technical quality of the reports and an open and transparent process followed in the assessment studies, regional tensions may increase due to

national differences in perception of energy and water needs. The World Bank will continue to work closely with all interested stakeholders and riparian countries, laying out the technical and institutional options for further regional dialogue, highlighting the potential for mutual economic benefits, and identifying areas that require better understanding by the Tajik government, including the macroeconomic and fiscal implications of financing a large public investment project from the budget. In addition, the World Bank through its Central Asia Energy-Water Development Program will continue serving as a knowledge exchange platform on energy security through regional trade; dialogue on energy-water linkages; and activities to improve water productivity.

Annex 1: Results Framework for Tajikistan CPS, FY15-18

Country Development Goals ¹⁵	Issues and obstacles	CPS outcomes	Milestones and outputs	WBG programme
Pillar 1: Strengthening the role of the private sector				
<ul style="list-style-type: none"> • <i>Improvement of country's business environment international ranking</i> • <i>Growth of SMEs and FDI</i> 	<p>The key issue is the low level of private investments (5 percent of GDP as of 2013). This has many causes, some of which we will address in the CPS including the following:</p> <p>Excessive level of regulation undermines business growth and investment and creates opportunities for corruption, rent seeking and take over</p> <p>Ineffective tax policy and administration resulting in high compliance costs for SMEs and less incentive for formalization</p> <p>Limited financial intermediation (private sector credit to GDP at 13 percent, short term loans dominate (interest rates up to 32 percent per annum)</p>	<p>Average cost to comply with business regulation decreased: Baseline (2012): US\$470 Target (2018): US\$250</p> <p>Number of entrepreneurs using electronic services to comply with business regulations, particularly tax reporting and permit applications. Baseline (2013): 2100 Target (2018): 6000</p> <p>Increased access to finance for MSME(measured in the number of loans provided) Baseline (2012): 54,000 Target (2018): 85,000</p>	<p>1. Reducing costs for businesses</p> <p>Business environment and regulatory reforms to simplify business registration, permitting, and inspections</p> <p>Modernization of tax administration including e-filing, risk based audit, appeals reform, modernization of IT systems, and capacity strengthening for officials</p> <p>2. Strengthening financial markets</p> <p>Strengthen supervisory capacity of National Bank of Tajikistan</p> <p>Providing TA to Agroinvestbank restructuring</p>	<p><u>WB Ongoing Lending:</u> Private Sector Competitiveness project (FY 12-18); Tax Administration (FY 12-17);</p> <p><u>WBG Planned Lending:</u> DPO 1-3 (FY16-18) Private sector competitiveness project (AF FY18);</p> <p><u>IFC Ongoing:</u> Outstanding investment portfolio in the financial sector and services comprised of 11 projects with 8 clients</p> <p><u>IFC Ongoing Advisory:</u> Tajikistan Business Regulation and Investment Policy Project (FY13-15) Financial Markets Infrastructure (FY09-16); Central Asia Corporate Governance Project Phase II (FY13-16); Transformation for MFIs in Tajikistan (FY09-17); Access Bank of Tajikistan (FY13-15) Konimansur Mine PPP Transaction</p>

¹⁵ Tajikistan, Livelihood Improvement Strategy, 2013-2015, <http://www.medt.tj/documents/strategic/spubnt/ru/02-06-01-ru.pdf> and Speech to Parliament by President Emomali Rahmon, January 2014.

Country Development Goals ¹⁵	Issues and obstacles	CPS outcomes	Milestones and outputs	WBG programme
			<p>New loans using collateral New loans to small farmers</p>	<p><u>Advisory</u> (FY09-FY15, ongoing) ECA Region Resource Efficiency <u>Advisory</u> (FY10-FY16, ongoing)</p> <p><u>AAA and TA:</u> WB Financial Sector Policy Dialogue (FY15) Strengthening Bank regulation (FY14-15) Legal Framework for Secured Transactions (FY15) Insurance Market Development (FY15)</p> <p><u>IFC advisory planned:</u> Potential PPP transaction advisory (FY15-18) ECA Region Agribusiness Standards (FY14-16) Management contract for Barki Tajik (FY14-16)</p> <p><u>Trust Funds:</u> FIRST TA on supervision (FY12-16) TA to AIB restructuring (FY15-17)</p> <p><u>Planned through Global Practices with IBRD:</u> Mobile Banking (FY15- 19); Trade and Competitiveness (FY18)</p> <p><u>IFC investments:</u> Potential investments in financial sector (loans, equity, trade finance lines, credit lines for SMEs, risk management products) and in real sector (FY15-18).</p>

Country Development Goals ¹⁵	Issues and obstacles	CPS outcomes	Milestones and outputs	WBG programme
<ul style="list-style-type: none"> <i>Increase in agriculture sector labor productivity</i> 	Low productivity in agriculture Low female access to land use rights Low access to term finance (80 percent of loans less than one year)	Number of small farmers reporting increased marketed surplus of selected agricultural products Baseline (2013): 0 Target (2018): 6,500	3. Improving sector competitiveness Sustainable agriculture extension services, access to finance, agriculture policy reform and capacity building	<u>WBG Lending:</u> WB ongoing: Agriculture commercialization project (FY14); Land Registration & Cadastre (FY 05-15); PAMP II (FY13-18); Ferghana Valley Water Resource Management Project (FY 06-14); <u>Planned:</u> Land Immovable Property Registration AF (FY17); Improved Irrigation Efficiency (FY18); <u>IFC Ongoing:</u> Outstanding investment portfolio in agribusiness comprised of 4 projects with 3 clients <u>IFC ongoing advisory:</u> Central Asia Agri-finance Project (FY14-19); <u>IFC investments planned:</u> Potential investments in agribusiness and food retail (FY15-18) <u>AAA and TA:</u> Rural Investment Climate Assessment, RICA (FY14); Agriculture Sector Update (FY 14-15); Tajikistan Irrigation Strategy (KP) – FY 14-15; Joint study with IFC on sustainable farm advisory systems (FY16)

Country Development Goals ¹⁵	Issues and obstacles	CPS outcomes	Milestones and outputs	WBG programme
<ul style="list-style-type: none"> Average growth in duration of electricity supply per day (hours) Reduction in energy losses (mWt) Increase average electricity tariffs 	<p>Power supply dominated by hydropower plants, leading to severe shortages in winters when demand is high but water flows are low, whereas in summer there is significant underutilized power surplus.</p> <p>Poor financial and corporate governance in Barki Tajik resulting in high losses and large quasi fiscal deficit</p>	<p>Increased access to energy for firms and businesses</p> <p><u>Baseline</u> (2013): 4-6 hours for most of the regions, except for Dushanbe and other large cities</p> <p><u>Target</u> (2018): at least 8-12 hours for any region</p> <p>Improve financial performance of Barki Tajik:</p> <p><u>Baseline</u> (2013): Cash collected from electricity sales is about two times lower than short term cost recovery requirements</p> <p><u>Target</u> (2018): Cash collected from electricity sales are equal or above short term cost recovery levels</p> <p>Barki Tajik transparency and accountability:</p> <p><u>Baseline</u> (2013): audit reports for 2011 and 2013 issued with disclaimer of auditor's opinion</p> <p><u>Target</u> (2015-8): audit reports issued with qualified opinion</p>	<p>Study on heating options for Dushanbe and Khujand is completed</p> <p>CASA-1000 project includes a revenue management program to finance winter energy investments is under implementation</p> <p>Enhanced cooperation and collaboration between development partners with respect to assistance to Barki Tajik and Government on power sector issues</p>	<p><u>WBG lending</u>: DPO 1-3 (FY16-18) Energy Loss Reduction (FY 05-14); CASA (FY14); MDTF for Community Support Program (FY15)</p> <p><u>IFC Ongoing</u>: Pamir Energy (FY05)</p> <p><u>IFC Ongoing Advisory</u>: Tajikistan Infrastructure Investment (FY09-16);</p> <p><u>Planned</u>: Winter energy (FY16)</p> <p><u>IFC investments planned</u>: Potential investments in hydropower</p> <p><u>AAA</u>: Review of Rogun HEP assessment process (TA) FY11- FY15; Tajikistan Energy Sector Dialogue (TA) - FY15; TJ Addressing Energy Deprivation (FY 14);</p> <p><u>IFC advisory planned</u>: Potential PPP transaction advisory for hydropower projects</p> <p><u>Trust Funds</u>: Swiss Energy Loss Reduction (FY 14)</p>

Pillar 2: Social inclusion

<ul style="list-style-type: none"> Decline in poverty rate Increase in rate of universal primary education 	The poor continue to be disadvantaged by limited access to high quality education	Increased share of poor students (bottom 40 percent) in the overall higher education institutions' enrollment.	Institutionalization of university entrance examinations.	<p><u>WB Ongoing</u>: GPE4 (FY13-16);</p> <p><u>Planned</u>: DPO 1-3 (FY16-18)</p>
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Country Development Goals ¹⁵	Issues and obstacles	CPS outcomes	Milestones and outputs	WBG programme
<ul style="list-style-type: none"> • <i>Implementation of Universal Entrance Examination for higher education</i> 	<p>Employers regard the quality and relevance of the skills of higher education graduates as a significant obstacle to growth.</p> <p>Growing gender disparities between boys and girls in secondary and especially higher education (at least twice more boys than girls in the schools)</p>	<p>Baseline (2007): 13 percent Target (2018): 17 percent</p>	<p>Improve education governance, quality assurance mechanisms and financing systems.</p> <p>Increased use of ICT to improve access and quality.</p>	<p>Higher Education Project (FY 16) Social Safety Net Strengthening AF (FY16)</p> <p><u>IFC advisory planned:</u> Potential PPP transaction advisory for social infrastructure projects</p> <p><u>IFC investments planned:</u> Potential investments in health and education, including with credit enhancement from IBRD.</p> <p><u>AAA:</u> Higher Education Sector Study (ESW) - FY 15; Governance in Service Delivery 3 (FY15);</p> <p><u>Trust Funds:</u> READ Tajikistan - Phase two – RE (FY 14);</p>
<ul style="list-style-type: none"> • <i>Increase of population access to clean drinking water in urban and rural areas</i> 	<p>The economic cost of inadequate and unequal access to WSS services, calculated in terms of health impacts, productivity losses and coping costs for alternate supplies, is estimated at over 3 percent of GDP. Communities feature poor communal service coverage, especially water supply and sewerage, with dire sanitation conditions.</p>	<p>The number of beneficiaries provided with improved water supply and sanitation service in urban settings:</p> <p>Baseline (2013): 0 Target (2018): 847,000</p>	<p>Creation of Communal Services Development Fund to leverage resources and link investments in WSS to financial and operational performance criteria</p>	<p><u>WB Ongoing:</u> Municipal Infrastructure Development Project (FY 06-15); Dushanbe Water Supply II (FY 11-15); <u>Trust Funds:</u> Grant for Preparation of CSDF Project (FY 14)</p> <p><u>Planned:</u> Communal Service Development Fund (CSDF) (FY15); National Sanitation Project (FY17)</p> <p><u>IFC investments planned:</u> Potential investments in municipal services</p> <p><u>IFC advisory planned:</u> Potential PPP transaction advisory for municipal infrastructure and services projects</p>

Country Development Goals¹⁵	Issues and obstacles	CPS outcomes	Milestones and outputs	WBG programme
• <i>Volume and targeting of social assistance improved to poorest citizens</i>	Poor people receive little help from a weak social protection system whose benefits have been small and poorly targeted.	Share of poorest quintile of population covered by targeted social benefits: Baseline (2013): 23 percent Target (2018): 55 percent	Establishment of targeted poverty benefit by means of capacity building to extend the pilot to 25 districts by 2014 and ultimately nationwide, by 2017.	<u>WB Lending Ongoing:</u> Social Safety (FY 11-15); <u>Planned:</u> Social Safety AF (FY16) <u>AAA:</u> Tajikistan Review of Social Safety nets Reform (ESW), FY 14
Pillar 3: Promoting regional connectivity				
• <i>Increase of automobile roads with satisfactory quality</i>	Exclusion from external markets and knowledge due to severe geographic isolation and policy environment for trade, investment, ICT. DB #184 out of 184 on “trading across borders”	Reduced transport costs and travel time for road users, by car, truck and buses along the project road sections in CARS project area: <u>Transport costs:</u> Baseline (2014): TBD Target (2018): TBD <u>Travel time:</u> Baseline (2014): TBD Target (2018): TBD	Successful implementation of CARS I (in Kyrgyz Republic)	<u>WB Planned:</u> Central Asia road links (FY 15) <u>IFC advisory TA:</u> Tajikistan Infrastructure Investment (FY12-16) <u>AAA:</u> Central Asia ICT KP (FY14); Central Asia Regional Rail Study (FY15) <u>WB Lending:</u> Tajikistan Turkmenistan Afghanistan railway project (FY 18) <u>IFC investments planned:</u> Potential investments in air navigation, telecom and power transmission <u>AAA:</u> Multi-modal Transport Study (FY15)
• <i>Increase the number of Internet users</i>	Restrictive regulatory regime, weak institutional capacity in ICT sector. Quality of education in ICT is very poor, with many graduates deemed unemployable.	The Networked Readiness Index (NRI), calculated by the World Economic Forum, and INSEAD (total 144 countries) Baseline(2013): 114 Target(2018): 96 <i>Note: NRI—published annually—measures quality of</i>	Increased Internet access and use Creation of independent telecommunications regulatory agency New liberalized regulatory structure in ICT sector	<u>WB Lending:</u> Higher Education project (FY16) DPO 1-3 (FY16-18) to include air and ICT liberalization <u>IFC Advisory Services and</u>

Country Development Goals¹⁵	Issues and obstacles	CPS outcomes	Milestones and outputs	WBG programme
	Growing segment of mobile internet users but weak access to mobile IT based social and business services	<i>the regulatory, business and innovation environments, the degree of preparedness, usage of ICTs, as well as the societal and economic impacts of ICTs.]</i>	Improvement in international Internet connectivity Broadband internet connectivity agreed and established	<u>Investments:</u> Potential investments in internet connectivity, supported by advisory services if needed
<i>Cross-pillar priorities</i>				
<i>Gender</i>	Limited access to land assets, productive jobs and social services represent constraints to female entrepreneurship and participation. Female entrepreneurs are rare and face more obstacles in access to land, finance and networks than men. Women are disproportionately present in the low paid informal agricultural sector and have much lower enrollment in tertiary education. Under-nutrition causes high rates of preventable deaths of mothers and children and delaying the physical and cognitive development of girls and boys. The burden of under-nutrition on Tajikistan is also substantial in economic terms, estimated to be US\$41	Increased gender empowerment through increased access to employment opportunities, land use rights, mother and child health Baseline (2013): 86,000 Of which: employment 22,200; land certificates 63,800. micronutrients and nutrition education for pregnant women - 0 Target (2018): 258,200 Of which: employment 77,200; land certificates 136,000; Micronutrients and nutrition education for pregnant women: 45,000	Women access better quality healthcare services through results-based finance Opportunities for tertiary education increase through establishment of NTC. More employment opportunities and crop production through improved irrigation and rural water supply infrastructure. Providing better access to land and other rural productive assets. Collaboration among WB, UNICEF and USAID on nutrition programs	<u>WB On-going:</u> TJ Health Services Improvement (FY13-19); PAMP II (FY13-17); Agriculture Commercialization (FY14) <u>Planned:</u> Land Immovable Property Registration AF (FY17); Improved Irrigation Efficiency (FY18); <u>Trust Funds:</u> IDF-Health Care Policy Monitoring Project (FY 16); Japanese Social Development TF (FY14-18). Rural Livelihoods Improvement Project (FY13-17).

Country Development Goals¹⁵	Issues and obstacles	CPS outcomes	Milestones and outputs	WBG programme
	million annually (World Bank, UNICEF, 2012) ¹⁶ .			
<i>Climate Change</i>	Climate change is expected to bring more variability and instability to the large water resources of Tajikistan with growing risks to water availability for power production, agriculture, and human consumption, as well as extremes on the rise (glacial melt outburst, floods and droughts). These anticipated impacts threaten the achievement of the country's development priorities, food and energy security in particular.	Number of users provided with water efficient systems for productive or domestic uses Baseline (2013): 0 Target (2018): 514,000	Building resilience into water use and management through enhanced water efficiency in agriculture (through rehabilitation investments, capacity and institutional strengthening) and domestic use (improved water supply and sanitation systems).	<u>WB Ongoing:</u> PAMP II (FY12-18); FVWRMP (FY05-14) <u>WB Planned</u> Communal Service Development Fund (CSDF) (FY15) <u>AAA:</u> Climate Change Issues Note (KP, FY 14)
<i>Climate Change</i>	Tajikistan is highly vulnerable to the adverse impacts of global climate change, as it already suffers from low agricultural productivity, water stress, and high losses from disasters. Climate change impacts poverty by lowering agricultural yields, pushing people to migration, raising food prices, and increasing the spread of water-borne diseases as well as the frequency and severity of disasters. Tajik	The number of households supported to adopt sustainable, climate resilient, water and land management practices, of which 40 percent women Baseline (2013): 0 Target (2018): 21000	Improved irrigation and drainage infrastructure; support to the development of improved policies and institutions for water and land management; increased crops in rehabilitated lands, helping communities adapt land and water management practices to climate impacts	<u>WB Ongoing:</u> Environmental Land Management and Rural Livelihoods-GEF/PPRC (FY 13-18); PAMP II (FY12-18) <u>WB Planned</u> Improved Irrigation efficiency (FY18) TJ participation in proposed Central Asia Regional PPCR+ (Pilot Program for Climate Resilience) <u>AAA:</u> Agriculture Sector Update (KP)- FY 14-15; Central Asia Energy and Water Development Program (CAEWDP, FY 11-15)

¹⁶ <http://documents.worldbank.org/curated/en/2012/02/16332711/tajikistan-situational-analysis-improving-economic-outcomes-expanding-nutrition-programming-tajikistan>

Country Development Goals¹⁵	Issues and obstacles	CPS outcomes	Milestones and outputs	WBG programme
	<p>agriculture faces severe land degradation and erosion, which adversely affects the economy and rural livelihoods, especially women. An estimated 97 percent of Tajik farmland has been harmed by poor irrigation and salinization. (UNDP, 2012)¹⁷</p>			
<i>Governance</i>	<p>Macroeconomic management: the record is mixed to date, policy coordination is less than adequate</p> <p>Quasi Fiscal Activities are source of additional fiscal risks</p>	<p>Oversight of aggregate fiscal risk from other public sector entities is strengthened</p> <p>Baseline (2012) : PEFA 2012 score for PI-9 C+</p> <p>Target (2018): PEFA 2018 score for PI-9 no less than B+</p>	<p>By the mid-term review of the CPS, assessment work completed on possible interventions in economic rule of law and an action plan developed for elimination of QFDs</p>	<p><u>Bank On-going</u> Macro-monitoring; Programmatic Public Expenditure Review</p> <p><u>Bank Planned:</u> DPO 1-3 (FY 16-18); PFM APL II (FY15)</p> <p><u>Non-lending:</u> PER-2 (Joint Policy Notes with Government); PEFA (2018)</p>

¹⁷ http://www.unpei.org/sites/default/files/dmdocuments/TJ_Economy%20of%20land%20degradation_ENG.pdf

Country Development Goals¹⁵	Issues and obstacles	CPS outcomes	Milestones and outputs	WBG programme
<i>Governance</i>	Centralized public procurement process leading to less than efficient use of public money; lack of access to all bidding opportunities; lack of transparency in publishing contract award results and credible complaint handling system	<p>Increased capacity of entities to procure according to improved standards.</p> <p>Baseline (2013): Lack of Public Procurement Portal and complaint handling system.</p> <p>Target (2018):</p> <ul style="list-style-type: none"> - Increase qualified procuring entities by 50 percent - Functioning Public Procurement Portal and complaint handling system. 	<p>Increase in certified Public Procurement professionals by 100 by FY 16</p> <p>Ensure Publication of 80 percent bidding opportunities and contract award results by FY 15 and 100 percent by FY 16</p> <p>Enacting legal framework to create complaint handling system by FY 15 and well-functioning system by FY 16</p>	<u>On-going and future Trust Funds:</u> ECA PFM TF – Public Procurement Capacity Building TA to State Procuring Agency to improve Complaint Handling System IDF Grant to Improve Public Procurement Portal and e-Procurement
<i>Governance</i>	<p>Low level of citizen demand for greater transparency and accountability in Government due to capacity constraints and self-censorship by CSOs</p> <p>Limited engagement of CSOs in Bank project preparation, implementation, monitoring and evaluation process</p>	<p>Use of Bank portfolio to increase CSO capacity and demand for transparency and accountability, as measured by percent of WBG projects and IFC advisory services that are implemented and monitored in collaboration with CSOs/NGOs</p> <p>Baseline (2013): 37 percent Target (2018): 100 percent</p>	<p>Each project establishes an indicator and plan for CSO engagement, including baseline and target</p> <p>CSOs/NGOs include also local community associations and regional organizations.</p> <p>Collaboration could include disseminating information, providing feedback during project identification and preparation, involvement in project implementation, involvement in monitoring and evaluation through contracts, etc.</p>	AAA: Implementation of the Governance Checklist, all projects (FY15) Korean TF and GPSA

Country Development Goals¹⁵	Issues and obstacles	CPS outcomes	Milestones and outputs	WBG programme
<i>Governance</i>	Poor quality and limited availability of statistical and other development data inhibiting economic governance and preventing transparency and accountability. TJK ranked very poorly in open data and other indexes	Improved quality, access, and use of data on poverty and employment by improvements to and publication of HBS and LFS: Baseline (2013): No poverty rate published since 2009 or LFS since 2007 Target (2016): Poverty and unemployment rates reported in a quarterly moving average	Improving statistical capacity and the more systematic use of evidence-based methods for policy-making Develop and mainstream a wider range of evidence-based tools and approaches to strengthen M&E, especially in poverty and labor force measurement; Support to country national statistical system	CAPPAS DFID (FY13-FY15); ECASTAT project (FY15-18) Programmatic poverty studies (FY15)

TAJIKISTAN: COUNTRY PARTNERSHIP STRATEGY, FY10-14

Completion Report

Date of CPS: April 22, 2010 (Report No. 50769-TJ)—Board discussion May 25, 2010

Date of CPS Progress Report: October 2, 2012 (Report No. 72959-TJ)

Period covered by CPS Completion Report: July, 2010—March, 2014

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I. Introduction

1. **The Completion Report rates the achievement of CPS program objectives and outcomes overall as moderately satisfactory.** The *first strategic objective*—mitigating the impact of the 2008-09 global economic crises on poverty and vulnerability—was *achieved*. The WBG’s timely financial and technical assistance in FY10-11—two programmatic development policy grants (PDPGs) and additional financing for energy—facilitated Tajikistan’s rapid recovery from the effects of the global economic crisis and the continued decline in poverty during FY10-14. In addition, it helped mobilize emergency budget, energy, and humanitarian support from other development partners. The *second strategic objective*—paving the way for post-crisis recovery and sustained development—was *mostly achieved*. The WBG helped lay the institutional and legal foundation for improvements in the investment climate and financial sector, strengthened public administration and public finance management, enhanced access to higher quality social services, strengthened the energy sector and increased food security. While most qualitative and quantitative targets were met, implementation was uneven and fundamental governance, institutional capacity, and structural issues continue to constrain the country’s economic and social development.

2. **The Completion Report rates the WBG’s performance in terms of CPS design and implementation as good.** The CPS’ design and content, anchored in Tajikistan’s long-term National Development Strategy (NDS), 2006-15, were highly relevant; and CPS implementation—in particular the linkage between rapid responses to the country’s short-term post-crisis needs and the structural reforms mandated by its long-term development strategy (NDS)—reflected changing circumstances and priorities appropriately. A sound program of ongoing lending activities and analytical and advisory services is in place for the next strategy period.

II. Progress toward Country Development Goals

A. Growth

3. **Tajikistan’s macroeconomic outcomes during the FY10-14 CPS period—exemplified by its rapid recovery from the effects of the 2008-09 global economic downturn and the resumption of remittance-driven growth averaging 7 percent—were better than expected.** Although facing the crisis from a weak position, the economy withstood the global recession effectively thanks to prudent economic management by the authorities and timely external assistance by the country’s development partners. Regarding the former, the government’s two-pronged anti-crisis strategy provided for increased public spending, including on social programs to create jobs, and for exchange rate flexibility to facilitate current

account adjustment. Rising international prices for aluminum and cotton during 2009-2011, Tajikistan's two principal exports, also helped. Regarding external assistance, several development partners, including the WBG, committed quick-disbursing budget support equivalent to 3.4 percent of GDP in 2009, which helped finance and reduce the fiscal deficit. No less important, it enabled the government in 2010 and 2011 to maintain the 2009 share of the budget allocated to education, health, and social protection. Against this background, GDP growth, after slowing to 3.9 percent in 2009, recovered to 6.5 percent in 2010 and for the next three years, 2011-13, averaged about 7.3 percent annually.

4. Despite these satisfactory results, the vulnerability of Tajikistan's economy and budget to external shocks and internal constraints remained essentially unchanged. External risks include the country's reliance on imports of fuel and food, both subject to periodic price volatility, as well as its exposure to increasingly serious trade and transit obstacles imposed by Uzbekistan. These negatively impacted government receipts as well as the real economy throughout the period. At the same time, two major internal weaknesses persisted: first, the financial sector's fragility, compounded by continued government-directed lending through commercial banks; and second, the *quasi-fiscal* activities of large state-owned enterprises (SOEs), including soft budget constraints in the form of arrears and the provision of non-commercial services.

5. Tajikistan's single most serious vulnerability, however, is its large and growing dependence on remittances, which grew exponentially during 2002-12—from 5 to 45 percent of GDP. Exceeding other forms of capital inflow, remittances have become an integral part of the country's growth and development, but also a double-edged sword. On the one hand, accounting for an estimated 80 percent of consumption by the poorest rural households and 50 percent by that of the poorest urban households, remittances will likely remain important contributors to poverty reduction in the short- and medium-term.¹⁸ On the other, despite these and other economic benefits, the costs of migration to society and individual families are also significant. Moreover, migration is not *per se* a source of sustainable long-term growth. Its contribution to economic development could be more productive, however, if remittances were channeled into private investment, rather than consumption, and if there were employment opportunities for skilled migrants to apply their new knowledge.

B. Poverty

6. Up to the start of the CPS, poverty had declined dramatically and shared prosperity increased. According to official data based on the Tajikistan Living Standards Survey (TLSS), the poverty headcount fell from 81 percent in 1999 to 47 percent in 2009; and extreme poverty dropped even faster—from 73 percent to 14 percent during the same decade. Recent albeit not comparable survey data show continued progress in poverty reduction and shared prosperity: according to preliminary estimates based on the government's household budget survey, 14 percent of the population could not afford the food poverty line while 36 percent fell below the upper poverty line in 2012. During 2003-09, wages and remittances accounted for half and 30 percent respectively of the decline in poverty. The benefits of growth were also widely shared, with consumption of the bottom 40 percent increasing more rapidly than that of the population at large. Besides the overall decline in poverty, several important non-income aspects of living standards also improved.

7. Despite these achievements, significant social development challenges remain. Poverty remains widespread and linked to specific factors, such as continued high fertility (at 3.8, the highest in the CIS), insufficient jobs (with young people, over 40 percent of the population, accounting for 60 percent of registered unemployed), and the uneven impact of remittances on different population groups. The poor continue to be disadvantaged by limited access to relevant education and good quality health care and receive little help from a weak social protection system whose benefits until very recently were small and poorly

¹⁸ Tajikistan: *Poverty Assessment*, Report No. 51341-TJ dated 2009.

targeted. Health outcomes are lower than in other Europe and Central Asia (ECA) countries and Tajikistan ranks the lowest in ECA on gender.

C. Other Development Outcomes

8. **Tajikistan's progress towards five NDS goals supported by the CPS varied widely.¹⁹** Key aspects of the structural reform agenda remained for the most part works in progress—a reminder that in countries with weak institutions, powerful vested interests, and nascent civil society organizations, strategic goals need to be realistic and the pace of change is slow. The latter is also a lingering legacy of Tajikistan's post-independence civil war (1992-97), which not only destroyed physical and social infrastructure and depleted human and intellectual capital, but also delayed the country's overall economic and political transition by at least a decade.

9. **Outcomes for private sector development were uneven, with significant advances in terms of institutions, legislation, and policy, but limited progress in terms of implementation and thus impact.** At the macro level, the government took a wide range of legal and regulatory measures designed to improve the overall business environment: for example, signing the New York Arbitration Convention, applying for Extractive Industries Transparency Initiative (EITI) candidate status, and—a landmark step in terms of broadening and deepening the country's links with the international economy—joining the World Trade Organization (WTO) in 2013. These were matched at the micro level by some progress in reducing the burden of regulation on businesses and curbing government intervention in the economy. Nonetheless, outcomes in terms of private investment, only 5 percent of GDP, and the private sector's share of the formal economy, barely 50 percent, were disappointing. Moreover, Tajikistan attracts only limited foreign direct private investment: for example, state-led infrastructure investment and official loans from China and Russia accounted for over 45 percent of foreign investment in 2012. Meanwhile, ranked 143 out of 185 countries in the most recent *Doing Business*, Tajikistan's 2014 result, though slightly worse than 2013 (141) and way below the ECA average (73), was somewhat better than in 2012 (147) and 2011 (152).

10. **Outcomes for public administration, public finance management and more broadly, strengthened government efficiency were in line with expectations for a fragile state still in transition.** There were significant advances in defining policies and strategies and enacting decrees, laws, and regulations for reforming public administration, including for merit-based recruitment of civil servants, performance-based salary administration, and the re-organization of 10 key ministries. Similar progress was recorded in improving public finance management, which included the introduction of a medium-term expenditure framework, a single treasury account, a unified chart of accounts, a new budget classification aligned with the new automated treasury management information system, a revised tax code, and early progress in tax administration reforms. However, implementation has been incremental and, given current capacity and the long gestation period required, the modernization of Tajikistan's public administration and public finance management is likely to take at least another decade.

11. **Results in terms of enhancing access to higher quality social services, especially for the poor, and progress towards achieving the country's Millennium Development Goals (MDGs) were uneven.** Although Tajikistan appears to be on track to meet its poverty, education, environmental sustainability, and global partnership MDGs, those for health and gender are unlikely to be met. Infant, child and maternal mortality are declining but more slowly than needed. Despite institutional reforms in the financing, management, and delivery of public health services, outcomes in terms of health status remain difficult to measure, owing at least partly to insufficient or poor quality data. Moreover, the content and especially the quality of these services—a concern in both health and education—remain problematical. Meanwhile, the country's scores on gender indices are low for higher education as well as for economic and political

¹⁹ NDS goals include: (a) improving the investment climate, private sector, and entrepreneurship; (b) strengthening public administration and public finance management; (c) enhancing access to higher quality social services; (d) strengthening the energy sector; and (e) increasing agricultural productivity and food security.

empowerment. The key issues include: disparities in favor of boys throughout the education system, especially at university level; gender-based occupational and sectoral segregation and resulting earnings inequities; and weak implementation of gender-proactive policies.

12. **Meanwhile, energy—a constraint on the economy’s growth potential and a drain on the budget—remained a major challenge.** Tajikistan’s energy system does not provide reliable electricity to consumers and runs large deficits that are financed through under-investment in capital and maintenance and by tax and inter-enterprise arrears. On the other hand, government efforts to improve the operational and financial management and transparency of the two main energy utilities (*Barki Tajik* and *Tajiktransgaz*) helped reduce their financial and technical losses during the period. Some of these gains were reversed in 2013, raising questions about sustainability. Progress was also made in regional plans to export summer surplus electricity from the Kyrgyz Republic and Tajikistan to Afghanistan and Pakistan.

13. **Finally, there was significant progress in improving agricultural productivity and increasing food security.** Agriculture accounted for 14 percent of aggregate economic growth during the period, driven mainly by ongoing land reforms and the liberalization of the domestic market for cotton. In 2012, the government adopted a 22-point agricultural reform action plan for 2012-20, which includes measures to expand farmers’ access to inputs, including credit, irrigation and extension services, and to ensure sustainable use and improved management of natural resources. A key measure in this context was action to improve farmers’ property rights. While full implementation of these reforms will necessarily take time and may face obstacles by vested interests, the early signs appear positive.

14. Against this background, Section III below assesses how the CPS program contributed to, or influenced the country’s development goals during FY10-14. Annex 1 summarizes the country team’s self-evaluation of specific outcomes compared to those expected in the CPS’ results framework.

III. Highlights of CPS Program Performance

Strategic Objective 1: Mitigating the impact of the 2008-09 global economic crisis on poverty and vulnerability. CPS Rating—Achieved.

15. **The WBG’s response to Tajikistan’s needs for emergency budget, energy, and humanitarian support was proactive, prompt, and pragmatic.** The principal instruments were two single-tranche *Programmatic Development Policy Grants (PDPGs 4 and 5)* totaling US\$35.4 million approved in FY10 and FY11, as well as additional financing of US\$15 million for *Energy Emergency Recovery Assistance* (FY10) and a *Public Employment for Sustainable Agriculture and Water Management* project (PAMP), financed by a €7.42 million grant from the European Union Facility for Rapid Response to the Financial Crisis. Together, these helped ease the short-term fiscal impact of reduced revenues, lower remittances, and volatile prices. Supplemented by similar budget-related support from the ADB, EU, and IMF, the government was enabled to maintain public spending on education, health, and social protection in 2010 and 2011 at the targeted (2008) baseline of 42 percent, and thus to mitigate the crisis’ adverse impact on poor and vulnerable groups. Overall, the WBG provided directly (through IDA) or mobilized (through trust funds) about US\$68 million for emergency budget, energy, and humanitarian support. Results on the ground included: (a) Dushanbe’s power grid and district heating systems were rehabilitated to ensure winter energy supply to hospitals, schools, and households; (b) about 150,000 households were helped to increase their food output and reduce livestock losses; and (c) a community-based drainage and irrigation infrastructure public works program in five food-insecure districts employed over 10,000 poor people and generated net incomes of over US\$200 per person. A particular achievement was the short-term PAMP operation, which used a combination of public works to renovate irrigation and drainage infrastructure and support for reform of water management to improve household food security in the short, medium and long-term in five districts in Khatlon oblast. Encouraged by the success of this initiative, the government subsequently secured financing from the Global

Agriculture and Food Security Program (GAFSP) and IDA for a second, larger operation (PAMP II) in FY13, implemented in coordination with USAID, to create further temporary employment in low income rural areas, raise crop production over a wider area, and further strengthen water resources management.

16. Besides these contributions to short-term crisis mitigation, the CPS also supported longer-term NDS goals to broaden access to social services for the poor and social protection to vulnerable groups.

Four human development operations, two ongoing and two approved during the CPS, facilitated longer-term structural reforms in education, health, and social assistance. These included: (a) continued implementation of the national strategy for education development (2006-15) aimed at increasing school enrollments, addressing gender inequities, and improving education quality, in particular through the nationwide implementation of *per capita* financing for general education; (b) adoption of a long-term health sector strategy (2010-20) designed to improve efficiency, effectiveness, equity and quality through increased public funding of primary health care; and (c) introduction of pilot schemes designed to consolidate multiple existing social assistance programs and their more precise targeting to those most in need. This enabled achievement of the CPS' two original social services outcomes—maintaining access to basic education and primary health care; and partial achievement of those for social protection—creating short-term jobs in rural areas, and reforming social assistance coverage.

17. The PDPG series bridged crisis mitigation and efforts to promote sustainable growth—anticipating and in line with the CPS' 2nd strategic objective. These included reforms to help improve the climate for private investment and also to increase the government's effectiveness. The former involved reducing the rate of corporate income tax, cutting the number of days and procedures needed to start a business, and creating a one-stop shop for company registration. The latter included strengthening public administration capacity (agencies, committees, ministries, etc.), improving public financial management (single treasury account), and enhancing the transparency of large SOEs (published audited accounts). These PDPG-supported reforms complemented and reinforced those being carried out under ongoing IDA-financed investment projects in agriculture, education, health, and social protection, as well as technical assistance for public administration and public financial management modernization. Progress in both areas is reviewed in more detail below.

Strategic Objective 2: Paving the way for post-crisis recovery and sustained development. CPSCR Rating—Mostly Achieved

18. To pave the way for post-crisis recovery and sustained development, the CPS supported five NDS goals and sought to achieve a large number of outcomes. The five goals were: (a) to improve Tajikistan's investment climate and develop the private sector and entrepreneurship; (b) to raise agricultural productivity; (c) to expand the country's energy potential, including measures to alleviate electricity shortages and increase exports; (d) to enhance the population's access to water supply and sanitation; and (e) to increase the quantity and quality of social services for the poor. Following adoption of the medium-term Living Standards Improvement Strategy (LSIS) in 2012, the CPSPR realigned the results framework and simplified its indicators and outcomes. Thus, support for the second and third goals was revised—from raising agricultural productivity to increasing food security, and from expanding the country's energy potential to strengthening energy security; and the fourth and fifth goals were consolidated—from enhancing the population's access to water supply and sanitation and increasing the quantity and quality of social services for the poor—to improving access to higher quality social services. At the same time, the number of intended outcomes was reduced from 34 to a more manageable, though still ambitious 24. Meanwhile, the CPS' original third strategic objective and cross-cutting theme—to mainstream core governance reforms—was revised to become one of its five specific objectives, namely to improve public administration and public finance management.

Financial and private sector development—CPSCR rating: Achieved

19. CPS support for financial sector development focused on improving the legislative framework and building the required human and institutional infrastructure. It included a vulnerability assessment of the banking system and advice on banking legislation relating *inter alia* to the central bank, commercial banking, deposit insurance, the payments system, and bank insolvency, as well as payment systems development, secured transactions, banking supervision, and contingency planning. It also helped the authorities prepare a medium-term financial sector development strategy and action plan and mobilized financial support for its implementation. Meanwhile, the *Private Sector Competitiveness* project (FY12) includes three financial sector components: the creation of a modern, on-line collateral registry; the upgrading of the central bank's real-time gross settlement payment system; and the further strengthening of the banking system's regulatory and supervisory framework.

20. Complementing these activities, IFC supported strengthening of domestic financial intermediaries and expanding access to finance for MSMEs and farmers through a combination of investment and advisory services in the following areas:

- *Improving the regulatory framework for microfinance and credit reporting:* IFC's advisory projects—*Financial Market Infrastructure and Transformation for MFIs*—provided advice on developing a legal and regulatory framework for credit reporting, supported the creation of a private credit bureau, and helped enact an improved microfinance law that included provisions for licensing, consumer protection, and standardized microfinance practices.
- *Building capacity within the microfinance sector:* Through its *Transformation for MFIs* project, IFC assisted four leading microfinance institutions (MFIs)—Imon, HUMO, Arvand and FINCA—improve their operations and expand the range of their services. Specifically, IFC helped these MFIs attract financing of US\$90 million—debt and equity—and supported expansion of their MSME on-lending capacity. Their outstanding loan portfolio has increased from about US\$45 million in 2009 to nearly US\$183 million in 2013. As of December 2013, three of the four institutions were profitable, serving together about 155,000 clients.
- *Providing debt and equity finance to financial intermediaries:* IFC provided much needed short- and long-term capital to banking and microfinance clients, including First Microfinance Bank, Eskhata Bank, Access Bank, and Imon. In total, IFC provided senior loans totaling to about US\$16 million, trade finance of about US\$5 million, as well as two currency SWOPs to allow client MFIs to swap a portion of their foreign exchange denominated borrowings into *somoni* and, hence, hedge their liabilities against possible fluctuations in the exchange rate.
- *Supporting development of leasing finance:* IFC's *Agri-Finance and Regulatory Reform* project supported improvements in the legislative framework for leasing. Specifically, the project facilitated the abolition of the 18 percent VAT on leasing, as well as several other improvements in tax and custom duties treatment of agricultural machinery and equipment. These significantly reduced direct compliance costs, making it possible to increase the scale and profitability of leasing operations, particularly in agribusiness. In parallel, this project assisted financial intermediaries introduce agro-finance and agro-leasing products and helped raise farmers' awareness. As a result, the project attracted more than US\$6 million investments in greenfield and existing leasing operators. More broadly, it helped stimulate strong growth in leasing overall, which expanded from estimated about US\$4.7 million in 2011 to about US\$12.7 million in 2013.

21. To help improve the investment climate and promote private sector development—the theme of the 2011 Country Economic Memorandum—the PDPG series and IFC supported a variety of government efforts. The most significant and visible was implementation of a 'single-window' business registration system, which applies to both domestic and foreign applicants and reduces the bureaucracy and, in theory, the time required to open a business to five working days. Other business-friendly reforms included: reducing business inspections; protecting investors; registering property; reducing the number of

permits from more than 600 to 86 and their coverage; and creating a ‘single window’ to simplify import and export procedures and processes. In consultation with IDA, IFC provided technical assistance to help draft Tajikistan’s new tax code, which cuts the number of taxes and simplifies tax reporting and payment procedures. In addition, IFC cooperated with the IDA-financed *Tax Administration* project to support the design and implementation of a risk-based audit system based on objective risk parameters, which was piloted in Dushanbe city and is now being rolled out nationwide.

22. With CPS advice and assistance, the government adopted an aviation policy that initiated liberalization of air transport—an important first step towards extending Tajikistan’s regional connectivity. Meanwhile, the *Private Sector Competitiveness* project includes provision for developing a modern mining cadaster, revising mining policy and institutions, and carrying out a strategic environmental and social assessment of the mining sector overall. Finally, IDA and IFC jointly supported the development of a new law on public-private partnerships (PPPs) to promote private investment in infrastructure and social services. Subsequently, with ADB support, the authorities established a PPP Center in the State Investment Committee to help bring PPP transactions to market. While IFC advisory work on a concession for the *Konimansuri Kalon* silver mine did not result in a successful tender, the process contributed to Tajikistan’s signing of the New York Arbitration Convention and the adoption of a new law on investment agreements.

Increasing food security—CPSCR rating: Mostly Achieved

23. Effective steps were taken to raise agricultural productivity and increase food security. With agriculture and rural development accounting for the largest share of the IDA portfolio, support for raising agricultural productivity was provided through four long-standing operations approved before the CPS period and, during the CPS, by additional financing for *Fergana Valley Water Resources Management* (FY10) and *Land Registration and Cadaster for Sustainable Agriculture* (FY12) and the *2nd Public Employment for Sustainable Agriculture (PAMP II)* project (FY13). Three of five CPS outcomes—improved access to land, increased crop yields, and lower flooded/water-logged areas—were comfortably achieved, and a fourth designed to monitor the degree of government interference in farmers’ crop choices (or ‘freedom to farm’) was partly achieved, according to beneficiary surveys undertaken in 2013. The emphasis of this CPS objective was shifted mid-term from raising agricultural productivity to increasing food security—a presidential priority underlined in the new medium-term 2013-15 Living Standards Improvement Strategy (LSIS). This objective was to be measured by increased incomes in PAMP and related actions of development partners. The annual incremental revenue per beneficiary household increased from US\$400 to US\$550 from productivity investments and from US\$140 to US\$550 from land resource investments.

24. Meanwhile, a high-level joint government/development partner Working Group on Agricultural Reform was created to help design a comprehensive agriculture reform strategy, comprising six main sub-groups: for water and irrigation, land reform, agricultural credit, rural social development, local government reform, and cotton debt. In cooperation with other development partners, the WBG supported measures to improve the enabling environment for agriculture based on an action plan for reform developed by these sub-working groups. Priority areas supported through lending and technical assistance included: (a) water resources management, including technical assistance for policy and institutional reform; (b) farmland restructuring through amendment of the law on *dehkan* farms; (c) development of agro-leasing market and alternative agricultural financing instruments; and (d) creating new institutional arrangements for improved water management (e.g. river basin authorities). A major turning point underpinning progress in all these areas was adoption of the Land Code in 2012 and legal framework for land and real estate registration, allowing leasehold land rights to be traded and held as secure property rights for the first time.

1. Strengthening energy security—CPSCR rating: Mostly Achieved

25. Incremental progress was achieved in strengthening the country’s energy sector. CPS support for strengthening the energy sector included the ongoing *Energy Loss Reduction* (FY05) project (including additional financing approved in FY12), which helped reduce electricity losses from 19.3 percent in 2008 to

12 percent in 2013, and gas losses from 16.8 percent in 2008 to 7 percent for gas in 2013, through installation of electricity and gas meters and, in addition, improved the operational management and financial viability of the two main energy utilities. Audited financial statements were made publicly available for the first time. It also financed strategic studies *inter alia* to prepare the proposed regional (Central Asia-South Asia) (summer surplus) electricity export project (CASA-1000) and the economic and technical feasibility of the proposed Rogun hydropower project. PDPG6 supported an energy audit of TALCO, the largest single consumer of electricity that led to an action plan to enable efficiency gains of 22 percent in four years. Meanwhile, a flagship study published in November 2012—*Tajikistan's Winter Energy Crisis: Electricity Supply and Demand Alternatives*—recommended measures: (a) to reduce domestic demand, in particular a broad-based energy efficiency program that limits commercial and technical losses and aligns tariffs to reflect full cost recovery; (b) to increase domestic supply, including rehabilitation of existing hydropower assets and implementation of a proposed new thermal power plant; and (c) to increase regional electricity trade, especially during winter energy deficit months. Against this background, CPS outcomes for reduced power outages, lower commercial and technical losses, and improved transparency in the financial management of *Barki Tajik* and *Tajiktransgaz* were all substantially achieved, though a delay in implementation of cost recovery tariffs in 2013 led to a subsequent deterioration in *Barki Tajik*'s finances. Progress was also made in the regional Central Asia-South Asia (CASA-1000) project, which was approved on March 31, 2014, with IFC providing technical support for procurement, in particular the pre-qualification of bidders for the first major infrastructure package.

Improving access to higher quality social services—CPSCR rating: Partially Achieved

26. **CPS support for higher quality social services (besides water supply and sanitation) focused originally on four education and two health outcomes that were later revised and increased to eight, of which five were Tajikistan's MDGs for education and health.** The addition of the MDGs to Bank CPS objectives was unintentional and this mistake contributed to less than satisfactory results, because health indicators such as infant and maternal mortality are higher-level objectives that cannot be achieved through sector-level interventions. Infant and maternal mortality indicators are unlikely to be achieved by 2015. On the other hand, in areas where the CPS sought to make progress, the government increased public spending on health, albeit from a low base, and initiated *per capita* financing of primary health care and case-based financing of hospital services in two *oblasts*. Thus, public spending on primary health care as a share of total health expenditures in these two *oblasts* increased substantially and the annual number of primary health care visits to health facilities *per capita* improved somewhat. Against this background, the recently approved results-based *Health Services Improvement* project (FY14), designed to move away from the previous emphasis on health system inputs to the achievement of tangible health results, aims to consolidate ongoing reforms and link payments to performance.

27. **Regarding education, foundational reforms in financing and governance are helping Tajikistan cope with serious structural problems—of opportunity, quality, relevance, and also of size.** Outcomes of targeted CPS support for education—through both IDA and bilateral trust fund support (*Education for All Fast Track Initiative* grants and the *Russian Education Aid for Development* (READ) program)—were broadly satisfactory. For example, *per capita* financing for general education has now been in place nationwide since 2010, well ahead of the original timetable; an education management information system, operational nationally since 2009, will be extended to all subsectors by 2015, providing key education data to inform and improve policy decision-making; a new long-term national strategy for educational development was adopted in 2012; a national testing center became operational in 2012; and, at the tertiary level, a unified university entrance examination was piloted for the current 2013-14 academic year and completed registration for applications to the 2014-15 school year. These last two developments constitute especially important steps towards reducing corruption in the education system. Meanwhile, two education MDGs—100 percent net primary school enrollment and 98 percent of girls completing nine years of education—have been achieved or are on track. With numerous other development partners involved in Tajikistan's education system, the WBG played an important coordinating role, especially regarding reforms relating to *per capita* financing, the education management information system, and the new unified university entrance examination.

28. **Outcomes relating to safe water access were only partially achieved.** The CPS' urban water supply and sanitation objectives for improved urban water accessibility and for lower commercial and technical losses were only partially achieved due to slow implementation and weak monitoring and evaluation of the decade-long Dushanbe Water Supply project (DWSP) that closed in FY12. After a slow start, DWSP II is on track to meet higher financial and service targets by 2015. Progress towards improving basic community services including water supply in seven municipalities under the ongoing *Municipal Infrastructure Development* project, for which additional financing was approved in FY12, increased the share of the population with access to water services in those municipalities to 70 percent by 2012, 10 points more than in 2006.

Improving public administration public finance management—CPSCR rating: Partially Achieved

29. **Outcomes for the public administration reforms supported by the CPS were substantially achieved.** The now completed *Public Sector Reform Technical Assistance* project (FY07) helped the government design its public administration reform strategy, in particular the legal and organizational basis for improved public sector management, enhanced public access to information, and a strengthened regulatory framework. Meanwhile, the *PDPG* series supported introduction of a civil service performance appraisal system in February 2011, as well as an action plan to implement it, which involved extensive training as well as informational and awareness-raising events. More recently, it facilitated enactment of a new law on public administration clarifying the functions of the executive branch of government through a three-tier structure that assigns development of national strategies to the Executive Office of the President, definition of sectoral policies to line ministries, and implementation and regulatory functions to agencies and services. Finally, it also helped with the development and initial implementation of a new performance-based salary grid for all central government employees, enhancing the transparency of remuneration and increasing the salaries of young professionals whose recruitment and retention had become problematic. On the other hand, competitive recruitment is not increasing in line with the CPS indicator.

30. **The ongoing *Public Financial Management Modernization* project (FY09) complemented by a multi-donor trust fund put in place foundational reforms.** Using an Adaptable Program Loan (APL) approach, it helped introduce basic processes for more efficient and transparent management of public expenditure, in particular the development of capacity in the Ministry of Finance (MOF) to operate and maintain an automated financial management information system. It also supported creation of a single treasury account and, by end-2012, its extension to four local treasuries in Dushanbe and Tursunzade. All four intended CPS outcomes were achieved—introduction of administrative budget classification, publication of budget execution reports, and enactment of an external audit law including creation of an independent external audit body—leading to an increase in the PEFA indicator for budget classification (P15) to B. Going forward, the *Tax Administration Reform* project (FY13) seeks to improve the quality of taxpayer services, enhance the level of voluntary compliance, reduce the size of the shadow economy, and contribute toward to a more accountable, effective and transparent tax system. It builds on intensive government efforts, supported by IFC and several development partners, to implement the revised tax code enacted in 2012.

31. **CPS support for Tajikistan's country governance and anti-corruption (CGAC) strategy took the form of a four year (2010-14) US\$3.8 million Governance Partnership Facility (GPF) grant.** Its main purpose was to mainstream WBG governance-related activities in Tajikistan, in particular to shift from broad-based country-level engagement as the primary intervention (*e.g.* public sector reform) towards a more comprehensive multi-dimensional approach. The GPF grant's intended beneficiaries and stakeholders were the executive and legislative branches of government as well as civil society and non-governmental organizations. Although improving governance overall in Tajikistan will clearly be a gradual long-term process, GPF grant-financed activities since 2010 have helped develop institutional policies and procedures in the country as well as processes within the WBG that have started to bear fruit. The primary country outcomes achieved include: improved understanding of accountability and transparency issues in particular sectors, including an energy-audit of the Tajikistan Aluminum Company (TALCO)—the largest state-owned

enterprise in the country; definition of a new, more comprehensive, sustainable approach to capacity development, including through strengthening the Civil Service Agency and Public Administration Institute; greater demand for good governance within Tajikistan *inter alia* through capacity building of civil society organizations (CSOs)—to facilitate their participation in monitoring and evaluating WBG-financed projects—and creation of a CSO database; and institutionalization of the budget review process in Tajikistan’s parliament, which now participates in the overall public finance management reform agenda and better understands its role in budget formulation and monitoring. Improved processes within the WBG include: creation of a comprehensive dataset—as a tool to promote good governance and for use in analytical and diagnostic work by the WBG and its development partners; and better designed ‘governance-smart’ projects through introduction of a checklist of political economy questions (including stakeholders’ analyses) designed to ensure that governance considerations are taken into account during project preparation and implementation;

Program Outcomes

32. **Against this background, the Completion Report rates the achievement of outcomes foreseen in the CPS overall as *moderately satisfactory*.** The reasons for this assessment are as follows.

- *First*, the WBG’s timely financial and technical assistance in FY10-11—two PDPGs and additional financing for energy—facilitated Tajikistan’s rapid recovery from the effects of the global economic crisis and the continued decline in poverty. In addition, it helped mobilize emergency budget, energy, and humanitarian support from other development partners.
- *Second*, through the PDPGs, investment operations and analytical and advisory services, the WBG helped lay the legal and institutional foundation for improvements in the investment climate and financial sector. Results included: a reduction in the number of permits and taxes, as well as lower costs for the private sector to comply with regulations; amendments to banking and deposit insurance laws, and establishment of a functioning Credit Bureau. Revised land and aviation policies increased competitiveness in two key sectors. However, implementation was uneven and fundamental governance and structural issues continue to constrain financial intermediation and private investment far below the levels needed for sustainable, inclusive growth.
- *Third*, the CPS supported important financing, institutional, and service delivery reforms in education, health, and social protection. *Per capita*-based financing was applied nationally in education and a unified university entrance examination was designed and piloted. In social protection, a poverty benefit was successfully tested and expanded to 10 districts, which is more than twice as effective in reaching the poorest households as the current method. Due to two unrealistic indicators, intended results in health were only partly achieved. Likewise, despite progress towards improving water supply in selected municipalities, the pace of implementation in Dushanbe, the capital, was less than satisfactory.
- *Fourth*, the modest project-specific outcomes foreseen for energy and for agriculture, including food security, were substantially achieved. Yet, many first-generation reforms *e.g.* land reform and systems for financial accountability in *Barki Tajik*, still require significant investment.
- *Fifth*, CPS outcomes for public finance management were achieved. There was also good overall progress in public administration reform, evidenced *inter alia* by the improved CPIA rating, although due to overly ambitious objectives, the CPS’ outcomes were only partly achieved.

- Finally, Governance Partnership Facility (GPF) activities increased knowledge and generated demand for governance improvements by civil society organizations (CSOs), the budget committee of parliament, and the civil service agency.

IV. World Bank Group Performance

33. Commitments during the CPS period to date total US\$227.1 million—US\$157.2 million, or almost 70 percent, for 11 new operations and US\$69.9 million, or 30 percent, for additional financing of 7 ongoing operations. This represents an average of about US\$45 million annually and US\$14 million per new operation. About 60 percent of the US\$84.6 million committed in the two post-crisis years was front-loaded and approved in FY10. Development policy lending of US\$55.4 million accounted for 24 percent of the total; and by sector, agriculture, rural development and water resources accounted for 19 percent; education, health, social assistance and water supply for 24 percent; energy for 14 percent; and private sector development and tax administration for 12 percent. Eight approvals totaling US\$76.1 million, or 30 percent, were additional financing to scale up ongoing operations. Highlights of the non-lending program included: a country economic memorandum (CEM), a programmatic public expenditure review (ongoing), a comprehensive agriculture sector study, an analysis of Tajikistan's winter energy deficit, the Rogun hydropower assessment studies, and a regional growth and development study of Khatlon.

34. Trust Funds continued to be an important supplement to IDA resources, accounting for about 20 percent of total combined commitments. During the CPS period, more than US\$51 million was mobilized—about half for agriculture and rural development and the balance for education, public law and administration, and health. About US\$19 million of these funds have disbursed to date, slightly lower than the IDA portfolio five-year average. Tajikistan's trust fund portfolio comprising 57 active operations with net commitments totaling more than US\$100 million is currently one of the largest in ECA. Tajikistan is also one of nine countries selected by the Climate Investment Fund (CIF) for implementation of Pilot Programs for Climate Resistance (PPCR).

35. As of January, 2014, the portfolio comprised 13 active projects with net commitments totaling US\$222.2 million, compared to 17 projects totaling US\$208.8 million in mid-2009 at the start of the CPS period. This downward trend towards fewer operations of larger average size reflects a conscious effort by regional and country management to consolidate the portfolio and the WBG's implementation support and supervision resources with the goal of improving efficiency and effectiveness. The portfolio's average age is currently 3.8 years—up slightly from 3.5 years in 2010—with three operations over 8 years old, all a direct result of extensions for additional financing. While portfolio quality overall is judged satisfactory, it continues to experience implementation challenges, especially delays in grant effectiveness and in procurement, specifically in bid evaluation due to the involvement of the State Committee for Investment and Property Management Committee (SCIPM) and the lengthy internal approval process. However, there appears to be no common thread between operations facing challenges, with the issues being irrespective of sector or the project's age.

36. Meanwhile, IFC investments during the CPS period to date totaled US\$31.5 million in 12 projects. These included US\$5.2 million through a trade finance line with *Eskhata Bank*, US\$5.1 million through a global agribusiness project with a commodity trading company ECOM, and a US\$2.2 million loan to *Nutristar*, a French-owned local producer of high quality feed for livestock. Other operations included loans to, and equity investments in existing clients—*First Microfinance Bank*, *Tajik Access Bank* and *IMON*—and related advisory and technical assistance. As of February 2014, IFC's committed investment portfolio of US\$27.8 million comprised 20 active projects with 12 clients. IFC's outstanding portfolio during the CPS period more than doubled—from US\$12.1 million to US\$24.7 million—indicating improved project implementation. IFC's advisory services during the period amounted to US\$14.1 million, mainly financed by various development partners.

37. Performance in terms of acting upon lessons learned from the previous (FY05-09) CPS was broadly satisfactory. The principal operational recommendations of the previous CPS Completion Report included: greater selectivity; a continued mix of development policy and investment lending; a more aggressive use of analytical and advisory activities as an advocacy and dissemination instrument, especially in areas of limited buy-in by the authorities; and continued efforts to harmonize development partners' support. The substance of these recommendations was reflected in the CPS' design and informed its implementation. While the initial results matrix comprising 34 outcomes was overly ambitious, it was reduced during the mid-term progress review to a more selective 24 linked to 13 country development objectives—an example of a lesson learned during implementation.

38. According to the original CPS, implementation was to be guided by four principles of engagement. These were: (a) frontloading of IDA resources to respond to the ongoing crisis; (b) flexibility in design to enable adaptation to changing circumstances; (c) selectivity in both lending and analytical and advisory services to conserve limited IDA resources and administrative budgets; and (d) leveraging to attract co-financing from development partners, including multi-donor trust funds for investment in global public goods. Based on the evidence available, all four principles were largely respected. For example, IDA resources were frontloaded during the first year of the period in response to the crisis. Second, the program was adjusted and extended mid-term, demonstrating the CPS's flexible design and adaptation to changed circumstances. Third, selectivity in lending was evidenced by the portfolio consolidation (fewer operations of larger average size) and recourse to additional financing (seven operations) that occurred during the period. Finally, with one of the largest trust fund portfolios in ECA, leveraging to attract co-financing was evidently successful, as was Tajikistan's selection by the Climate Investment Fund (CIF) for implementation of *Pilot Programs for Climate Resistance* (PPCR).

CAS Design and Relevance

39. Overall, the CPS' design and content were highly relevant; in particular its linkage of rapid responses to short-term post-crisis needs to structural reforms required by long-term development strategy. There was consistency between the NDS' broad-based, long-term goals and CPS' results framework, and planned outcomes were by and large realistic. Several were based on already agreed project-specific development objectives that were clearly intended to facilitate achievement. Annex 1 summarizes CAS outcomes, the lending and other activities that contributed to or influenced them, and lessons learned and recommendations made by the country team.

40. Design of new projects/programs. New operations took into account lessons learned from preceding ICRs, especially institutional development experience. These included: that support for *implementation* of reforms is essential to success in low capacity environments; that a mix of policy-based budget support and implementation-focused investment operations raises the potential effectiveness of reform interventions; and that emergency recovery assistance projects can also be effective vehicles for helping governments to start preparing required medium-longer term measures. Design improvements continue to be needed relating to institutional development.

41. Relevance, quality, and dissemination of knowledge-based activities. Given the satisfactory outcome of analytical and advisory services and technical assistance, knowledge-based activities were evidently highly relevant, of appropriate quality, timely, and driven by client demand. Of particular note are the 2011 CEM and the joint WBG Khatlon: Reinvigorating Growth study, which guided Bank-IFC preparation of the new CPS FY15-18, and the Rural Investment Climate Assessment, that contributed to the Bank-IFC agribusiness strategy and Agriculture Commercialization Project (FY14).

42. Responsiveness to changing country circumstances, priorities and demands. The WBG's response to Tajikistan's needs for emergency budget, energy, and humanitarian support in the wake of the 2008-09 global economic crisis was extremely quick and very effective. This was facilitated by the

unexpected delay in presenting the CPS to Executive Directors (from October 2009 to May 2010), which enabled it to re-orient its program and mobilize incremental IDA and trust fund resources totaling US\$68 million. At the same time, it took the lead, together with the IMF, in assessing the country's post-crisis external financing requirements. The CPS' one-year extension through FY14 demonstrated responsiveness to changing country circumstances and will allow the next CPS to be better aligned to the country's planning cycle.

43. **Effectiveness of development partner assistance.** Given the limited IDA and other resources available, greater coherence and better coordination among development partners was a central focus of three meetings of the Tajikistan Development Forum held during the CPS period. The Development Coordination Council (DCC) in Dushanbe, currently chaired by the World Bank, plays a key role in fostering country ownership and mutual accountability through sector and thematic working groups, in line with the 2005 Paris Declaration on Aid Effectiveness. This is especially important since coordination and management of external financing by and within the government remains fragmented and weak. The CPS had been designed within the framework of a 3-year Joint Country Partnership Strategy (JCPS) involving 12 other development partners, it was decided, upon its expiry at the end of 2012, to move to series of multi-donor initiatives that support key objectives in the Government's strategy, including four that are in the CPS (energy security, food security, improved social services, and private sector development). These are being monitored through DCC-Government meetings that bring a multi-sectoral approach to government planning and greater policy coherence among development partners.

44. Throughout the CPS, the WBG played a leading role in supporting other development partners' strategies and programs with high quality analytical products and coordinating their contributions to various sector-specific reforms. For example, the recommendations of the 2011 CEM helped DfID, SECO, and the EU align their private sector development activities towards investment climate reforms. In addition, the WBG helped: (a) coordinate development partner inputs to the drafting of a new tax code; (b) establish a high-level public finance management steering committee to formulate a reform strategy and action plan (2009-18); (c) develop, together with USAID, mechanisms to issue new land certificates and creation of a modern land registration and cadaster system; and (d) together with the Open Society Institute, created a coalition of government and non-governmental agencies to support Tajikistan's participation in the EITI validation process. Finally, IFC, partnering with other donors, including ADB and DFID, played an important role in helping draft and enact a public-private partnerships (PPP) law.

45. **Effectiveness of risk mitigation.** The CPS correctly identified four main risks to program implementation: macroeconomic—resulting from a slow global recovery especially in Russia; declining commitment to reform in the face of resistance from vested interests; weak institutional capacity; and geopolitical risks as a consequence of deteriorating security in Afghanistan and/or Pakistan. While none of these contingencies fully materialized, all four risk areas remained valid through the CPS period. Moreover, two additional macroeconomic concerns were added at mid-term: the quasi-fiscal risks posed by non-performing loans exacerbated by government-directed lending; and risks to fiscal discipline and accountability resulting from weaknesses in the public finance management system. Non-performing loans due to directed lending in one of the largest banks led to a bail-out valued at 2 percent of GDP in 2012 and this risk remains.

2. WBG Performance

46. **The Completion Report rates the WBG's performance in terms of CPS program implementation overall as good.** Relatively strong performing areas were: macro-management, agriculture, energy (including the Rogun hydropower studies), education, and, to a lesser extent, financial and private sector development, and governance (including public administration and public finance management). Relatively weak performing areas were: health, water supply, and the financial management aspects of energy. The Bank responded to Government requests to provide additional financing in response to

emergency needs (e.g. retroactive financing in MIDP-AF to prevent damage from landslides) and to support key reforms (e.g. additional financing for land registration to support implementation of the Land Code and adoption of a *Tax Administration* project to support modernization in line with the new Tax Code). Implementation of the PDPG series was broadly satisfactory and underpinned steady but incremental progress on structural reforms. Development partner cooperation—exemplified by multi-donor initiatives undertaken by the WBG-chaired Development Coordination Council (DCC)—was also satisfactory. Following presidential elections, the 28 members of the DCC prepared a joint letter to the President, signed by the World Bank as Chair, on highest priority reforms for the new government, including ways the DCC can provide assistance. As a result, the government will prepare a joint action plan with the DCC to intensify reforms in order to meet LSIS objectives by 2015.

V. Key Lessons Learned and Suggestions

Country Development Outcomes

- *First*, Tajikistan's post-independence civil war delayed the country's economic and political transition and the development of modern public institutions by at least a decade. Several first-generation reforms remain incomplete. Without this foundation, particularly in land and water rights, public financial management, and the financial sector, future growth is likely to remain below potential.
- *Second*, new thinking is needed on methods to expand the role of the private sector in the economy. Many important legal and regulatory reforms have been adopted, e.g. by reducing transaction costs on business and unbundling the aviation sector, but their impact has been slow to materialize in terms of new private investment, due to complex institutional issues or market dominance by related parties.
- *Third*, sustainable improvement in basic public services requires executive leadership, dedicated civil servants, and involvement by civil society and citizens in implementation. Schools that benefited from *per capita* financing and the involvement of parent-teacher associations exemplify such alignment. Mechanisms to strengthen this vertical link from the executive branch down to local administrations and citizens should be identified.
- *Fourth*, the poor quality of official data puts development outcomes at risk because policy and investment decisions are not based on solid evidence and analysis. Improved official statistics and their objective application are critical to wise policy decisions.

Operational Lessons

- *First*, the PDPG series supported a broad range of reforms and was successful in areas where there was consensus and on-going dialogue. However, realism is required regarding what can be achieved in a relatively short period of time and the agenda should be more selective.
- *Second*, although many institutional, legal, and regulatory reforms were enacted during the period, their implementation remained a challenge. Weak institutional capacity and vested interests slowed the pace of change. Greater policy coherence on critical reforms is needed by development partners along with demand-driven mechanisms to garner citizen involvement.
- *Third*, ensuring the availability of information on a regular basis is important for monitoring progress. Lists of indicators (including data required to monitor the adequacy of the macro-framework) and the frequency of reporting should be agreed with the government during negotiations and have a solid evidence base.

Attachments:

- Table 1: Summary of CAS Program Self-Evaluation
- Table 2: Planned Lending and Actual Deliveries
- Table 3: Planned Non-Lending Services and Actual Deliveries
- Table 4: IFC's Committed and Outstanding Portfolio
- Table 5: Commitments by Instruments and by Sectors

CPS FY10-14—Completion Report

Table 1: Summary of CPS Program Self-Evaluation

CPS Outcomes and Outcome Indicators ²⁰	Status and Evaluation Summary	CPS program activities contributing to outcome
1. IMPROVING INVESTMENT CLIMATE, DEVELOPING PRIVATE SECTOR		
Improved investment climate, private sector & entrepreneurship (NDS p. 15): <ul style="list-style-type: none"> Financial sector legislative and regulatory framework strengthened. Bank or micro-finance accounts and associated deposits expanded: Baseline: 3 percent of population & 11 percent of GDP (2008). Target: 6 percent of population and 18 percent of GDP (2014). Number of taxes paid by businesses to be reduced: Baseline: 21 (2008). Target: 11 (2014). 	Mostly achieved: <ul style="list-style-type: none"> Medium-term post-FSAP strategy and action plan adopted and implementation underway. Draft amendments to pledge law completed. Amendments to central bank (NBT), banking, and deposit insurance laws enacted. Credit bureau established, with banks utilizing its data Number of bank accounts increased to over 1.4 million, or about 17 percent of population, and deposits expanded to almost 18 percent of GDP. Under new Tax Code (2013), number of taxes paid by businesses reduced from 18 to 10. 	IDA: <ul style="list-style-type: none"> PDPGs 4-6. Tax Administration Reform. Private Sector Competitiveness. IFC: <ul style="list-style-type: none"> Financial/agri-business investments. Trust Funds: <ul style="list-style-type: none"> IDF: PSD Reform & Tax Service Capacity Strengthening. FIRST: Payment Systems, Secured Transactions, Banking Regulation and Supervision, Insurance Market Development. AAA: <ul style="list-style-type: none"> CEM 2011 (FY 2010-2011). Doing Business Reform TA. IFC Financial Market Infra. IFC Transformation for MFIs. IFC Access Bank. IFC Business Reg. Invest .Policy. IFC Corporate Governance. IFC Konimansur Mine PPP Transaction Advisory. Other Partners: <ul style="list-style-type: none"> DfID, EC, IMF, USAID.
2. STRENGTHENING PUBLIC ADMINISTRATION/PUBLIC FINANCE MANAGEMENT		

²⁰ Linked to 2006-15 National Development Strategy (NDS) goals

CPS Outcomes and Outcome Indicators ²⁰	Status and Evaluation Summary	CPS program activities contributing to outcome
<p>Public administration characterized by transparency, accountability and anti-corruption (NDS p. 11):</p> <ul style="list-style-type: none"> Strengthen incentives for better civil servants' performance, measured by expanded merit-based recruitment, e.g. increase in ratio of applicants per vacancy filled competitively (Grades 3 & below) from 1.4:1 (2008) to 2:1 (2014)*. New performance-based salary grid introduced throughout civil service (2012). 	<p>Partially achieved:</p> <ul style="list-style-type: none"> CPIA cluster D rating improved from 2.7 (2009) to 3.0 (2012). Modern HR regulations passed. Ratio of applicants per vacancy fell to 1.14 (2012). Re-organization plans of 10 ministries (Resolution 34 of January 24, 2012)—implementation ongoing. Law on Organization of Public Administration—implementation ongoing. Performance-based appraisal salary grid adopted, but implementation stalled. 	<p>IDA:</p> <ul style="list-style-type: none"> PDPG-6. <p>AAA:</p> <ul style="list-style-type: none"> IGR. <p>Partners:</p> <ul style="list-style-type: none"> DFID, EC, IMF, Japan, SDC, USAID.
<p>Public finance management more transparent, with preparation/ execution of state and local govt. budgets strengthened (NDS p. 17).</p> <ul style="list-style-type: none"> Transparency and accountability of public finance management improved, as measured by increase in PEFA indicator PI5 (budget classification) from D (2007) to B (2014). Control of budget execution improved, as measured by timely submission of annual audit reports to parliament (2014). 	<p>Partially achieved:</p> <ul style="list-style-type: none"> PEFA indicator increased to B (2012). New (2001 GFS) budget classification and Chart of Accounts introduced in 2012-14 budgets. Treasury modernization and budget automation leading to a new FMIS effective from Jan 01, 2014Law on external audit approved and independent external audit body established 2012. Annual audit reports submitted to parliament. Consolidated budget execution reports covering central and local governments published on Ministry of Finance's website. 	<p>IDA:</p> <ul style="list-style-type: none"> Public Finance Mgt. Modernization. PDPG-6. <ul style="list-style-type: none"> Tax Administration Reform. <p>AAA:</p> <ul style="list-style-type: none"> IGR. PEFA. Public Expenditure Policy Note: Government Expenditures: Size, Composition and Trends (FY2012-13). <p>Trust Funds:</p> <ul style="list-style-type: none"> EC-DfID: MTEF. SECO: Public Sector Accounting. <p>Partners:</p> <ul style="list-style-type: none"> DFID, EC, IMF, USAID.

CPS Outcomes and Outcome Indicators ²⁰	Status and Evaluation Summary	CPS program activities contributing to outcome
3. ENHANCING ACCESS TO HIGHER QUALITY SOCIAL SERVICES		
Improved provision of safe water in capital and 8 municipalities: <ul style="list-style-type: none"> Population with access to safe water in Dushanbe and 8 municipalities increased from 1.3 million (2008) to 1.6 million (2013). Combined technical and commercial losses reduced from 70 percent (2008) to 50 percent (2013). 	Partially achieved: Increased access in 8 municipalities, but no reliable data on access or losses for Dushanbe. Dushanbe: <ul style="list-style-type: none"> New billing & collection system in place. Pressure zones established to reduce leakage. Municipalities: <ul style="list-style-type: none"> New billing & collection systems piloted in Kurgan-Tube, Vosé, Kulyob, Dangara, and Farkar. Metering program piloted in Farkhar. 	IDA <ul style="list-style-type: none"> Dushanbe Water Supply 1- 2. Municipal Infrastructure Development. Partners: <ul style="list-style-type: none"> ADB, EBRD, Switzerland, UNICEF, USAID.
Human potential enhanced by increased quantity and quality of social services for poor (NDS p. 11) <ul style="list-style-type: none"> MDG-2: 100 percent net primary school enrollment by 2015. MDG-3: 98 percent of girls completing 9 years of education by 2015. MDG-4: Reduce infant mortality to 25/1,000 by 2015. MDG-5 Reduce maternal mortality to 30/100,000 by 2015. MDG-6: Reduce prevalence of infectious diseases. Quality of public education and health services improved	Partially achieved: Achieved. On track—likely. Unlikely. Unlikely. Ongoing.	IDA: <ul style="list-style-type: none"> Education Modernization. Community and Basic Health. Central Asia HIV/AIDS. AAA: <ul style="list-style-type: none"> Public Expenditure Policy Note: Review of Public Expenditures on Health (FY2012-13). Trust Funds: <ul style="list-style-type: none"> Health Results Innovation. Japanese Social Devt. Fund Nutrition. Rapid Social Response Trust Fund. Health Policy Monitoring (IDF).

CPS Outcomes and Outcome Indicators ²⁰	Status and Evaluation Summary	CPS program activities contributing to outcome
<ul style="list-style-type: none"> University entrance process more transparent, measured by introduction of new unified entrance exam. system by 2014/2015 Primary health care more efficient, measured by implementation of full <i>per capita</i> financing in two <i>rayons</i> and results-based performance payment system in place in 1 <i>rayon</i> Quality of primary health care services improved, measured by increase in number of doctors & nurses trained in updated clinical disease mgt. protocols from 183 and 453 (2009) to 425 & 1,233 respectively (2014) 	<p>Achieved:</p> <ul style="list-style-type: none"> Unified university entrance exam piloted for 2013/14 and to be introduced for 2014/15 EMIS-2 design reviewed and recommendations adopted National Testing Center (NTC) operational Full <i>per capita</i> financing in place in 2 <i>rayons</i> Public financing of primary health care increased to over 40 percent of total public health spending in Khatlon and Sughd <i>oblasts</i> Operational manual for results-based financing prepared in Targeted increase in number of trained doctors and nurses achieved Annual primary health care visits per capita increased to 3.1 and 4.3 in Khatlon and Sughd 	<p>IDA:</p> <ul style="list-style-type: none"> Education for All—FTI-3 Russian Education Aid for Development (READ) <p>AAA:</p> <ul style="list-style-type: none"> Public Expenditures Policy Note: <i>Review of Public Expenditures on Education (FY2012-13)</i> <p>Partners:</p> <p>ADB, AKF, Australia, EC, GTZ, IOM, KfW, Russia, SDC, UNICEF, USAID, WHO</p>
4. STRENGTHENING ENERGY SECTOR		
<p>Tajikistan's energy security ensured (NDS p. 27):</p> <ul style="list-style-type: none"> Commercial and technical losses reduced from 19.3 percent for electricity and 16.8 percent for gas (2008) to 12 percent for electricity and 15 percent for gas (2013). Transparency in financial management of Barki Tajik and Tajiktransgaz improved, as measured by timeliness and public availability of audited financial statements. Regional transmission network expanded, measured by first contract signed (2014). Increase in electricity tariffs to cost recovery levels (US\$0.03 cents per kwh). 	<p>Mostly achieved:</p> <ul style="list-style-type: none"> Losses reduced to 12 percent for electricity and 7 percent for gas. 160,000 electricity meters installed in Dushanbe and 80,000 gas meters installed countrywide. Audited financial statements publicly available on respective websites. Together with Kyrgyz Republic, agreements to export electricity negotiated with Afghanistan and Pakistan, processing of CASA-1000 project underway, and pre-qualification of bidders for first major infrastructure package launched. 	<p>IDA:</p> <ul style="list-style-type: none"> Energy Loss Reduction. PDPG-6. <p>AAA:</p> <ul style="list-style-type: none"> A&A ROSC. Feasibility Study CASA100. Alternative Power Options. IFC Advisory for CASA-1000. IFC Advisory for Infrastructure Investment. <p>Trust Funds:</p> <ul style="list-style-type: none"> SECO: Fin. Management Improvement Program (Barki Tajik and Tajiktransgaz). CAEWDP Multi-Donor. <p>Partners:</p> <p>ADB, DfID, IMF, KfW, SECO, USAID.</p>

CPS Outcomes and Outcome Indicators ²⁰	Status and Evaluation Summary	CPS program activities contributing to outcome
	<ul style="list-style-type: none"> Electricity tariffs increased, but remain below cost recovery levels. 	
5. INCREASING FOOD SECURITY		
Agricultural productivity increased (NDS p. 27): <ul style="list-style-type: none"> Farmers' access to land improved, measured by increase in new land-use certificates issued (disaggregated by gender): from 808 (2009) to 86,000 (2014)—of which 25 percent to female farmers. Annual incremental revenue per beneficiary household increased from US\$400 to US\$550 from productivity investments and from US\$140 to US\$550 from land resource investments (2014). Increase in proportion of farmers and other stakeholders reporting less government interference, disaggregated by gender, from 35 percent including 20 percent women (2009), to 75 percent. 	<p>Mostly achieved:</p> <ul style="list-style-type: none"> 71,838 new land-use certificates issued by December 2013—on track for 2014 for 2014, of which 22 percent to female farmers. Achieved. Proportion of farmers reporting less government interference in crop selection decision increased to between 69-76 percent for non-cotton (dekan) and to around 57 percent for cotton farms 45-50 percent, but no data on female farmers. 	<p>IDA:</p> <ul style="list-style-type: none"> Land Registration and Cadaster. Ferghana Valley Water Management. Food Security/Seed Imports. S. Tajikistan Cotton (IFC). PDPG 4-6. PAMP. Regional Hydromet Project. <p>AAA:</p> <ul style="list-style-type: none"> CAWEDP. Enhanced Livestock Productivity. Integrated Water Management. PPCR Strategic Program. IFC Agri-finance and Reg. Reform. <p>Trust Funds:</p> <ul style="list-style-type: none"> GEF: Land Management. <p>Partners:</p> <ul style="list-style-type: none"> ADB, AKDN, CIDA, DFID, EBRD, GTZ, KfW, SECO, UNDP, USAID.

CPS FY10-14—Completion Report

TABLE 2: PLANNED IDA LENDING AND ACTUAL DELIVERIES (FY10-14)

CPS PLANS (04/22/10)			STATUS (as of 12/31/13)	
2010	Add. Fin.—Education Modernization	2.0	Actual	2.0
	Programmatic Development Policy Grant-4	25.4	Actual	25.4
	Add. Fin.—Ferghana Valley Water Resource Mgt.	10.0	Actual	10.0
	Add. Fin.—Energy Emergency	15.0 52.4	Actual	15.0 52.4
2011	Add. Fin.—Community & Basic Health	3.0	Actual	3.0
	Programmatic Development Policy Grant-5	10.0	Actual	10.0
	2 nd Dushanbe Water Supply	10.0	Actual	16.0
	Social Safety Net Strengthening	2.0 25.0	Actual	3.2 32.2
	Total FY10-11:	77.4		Total FY10-11: 84.6
2012	Add. Fin.—Energy Loss Reduction	15.0	Actual	18.0
	Add. Fin.—Land Registration & Cadaster for S. Agr.	5.0	Actual	10.0
	Add. Fin.—Municipal Infrastructure	10.0	Actual	11.9
	Private Sector Competitiveness	10.0 40.0	Actual	10.0 49.9
CAS PROGRESS REPORT PLANS (10/02/12)			STATUS (as of 03/31/13)	
2013	Programmatic Development Policy Grant-6	20.0	Actual	20.0
	Tax Administration	18.0	Actual	18.0
	Health Services Improvement	15.0	Deferred to FY14	
	Municipal Services Development Fund	20.0	Deferred to FY14	
	2 nd Public Employment for Sustainable Ag. (PAMP-2)		Advanced from FY14	18.0
	Environmental Land Mgt. & Rural Livelihoods	73.0	Actual	5.4 61.4
2014	Health Services Improvement	10.0	Actual	15.0
	Development Policy Operation	15.0	Global Partnership for Education (GPE)-4—approved 07/16/13	16.2
			Deferred to FY15/16	31.2
	Total FY12-14:	133.0		Total FY12-14: 142.5
	TOTAL FY10-14:	210.4		TOTAL FY10-14: 227.1

CPS FY10-14—Completion Report

TABLE 3: PLANNED NON-LENDING SERVICES AND ACTUAL DELIVERIES (FY10-14)

CAS PLANS (04/22/10)		STATUS (12/31/13)
2010	Country Economic Memorandum	Actual: <i>Tajikistan's Quest for Growth—Stimulating Private Investment</i> , Report No. 54677-TJ, January, 2011
	Growth Diagnostics	Actual: <i>Priorities for Sustainable Growth—Strategy for Agriculture</i> , Report No. 68418-TJ, January, 2012 (7 Volumes)
	Health, Nutrition, & Population Statistics and Indicators	Actual: <i>Quality of Child Health Services</i> , Report No. 62870-TJ, June, 2011 and <i>Improving Statistics for Child Births & Deaths</i> , Report No. 62870-TJ, June, 2011
	Social Assistance Reform & Poverty Dialogue	Actual: <i>Delivering Social Assistance to Poorest Households</i> , Report No. 56593-TJ, April, 2011
2011	Public Expenditure & Financial Accountability Assessment (PEFA)	Actual: <i>Public Expenditure & Financial Accountability Assessment</i> , Report No. 81743, November 2012
PROGRESS REPORT PLANS (10/02/2012)		STATUS (as of 12/31/2013)
2012	Gender Assessment	In progress—expected to be completed end-FY14
	Rogun Assessment Studies	Actual: <i>Tajikistan's Winter Energy Crisis—Supply & Demand Alternatives</i> , Report No. 75198-TJ, November, 2012
	Power Supply Alternatives	
	Water Management	
	Country Procurement Status Review	
2013	Programmatic Public Expenditure Review. Public Expenditures Policy Notes	Actual: <i>Public Expenditure Policy Notes: 1. Size, Composition and Trends; 2. Public Expenditure on Health; 3. Public Expenditures on Education</i> . [Report No. 77607-TJ, June 2013].
	<i>Khatlon</i> Regional Development Study	Actual: <i>Reinvigorating Growth in Khatlon Oblast</i> , Report 78525-TJ, August, 2013
	Protecting Access to Maternal & Child Health Services	
	Professional & Vocational Skills Development	
	Rural Investment Climate Assessment	In progress: <i>Rural Investment Climate Assessment</i> , Report No. xxxx-TJ, September, 2013
	Role of Government in Agriculture	
6.		Actual: <i>Farmer/Farm Worker Perceptions of Land Reform & Sustainable Agriculture</i> , Report No. AAA81TJ, June, 2012

CPS FY10-14—Completion Report
TABLE 4: IFC's COMMITTED AND OUTSTANDING PORTFOLIO,
(as of February, 2014)

Commitment Fiscal Year	Institution Short Name	Committed Portfolio - IFC						Outstanding Portfolio - IFC					
		LN	ET	QL + QE	GT	RM	ALL	LN	ET	QL + QE	GT	RM	ALL
2011	Amiri	0.8	-	-	-	-	0.8	0.8	-	-	-	-	0.8
2008/09/10/11/12/13/14	Eskhata Bank	0.3	-	-	3.8	-	4.1	-	-	-	3.8	-	3.8
2014	FINCA Tajikistan	1.5	-	-	-	0.3	1.8	1.5	-	-	-	-	1.5
2005/06/08/10	FMBT	0.3	0.5	-	-	-	0.9	0.3	0.5	-	-	-	0.9
2003	Giavoni	-	0.4	-	-	-	0.4	-	0.4	-	-	-	0.4
2014	Nutristar	2.2	-	-	-	-	2.2	-	-	-	-	-	-
2003	Pamir Energy	0.0	0.0	-	-	-	0.0	0.0	0.0	-	-	-	0.0
2002/04	SEF FOM	0.1	-	-	-	-	0.1	0.1	-	-	-	-	0.1
2008/12	SEF IMON	5.3	-	-	-	0.3	5.6	5.3	-	-	-	-	5.3
2009	TPS (T)	6.0	-	-	-	-	6.0	6.0	-	-	-	-	6.0
2009/11	Tajik Access	2.3	2.0	-	-	-	4.3	2.3	2.0	-	-	-	4.3
2012	Tajero	1.7	-	-	-	-	1.7	1.7	-	-	-	-	1.7
Total Portfolio		20.5	2.9	-	3.8	0.6	27.8	18.0	2.9	-	3.8	-	24.7

Table 5: COMMITMENTS BY INSTRUMENT AND BY SECTOR
(as of February 2014)

	FY10	FY11	FY12	FY13	FY14 YTD	Total
Loan	-	5.3	11.8	-	8.7	25.8
Straight Equity	0.4	-	-	-	-	0.4
Client Risk Management	-	-	-	-	0.6	0.6
Guarantee	0.6	1.1	0.3	0.3	3.5	5.7
Total by investment type	1.0	6.4	12.1	0.3	12.8	32.6
Agribusiness	-	1.3	5.1	-	2.2	8.6
Finance & Insurance	1.0	5.1	5.3	0.3	10.6	22.3
Wholesale and Retail Trade	-	-	1.7	-	-	1.7
Total by sector	1.0	6.4	12.1	0.3	12.8	32.6

ANNEX 3

Indicative IDA Lending, FY15-18 (by Pillar and Fiscal Year) [TOTAL: US\$255 million—IDA17: US\$195 million]

(1) BY PILLAR

	IDA
PRIVATE SECTOR-LED GROWTH (6)	
Development Policy Operations (FY16, FY17, FY18)	60.0
Land Immovable Property Registration	15.0
Private Sector Competitiveness—Additional Financing	10.0
Irrigation Improved Efficiency	15.0
	<u>100.0</u>
SOCIAL INCLUSION (6)	
Communal Services Development Fund	30.0
Higher Education	15.0
Social Safety Net Strengthening—Additional Financing	5.0
Winter Energy	30.0
Public Finance Management-2/Public Administration	10.0
National Sanitation	20.0
	<u>110.0</u>
REGIONAL CONNECTIVITY (2)	
Central Asia Road Links—Tajik contribution	15.0 ²¹
Tajikistan-Afghanistan-Turkmenistan railway	30.0
	<u>45.0</u>
TOTAL (14 operations, including 2 regional):	<u>255.0</u>

(2) BY FISCAL YEAR

	IDA
FY15 (3)	
Public Finance Management-2/Public Administration	10.0
Communal Services Development Fund	30.0
<i>Central Asia Road Links—Tajik contribution</i>	15.0
	<u>55.0</u>
FY16 (4)	
Development Policy Operation -1	20.0
Higher Education	15.0
Social Safety Net Strengthening—Additional Financing	5.0
Winter Energy	30.0
	<u>70.0</u>
FY17 (4)	
Development Policy Operation-2	20.0
Land Immovable Property Registration	15.0
Irrigation Improved Efficiency	15.0
National Sanitation	20.0
	<u>70.0</u>
FY18 (3)	
Development Policy Operation-3	20.0
Private Sector Competitiveness—Additional Financing	10.0
Tajikistan-Afghanistan-Turkmenistan Railway	30.0
	<u>60.0</u>
TOTAL (14 operations, including 2 regional):	<u>255.0</u>

²¹ Plus up to US\$30 million regional IDA.

Tajikistan—Development Partner Coordination

Overview

1. In 2012, according to OECD-DAC data, net overseas development assistance (ODA) to Tajikistan totaled about US\$394 million, compared to US\$348 million in 2011 and US\$437 million in 2010. This apparent volatility most likely reflected the impact of the varied responses of development partners to the country's emergency post-crisis needs for budget support, humanitarian aid, and longer-term development financing. In both 2011 and 2012, the bilateral share of gross ODA averaged about 46 percent, or about one fifth higher than the 38 percent recorded in 2010. Net ODA as a share of GNI declined from 7.8 percent in 2010 to an average 5.6 percent in 2011-12. ADB, EU, IDA, IMF, and IsDB were the top five multilateral contributors during 2011-12 and Germany, Japan, Switzerland, and United States were the leading bilateral partners. Program assistance, together with education, health and other social sectors accounted for almost two thirds of bilateral aid during 2010-11. Besides Russia, other non-OECD countries such as China, India, and Iran have also become increasingly important sources of official aid and investment, in particular for infrastructure.

Development Partner Coordination

2. All the main bilateral aid agencies are represented in Dushanbe, as are the principal multilateral institutions—ADB, EBRD, EDB, EU, IMF, and the United Nations Specialized Agencies. A Development Coordination Council (DCC) was established in 2006 to enhance donor harmonization and alignment in the spirit of the 2005 Paris Declaration on Aid Effectiveness and the subsequent 2008 Accra Agenda and 2011 Busan Partnership. Comprising the heads of 28 international agencies active in Tajikistan, the DCC meets monthly to coordinate activities and policy dialogue with the Tajik authorities. Since early 2012, it has been chaired by the World Bank. Attachment 1 describes development partner involvement by sector.

3. During 2010-12, twelve development partners including IDA planned their activities within the framework of a Joint Country Partnership Strategy (JCPS)—an initiative designed to advance the goals of the 2005 Paris Declaration. While a review undertaken in 2012 confirmed that JCPS achievements were significant—including a shared analysis of Tajikistan's problems and prospects, a results matrix that helped align partners' assistance with the country's development strategy, and a consultative process that helped boost sectoral coordination—it was decided, upon its expiry at the end of 2012, to move to a looser, less binding, and more inclusive statement of *Shared Principles for Cooperation*. These reflect not only the intent of the original Paris Declaration, but also the four priorities agreed at Busan in 2011, namely: country ownership of development; focus on results; inclusive development partnerships; and transparency and mutual accountability.

4. Meanwhile, the DCC and its secretariat play a key role in fostering country ownership and mutual accountability through several sector-specific and thematic working groups. These are important because the management of external financial and technical assistance by and within the government remains fragmented and weak, despite significant investments in capacity building in recent years. At the 2012 meeting of the Tajikistan Development Forum chaired by the President Rahmon, DCC partners re-affirmed their continued support for the country's development and agreed on cross-sectoral, multi-partner coordinated initiatives designed to achieve measurable results by 2015.²² These initiatives are aligned with the six government priorities reflected in Tajikistan's medium-term Living Standards Improvement Strategy (LSIS): public administration and governance;

²² These initiatives are summarized at Attachment 2.

private sector-led growth; development of human potential; energy independence; food security; and, transport connectivity.

Multilateral Development Partner Activities

5. **ADB** is one of Tajikistan's major development partners and all its assistance is from its concessional Asian Development Fund (ADF). As of 30 September 2013, ADB's cumulative commitments totaled US\$1,082 billion, including US\$373 million in 23 loans, US\$663 million in 26 grants, and US\$46 million in 74 technical assistance grants. About two-thirds of ADB's portfolio comprises initiatives in energy (28 percent) and transport, with an emphasis on improving regional connectivity in line with Tajikistan's active participant in the ADB-sponsored Central Asia Regional Economic Cooperation (CAREC) Program. ADB also supports private sector development by facilitating reforms to help improve the business climate and increase the role of public-private partnerships in infrastructure development and public service delivery.

6. **EBRD** has been active in Tajikistan since 1992 in technical cooperation and made its first investments in 1996. As of January 2014, it had signed 80 projects with a net cumulative business volume of €287 million. Net cumulative disbursements totaled €127 million. The private sector share of the portfolio was 36 percent of the total. Infrastructure comprising environmental infrastructure and transport accounts for just over half the portfolio, the financial sector including investments in micro, small, and medium sized enterprises through financial intermediaries for about one quarter, with balance consisting of investments in agribusiness, commerce, energy and industry. EBRD's current country strategy, approved in 2012, focuses on strengthening the financial sector, developing private enterprises and agribusinesses, supporting critical infrastructure, and improving energy supply, regulation and efficiency.

7. **European Union (EU)** cooperation with Tajikistan, governed by a three-year (2011-13) national indicative program (following the mid-term review of its 2007-13 Central Asia Regional Strategy), concentrates on three focal sectors: social protection and employment; health sector reform; and private sector development, with public finance management reform as a cross-cutting theme. Financial and technical assistance support for 2011-13 was expected to total €62.1 million, averaging €20.7 million annually, or about 29 percent of the €216 million earmarked by the EU for five Central Asia national assistance programs during this three-year period.

8. The **United Nations (UN)** has been active in Tajikistan since 1992 starting with the UN Tajikistan Office for Peace Building (UNTOP), which completed its mandate in 2007. Since 1993, the UN has increased its presence to 21 specialized agencies, programs, and funds, including the WBG. UN support to Tajikistan under the ongoing 2010-15 United Nations Development Assistance Framework (UNDAF) comprises four pillars: poverty reduction and governance; food and nutrition security; clean water, sustainable environment, and energy; and quality basic services. The resources expected to be mobilized for this five-year program total about US\$280 million, averaging US\$56 million annually of which 69 percent is allocated for quality basic services, 13 percent for food and nutrition security

9. The **International Money Fund (IMF)** approved a three year US\$102.3 million arrangement (90 percent of quota) under the Extended Credit Facility (ECF) in April 2009, which was subsequently augmented to US\$152 million (120 percent of quota) in June 2010. The ECF supported the authorities' efforts to maintain macroeconomic stability, promote inclusive growth, address weaknesses in the financial sector, bolster reserves, and catalyze critical donor support. The IMF, together with other development partners, is also providing technical assistance in the areas of public finance management, tax policy and administration, and financial sector issues.

ANNEX 4
Attachment 1

Development Partner Involvement by Sector

Agriculture	Aga Khan Foundation, Asian Development Bank, European Bank for Reconstruction & Development, European Commission, Swiss Cooperation, UK Department for International Development, United Nations Agencies, United States Agency for International Development, World Bank Group
Energy	Asian Development Bank, Germany, Swiss Cooperation, United States Agency for International Development, World Bank Group, European Bank for Reconstruction and Development
Transport	Asian Development Bank, European Bank for Reconstruction & Development
Education	Aga Khan Foundation, European Commission, Germany, United Nations Agencies, United States Agency for International Development, World Bank Group
Health	Aga Khan Foundation, European Commission, Germany, Swiss Cooperation, UK Department for International Development, United Nations Agencies, United States Agency for International Development, World Bank Group
Social Protection	European Commission, United Nations Agencies, World Bank Group
Public Sector Governance	European Commission, Swiss Cooperation, UK Department for International Development, United Nations Agencies, United States Agency for International Development, World Bank Group
Private Sector Development	Asian Development Bank, European Bank for Reconstruction & Development, European Commission, Germany, Swiss Cooperation, UK Department for International Development, United States Agency for International Development, World Bank Group
Financial Sector Development	Asian Development Bank, European Bank for Reconstruction & Development, Germany, Swiss Cooperation, United States Agency for International Development, World Bank Group
Rule of Law	European Commission, Organization for Security & Cooperation in Europe, Swiss Cooperation, United Nations Agencies

Source: Development Coordination Council Secretariat.

**Development Coordination Council (DCC) Initiatives
in Support of Tajikistan's Living Standards Improvement Strategy (LSIS), 2013-2015**

1. **Public administration and governance:** The DCC's two initiatives in this area are designed: (a) to strengthen parliament's ability to fulfill its public expenditure oversight role and, in addition, to expedite implementation of ongoing public finance management reforms; and (b) to improve the access of marginalized or vulnerable groups to the country's legal system. Together, they would help improve clarity, consistency, and transparency in Tajikistan's public administration and the creation of an effective legal system. Results by end-2015 would include: integration of all public spending, including the *quasi-fiscal* activities of state-owned enterprises, into the overall budgetary process; and fulfillment of the Chamber of Accounts' ability to undertake regular audits and submit periodic reports to parliament.
2. **Private sector-led growth:** The purpose of DCC initiatives under this heading is: (a) to support implementation of reforms focused on simplifying procedures for investors, strengthening investor protection, and improving public-private sector dialogue; (b) to help the government implement Tajikistan's commitments to the World Trade Organization (WTO) following its accession last year; and (c) to help create conditions at national, regional, and local levels for inclusive rural growth through value chain support. Together, these actions would reinforce ongoing efforts to improve the business environment that are needed to enlarge the private sector's contribution to growth, including much higher levels of domestic and foreign investment. Results by end-2015 would include: an increase in private investment—up from the currently low 5 percent of GDP; an increased number of jobs; and an improved institutional framework in WTO-related areas such as customs, trade facilitation, and support to agriculture including increased agricultural exports.
3. **Development of human potential:** DCC initiatives directed towards further development of Tajikistan's human capital would: (a) help increase the efficiency of public spending on health while improving the coverage and delivery of the 'basic benefit' package; and (b) support creation of a nation-wide communal services development fund linked to decentralized water supply services. These complementary actions would enhance the population's access to primary health care services, as well as to safe drinking water (including in Dushanbe). Results by end-2015 would include: in health, nation-wide roll-out of the basic benefit package; in social protection, scaling up targeted social assistance and expansion of public-private partnerships for the delivery of social services; and, in education, expansion of early learning and inclusive education practices.
4. **Energy security:** The DCC's energy initiative comprises two elements designed to help reduce winter electricity shortages, export summer electricity surpluses, and address sector governance and management issues: *first*, by implementing four short- and medium-term actions that also advance long-term energy security; and *second*, by intensifying measures to rehabilitate existing hydropower assets, improve overall transmission and distribution system efficiency, and strengthen energy sector governance. Results by end-2015 would include: improved reliability of electricity supply, especially during winter; increased customer satisfaction with energy service provision; and enhanced financial management and transparency of energy enterprises.
5. **Food Security:** DCC support for food security focuses on four areas: (a) increasing the output, processing, and export of agricultural produce; (b) promoting individual household production of agricultural products for domestic consumption in support of livelihood development, focusing especially on women; (c) scaling-up implementation of interventions to prevent and treat malnutrition, including Tajikistan's participation in the UN Secretary-General's "Scaling Up Nutrition" (SUN) initiative; and (d)

disseminating food security and nutrition information and market and farm price data. Results by end-2015 would include: improved food availability and accessibility for all households; reduced malnutrition among children under five and nutrition-related illness in the population at large; and increased availability and use of food security and nutrition information for effective policy-making.

6. **Connectivity:** The DCC's transport connectivity initiative focuses on: (a) rehabilitating and upgrading the existing regional highway infrastructure; (b) maintaining and improving the national road network; (c) strengthening the legal and regulatory framework to maximize private sector involvement; (d) enhancing cross-border transport operations; and (e) expanding airline connectivity, especially to non-CIS international (cargo and passenger) markets. Together, these actions would help accelerate cross-border transport, increase efficiency, reduce costs, and facilitate regional and international trade. Results by end-2015 would include: an increased number of road maintenance projects contracted out to the private sector; expanded trade with Afghanistan, China and the Kyrgyz Republic; a higher number international cargo and passenger flights through Dushanbe and Khujand, especially to and from non-CIS countries; and completion of the feasibility study for a railway project.

Consultations with Civil Society and Other Stakeholders

A. FY14 Country Opinion Survey²³

Background

1. During January-February 2014, a country opinion survey was undertaken—the first since FY03. Its objectives were threefold: (a) to better understand how WBG stakeholders perceive its role and performance; (b) to obtain systematic feedback on a range of country-specific operational issues; and (c) to help inform the FY15-18 Country Partnership Strategy (CPS). A total of 272 stakeholders, or 57 percent of a sample of 475 that included national and local government officials at all levels, consultants and contractors working on WBG-supported projects and programs; and representatives of bilateral and multilateral development partners and a wide range of non-governmental, civil society organizations (CSOs), including the media, the private sector, and public policy research institutes, responded to the survey. The survey questionnaire—administered by courier, email, and regular mail—comprised over 100 questions covering: general issues facing the country; overall attitudes towards the WBG; the WBG’s effectiveness and results, knowledge and research, and communications and information sharing; and perception about its future role in the country.

Summary of Results

2. Stakeholders identify quality public services (40 percent) and anti-corruption (36 percent) as the top development priorities for Tajikistan, followed by public sector governance, jobs, and economic growth. Anti-corruption, job creation (specifically for young people), education/training for better employment opportunities, and better entrepreneurial opportunities are seen as critical areas for reducing poverty and promoting “shared prosperity” in the country. Within this context, stakeholders believe the WBG should focus primarily on anti-corruption, quality public services, job creation/employment, and economic growth in Tajikistan.

3. Overall, the WBG is viewed as a relevant, effective, and respectful development partner. Stakeholders’ views of how the WBG operates on the ground are very positive in terms of effective implementation support, use of country systems, lending and “safeguards” requirements. The WBG receives high ratings on collaboration with the government and other donors and being “a long term partner”. Areas of concern (some of the survey’s lower ratings) relate to flexibility, responsiveness, and timeliness.

4. While WBG’s effectiveness in its sectoral work is rated positively on a number of priority areas (economic growth – 6.7; poverty reduction – 6.7 on a 10 point scale), effectiveness ratings for other important sectors are lower (public sector governance – 5.4; anti-corruption – 5.9; job creation/employment – 5.9).

5. A plurality of stakeholders (74 percent) consider the WBG’s financial services (*i.e.*, investment lending) the greatest value that the institution brings to the country. Technical assistance and capacity development are also seen as important WBG instruments in reducing poverty. In terms of the WBG’s knowledge, overall views of its quality and applicability are quite positive; however, very few respondents reported that they use the WBG’s knowledge on a regular basis (11 percent use monthly/weekly).

²³ Tajikistan: *The World Bank Country Survey, FY14—Report of Findings*, March 2014.

6. Among WBG weaknesses in Tajikistan, respondents indicated lack of collaboration with non-state actors and inadequate level of public disclosure of WBG work. A plurality of 41 percent believe that the WBG would bring greater value to the country by reaching out more to groups outside of the government (particularly, NGOs and private sector) and by providing more data/knowledge/statistics/figures on Tajikistan's economy.

B. Multi-stakeholder consultations

7. Besides the client survey, consultations with civil society organizations (CSOs) in Dushanbe and with regional and local government and private sector representatives in Khatlon *oblast* were undertaken in August 2013. Their objective was to discuss early in the CPS preparation process the general direction of the WBG's strategy going forward, as well as the specific activities planned during FY15-18. WBG staff met with about 200 representatives of CSOs, professional associations, the business community, as well as with other development donors active in the country. In addition, though not specifically linked to CPS preparation, the Country Office in Dushanbe consulted a sample of 700 young people in a "Voices of Youth" initiative, using a combination of debating tournaments and a survey to obtain their views on the most important social and economic issues facing Tajikistan. The results of these three consultation processes are summarized in the three attachments to this Annex.

C. Conclusion

8. These consultations were a vehicle for a meaningful exchange of views with the government and with other stakeholders on the critical development challenges facing the country as well as policy options and programs to address them. They also helped increase government and public understanding of the WBG's work in Tajikistan. The CPS' focus on private sector-led growth, social inclusion, and regional connectivity governance as well as its three cross-cutting themes—governance, gender, and climate—resonated with virtually all participants and attracted wide support among most groups.

Consultations with CSOs, Dushanbe

A. Tajikistan's Development Priorities, FY15-18

- Unemployment and resultant labor migration are the two biggest problems needing immediate attention. Job creation in the regions and rural areas is especially important. Thus, more investments are needed in small business development, access to credit, skill training, improving the business environment, and ensuring more reliable electricity supply.
- Fair and transparent implementation of land reforms is needed so that rich and poor equally can own land. Gender is important, as women are often excluded from decision making and land ownership. Special quotas are needed for women, and better access to low interest credit and training would be useful.
- Education was highlighted as needing reform—at present it does not meet the needs of the labor market. Short-term courses, such as vocational training, are needed on skills that are in demand.
- The public sector needs reform as there is a need for young qualified people to bring innovation and effectiveness.
- Other sectors that need attention include: public health, where communities need more information on basic diseases, maternal and child health, and nutrition; energy, which is key for poverty alleviation, business development; and social assistance, especially in rural areas, where there is need for financial support of single mothers, the elderly, and people with disabilities. Youth, the largest demographic, need special attention in the new strategy.

B. Priority areas for WBG involvement in Tajikistan

- **Job creation**, including private sector development, energy, agriculture, education, and health
- **Reducing inequality**—e.g. extending reforms, such as land use rights to the entire population; ensuring access to social services for people with disabilities; and expanding language training, thereby reducing the marginalization of certain ethnic groups. In addition, management of Tajikistan's natural resources—water, silver, gold, etc.—needs to be more transparent, so that benefits are distributed equally among all citizens.
- **Education**: the current system does not meet the demand of the labor market; there is need for vocational training/skills development. Secondly, this new generation, born during/after the civil war is largely illiterate, so at this stage we need some short term courses including on literacy to educate young people, girls. This will help those who do not go to school, or do not finish it, get some basic knowledge/literacy (“informal education”)
- **Improvements in governance** and ensuring equality in access to education and health services were noted as work in progress, and suggested as cross cutting issues.
- The need for **better relations with neighboring countries** was listed by a few as a way to improve economic development. “Politicians have to get over their personal ambitions as relations with neighbors are critical”, “Tajikistan is landlocked, and it needs to be a transit country.” Sectors such as water, education and tourism were noted for regional cooperation. Collaboration among youth, CSOs – can be venues for promoting regional dialogue.

C. CSOs support for WBG activities

- Independent monitoring and evaluation of public services (this should include media);
- Public awareness campaigns, i.e. getting information down to local communities;
- Informal education for youth, e.g. vocational training and other services;
- Promoting new ideas and technologies to the government;
- In general, government needs to be more inclusive of CSOs across all sectors.

D. CSO involvement in WBG-financed projects

- Government is not inclusive of CSOs in decision making in the country in general. So when it comes to playing a role in WBG-financed projects, the same approach applies. Thus the general recommendation is for WBG to more actively advocate for inclusion of CSOs in development, including in specific projects.
- Cooperation with Project Implementation Units (PIUs) is difficult, as the process for awarding grants or contracts is not transparent. Even if a CSO wins a grant from a PIU, it often becomes a problem, as many agencies, such as anticorruption, tax committee etc. come to the CSO to undertake multiple illegal checks and audits.
- CSOs see a role in monitoring and evaluation of public services and other projects funded by the WBG.
- CSOs would like to be part of the decision making while PIUs give out competitive grants to communities and companies as this will make the process transparent.
- Many CSOs found E-consult handy and easy to use. Sometimes slow internet connection is an issue. CSOs would like to negotiate the percentages of funding received as tranches as part of contracts, prior to receiving a contract (CSOs do not have large budget reserves, so leaving the largest part of funding to the end is an issue).
- In general, CSOs would like more and regular training on e-consult and other WBG-specific systems and tools, including those relating to monitoring and evaluation, social accountability, and other areas. The WBG could also provide institutional capacity building for newly established CSOs.

E. General recommendations:

- The WBG needs to be more careful with data and statistics. The government gives a lot of misleading data—the latest examples being poverty data and statistics relating to clean water coverage. The WBG is viewed as an objective and credible source of information, so it has to provide the public with true numbers and realistic statistics on the country's development.
- On the evaluation of the outcomes reached under CPS—CSOs should play a role. While the government reports on improvements in certain sectors, CSOs also have to play a role by providing an independent assessment of public services improvement, for example. This will show real progress of the achievements reached under a certain CPS.

ANNEX 5
Attachment 2

Consultations with regional and local governments and private sector, Khatlon

1. On August 28, 2013, a joint WB/IFC team visited the city of Kulyab in Khatlon *oblast* to present its joint report entitled *Reinvigorating Growth in the Khatlon Oblast*. A second objective was to consult Khatlon regional authorities and the private sector about the new WBG' Country Partnership Strategy for the period FY15-18.

2. The meeting with the regional authorities included presentations by the governor of Khatlon on recent economic and social developments in Khatlon and by the mayor of Kulyab on achievements in the city. The mayor said that employment was the key overriding issue, given the large outflow of migrants to Russia. The only way to create jobs was through private sector development. While ongoing agricultural reforms were facilitating increased productivity, they had also posed a new problem—unemployment of women.

3. During the subsequent roundtable discussion with over 30 private sector representatives, the following issues were raised as the main obstacles to private sector development in Kulyab and, more generally, in Khatlon:

- **Access to credit**—commercial bank loans were too costly and their terms too short, making it difficult to use borrowed funds to expand businesses, especially in agriculture.
- **Connectivity**—poor road connections were a serious problem, especially since there was no direct rail link from Kulyab to Dushanbe. Cargo could be transported by air, but this was very expensive: the most cost-effective means of transport for exports was by rail from Dushanbe.
- **Land.** Access to land, both urban and rural, was also an important constraint to private sector development.
- **Storage.** There were no large-scale cold storage facilities for fruits and vegetable. For example, because fruit could not be stored properly—1kilo of apples cost TJS 4 in the summer and TJS 40 in the winter—they went bad and had to be fed to cattle.
- **Leasing.** Farmers needed to be able to lease agricultural equipment so as to facilitate production of large quantities.
- **Ago-processing.** Producers did not know how to dry fruits and vegetables properly, which limited their ability to trade out-of-season. Local farmers needed training in agro- and food processing.
- **Energy.** Owing to inadequate transmission lines, electricity was not available 24/7, thus limiting the ability of private businesses to expand.

Voices of Youth Initiative

1. Tajikistan, where the population's median age is 24.7 years, is one of the youngest countries in the world. It is also one of the fastest growing. For this reason, the WBG's Country Office in Dushanbe consulted a sample of 700 young people in a "Voices of Youth" initiative, which used a combination of debate tournaments and a survey to obtain their views on important social and economic issues. The initiative was implemented in partnership with several CSOs, debating societies, and universities in all regions of Tajikistan.

YOUTH AS TAJIKISTAN'S MAIN RESOURCE

2. Up to 40 percent of Tajikistan's working-age population migrates abroad for employment, of which the vast majority are the age of 30. In 2012, remittances were equivalent to 49 percent of GDP. With fathers, uncles, and other family members seeking employment in other countries, jobs and education are among the most popular topics raised by youth.

- "*Private sector needs to be developed to create more jobs,*" said 17-year old Navruza, during a discussion in the remote mountainous city of Khorog in eastern Tajikistan. "*Farmers need help to know how and where to sell their products. If jobs were available in all regions of the country, people would not have to leave their homes, their country.*"

3. Many young people doubt whether they will find jobs after they graduate because they are convinced that ". . there are simply no jobs available in Tajikistan." Many view migration as the only feasible option to make money and learn new skills, though most hope it is temporary and hope to be able to return to Tajikistan. Despite these economic and social challenges, in particular in rural Tajikistan, young people are optimistic about the future and their role in making the country a better place. The majority of the young people surveyed said that they viewed themselves as the main agents of future economic growth and shared prosperity in Tajikistan.

- "*Of course, we will all come back and help our country solve its problems. If there were jobs, why go abroad? I belong to Tajikistan,*" said Mukim, a student from northern Khujand.

LITERACY AND 'CONNECTIONS' AS OBSTACLES

4. Most of the young people surveyed said that inability to read was a potential threat to the country's development. This was mentioned in the context of deteriorating quality of education in schools and universities and fewer girls attending school. They also cited corruption as well as connections—required to get a position in government or get anything done—as impediments to the country's development.

- "*The main problem to enroll in the university is corruption—it negatively affects the assessment of your application for enrollment,*" said one of the young people in an interview.

5. During the final debate tournament in Dushanbe, young people agreed that the country needs an educated generation to succeed; however, many noted that the education system is not flexible enough to meet existing demands.

- "*There should be a place, where I can get the skills I need and get them fast. I do not have time for a five year higher education degree. My family needs me to start bringing money home now,*" said Maruf, from eastern Garm, who just graduated from high school.

6. Education for girls was also among the debated topics.

- “*Tajikistan is experiencing a baby boom, thus educating girls should be the highest priority. As we know, an educated mother is an educated child,*”—said Ruhafzo at the debate tournament in Isfara, a remote conservative northern district, with very few girls attending school after the 9th grade.

DESPITE CHALLENGES, YOUTH MAKES IT WORK

7. Payrav, a student who also leads a local youth organization in southern Kulyab town, says cooperation with the government is a challenge.

- “*Anything outside the state-approved curriculum is viewed as efforts to impose foreign ideology on students. The World Bank and other donors need to help us make the Ministry of Education and other structures more open and inclusive of new ideas.*”

Country Portfolio Performance Review—2013

1. There follows below a brief summary of key findings that emerged from the most recent joint ADB/WBG country portfolio performance review (JCPPR) with the government held during July, 2013, which assessed the performance of the institutions' respective portfolios during calendar 2012.

Key findings:

- Both ADB and WBG portfolios had remained stable over the last five years and were fully consistent with Tajikistan's strategic priorities. More than 80 percent of their portfolios were concentrated in three key sectors: agriculture and natural resources, energy, and transport.
- Overall portfolio quality was satisfactory, though there had been some increase in the number of projects experiencing implementation problems, including procurement. However, the time required to make projects effective had decreased and disbursement indicators had improved.
- The government had made progress in resolving several generic issues: for example, the new tax code had streamlined taxation requirements and project implementation capacity in government agencies had improved. On the other hand, many agencies still lacked skills in procurement, financial management, and disbursement, with government procurement procedures remaining opaque, causing delays and hampering project implementation.
- JCCPRs had become an important instrument for monitoring sector-specific results. However, inadequate technical capacity and inconsistent statistics continued to constrain analysis of development results. Specific issues included: no baseline indicators; lack of quality data to monitor project implementation; and inadequate skills to evaluate project impact and outcomes in the context of the overall sector and cross-sector reform agenda. In addition, the institutional framework in some agencies was not well aligned with sector objectives.

Conclusions and recommendations:

- Overall, the quality of the two portfolios was assessed as satisfactory. However, despite generally favorable procurement and disbursement performance in 2012, there remained several issues requiring close attention and/or decisive action by the government.
- A new time-bound action plan was agreed with the government to address issues related to: (a) strengthening government agencies' capacity for monitoring and evaluation; (b) reviewing procurement guidelines for public investment projects; and (c) aligning institutional frameworks with sector-specific agendas and objectives.

Sector Portfolio Results Monitoring:

- The JCPPR commended the government's efforts to expand assessment of portfolio impact to the energy sector and emphasized the need for: (a) regular updating of the joint portfolios' impact in roads, energy, and health, and (b) expanding result-based assessment of portfolio impact to the other sectors. It was proposed that agriculture and natural resource would be the focus of discussion of development results at the next JCPPR in 2014.

Portfolio Performance Monitoring

- Following the July 2013 JCPPR, the government, represented by the State Investment Committee, and the WBG agreed that more frequent portfolio performance monitoring should take place focused on specific projects and/or portfolio themes. The agenda would be developed jointly and be expected to review achievements, lessons learned, and problem projects. Action plans would be developed and monitored at subsequent meetings. These portfolio performance monitoring meetings would be held quarterly.
- In September 2013, the first quarterly review brought together ministerial representatives, project implementation units, and WBG staff to review three projects with moderately unsatisfactory or unsatisfactory ratings. The result was adoption of action plans for each project. All three have subsequently been upgraded or are on track for upgrading following restructuring.
- The next quarterly review is planned for end-May 2014 (an earlier date was not possible due to the presidential election in November 2013 and the appointment of a new government in January-February 2014). It will review the status of action plans to reduce the currently four actual and two potential problem projects. On the positive side, there is high proactivity with three restructurings underway, and one problem project should improve following declaration of effectiveness and initial procurement. The meeting will also discuss mechanisms for early identification of problem projects so that action to mitigate risks can be initiated at an early stage.

Gender and Women's Empowerment²⁴

Background

1. Despite being the poorest country in Europe and Central Asia (ECA), Tajikistan's human development indicators were relatively positive at independence in 1991. Gender disparities in education, literacy, and life expectancy were small, thanks to the comprehensive services available under the Soviet social welfare system; and quotas for women ensured that they held positions in national and regional governments. However, independence and the ensuing five year-long civil war caused huge economic shocks and physical devastation resulting in the loss of social services and other disruptions that had different gender impacts.

Recent Trends

2. While burgeoning remittances from migrant labor have helped reduce poverty over the past decade, migration has had other negative consequences. It has 'feminized' agricultural production, with women providing agricultural labor but lacking the education and access to financial and other resources needed to transform the agricultural economy. The absence of men in many households and communities has meant that women have taken on new responsibilities, but their progress has been constrained by cultural stereotypes that still limit women's opportunities, often confining them to their maternal role. Women's workload has increased because of the need to contribute to their family's income, to supplement family food from a garden plot, and to care for children and the elderly while health and other social services deteriorated. Even as poverty rates have declined, social indicators for women have continued to deteriorate. In short, women in Tajikistan have arguably borne the brunt of the impact of the ongoing transition.

3. Thus, Tajikistan ranks the lowest in ECA on gender, where disparities especially in access to education remain significant contributors to poverty. The key issues include: (a) bias in favor of boys throughout the education system, but especially at university level; (b) gender-based sector and occupational segregation and, as a result, widening earnings gaps; and (c) weak implementation of gender policies.

Education

4. Tajikistan has the largest gender gap in educational attainment in Central Asia and it appears to be growing. While there was virtually universal enrollment and near gender parity at the primary level in 2011, only 82 percent of girls attended secondary school compared to 94 percent of boys. Tertiary enrollments were 31 percent for boys but less than half that, or only 16 percent for girls. In addition, areas of study are severely gender-segregated, with most girls remaining in fields commonly associated with women's traditional roles, such as education, health, and social services, with only a few entering into scientific or technical faculties.

5. Low educational levels are also associated with early marriage. According to several surveys, 12 percent of girls between 15 and 19 years of age are already married, divorced, or widowed, despite a legal minimum age for marriage of 17; and 15 percent are married by age 18. There are few jobs for girls who continue their education. Moreover, there is a cost to the family to keep them in school. Perceiving no economic benefit, families take girls out of school and encourage them to marry early. Once married, women begin to have children. Opportunities to get additional schooling are then extremely limited. Against this background, women and children belong to the poorest groups. Women

²⁴ Sources: *Gender Assessment Central Asian Republics*, USAID, March 2010; *Gender at a Glance—Tajikistan*, ECA Brief, 2012

also face difficulties in exercising their rights to use natural resources, including land; and legislation in general tends not to be gender-sensitive. Domestic violence is reportedly prevalent in many households and there is a widespread ignorance about gender equality and options for assistance in times of need.

Employment

6. Related both to the impact of labor migration and social attitudes, there is serious gender-segmentation in the labor force, with women working in the lower-paid sectors of agriculture, education, and health care. Young women comprise only 7 percent of students studying agriculture. The lack of women studying in agriculture, as well as in other technical fields, reverberates throughout the economy. With so many men migrating abroad to look for work, including those with technical skills, these gender-based occupational choices translate into a lack of human capital in some of the most important areas of the economy, such as agriculture and agribusiness. There is also a significant wage gap: women's average monthly earnings are barely half those of men and women are six times less likely to be employed than men.

7. Although women's involvement in agriculture is extensive, they participate largely as workers rather than as managers. Despite land reforms and new rules governing the formation of individual or family (*dehkan*) farms, women remain only a small minority of *dehkan* farm owners and managers. Many have not understood these reforms and are unaware of their rights. Due to their lack of agricultural and business skills, they are not well-prepared to contribute to the ongoing commercialization of agriculture.

8. Finally, there are many gender-related consequences of labor migration. Women whose husbands migrate are often left without adequate resources to maintain their families. They may live with their in-laws and work for them because it is less expensive than maintaining their own homes. Remittances are generally controlled by migrants' parents, not their wives. Second and third wives who did not marry legally face particularly tenuous situations and can be forced out of the home by their in-laws and have no legal recourse to property.

Supporting social inclusion, gender and governance – on all fronts

The PPCR and GEF-financed *Environmental Land Management and Rural Livelihoods* Project aims to support rural people in increasing their productive assets, while reducing their vulnerability to climate change. The project is supporting sustainable village-based rural production and land resource management in ways that are transparent, equitable, and inclusive. For example, at least half of all households in participating villages will receive grant support to adopt climate change adaptation and sustainable land management practices, with community members themselves determining the households to receive investment support based on the community's climate and environmental risks. Given that women carry out most of the agricultural labor in the country, but relatively few have meaningful decision-making power, the project seeks to address gender and social inclusion issues through its use of participatory processes. Community mobilization and training activities will use mechanisms that help ensure women's participation (e.g., women only sessions) and at least 40 percent of project beneficiaries are expected to be women. Lastly, the project will support the scale up of climate change adaptation and sustainable land management practices, by ensuring that results and lessons learned are disseminated to national and regional stakeholders, projects and programs, in an effort to incorporate lessons into national strategies and policies, and support wider replicability of these practices.

Gender Policy

9. Tajikistan's constitution provides for gender equality, but implementation and enforcement are weak. In practice, the approach used is to seek to improve women's status rather than address gender inequalities. Moreover, the constitution does not define discrimination and it is therefore difficult to challenge inequitable working conditions in court. The cabinet-level Committee on Women and Family Affairs, created in 2001, is responsible for managing the state program on gender. It is led by a board which is usually chaired by a Deputy Prime Minister.

10. Several development partners support efforts to develop and advocate for gender-sensitive policies. A group chaired by UNDP and UNIFEM meets regularly and reviews gender issues. Switzerland and the Soros Foundation and Open Society Institute are actively involved in addressing gender disparities in education and the consequences of gender-based violence.

Governance in Tajikistan

1. **Governance challenges** in Tajikistan are systemic and wide ranging, and have resulted in a number of negative externalities, including weak transparency and accountability, inefficiencies in public spending, corruption and state capture, and informality in the private sector.
2. WBG programming in Tajikistan can contribute positively to improvements by continuing to emphasize the central question of governance in investment decisions and by setting a standard for governance in Bank and IFC operations.
3. The Country Partnership Strategy for Tajikistan for 2015-2018 intends to promote improved governance through a number of programs and projects that focus on increasing transparency and accountability, strengthened oversight for financial risk from public sector entities, improvements in national procurement capacity and systems, continuing to foster demand for good governance from civil society, and improving access and quality of data for evidence-based policymaking, monitoring and evaluation.
4. This annex summarizes the key achievements in governance under the previous CPS and outlines the governance goals, mechanisms, and expected outcomes going forward over the following CPS period.
5. **The previous CPS** (FY10-14) included a country governance and anti-corruption (CGAC) strategy that was designed to mainstream governance in the Tajikistan portfolio focusing on increasing transparency and accountability, building capacity, and fostering demand for good governance. The CGAC was implemented through the Governance Partnership Facility–financed governance program, a BETF of US\$3.8M for three years with the goals: firstly to reshape how the Bank does business in Tajikistan with regard to governance through governance-informed project design, and second to assist counterparts within the executive and legislative branches of the Tajik government, as well as non-government organizations in the key areas of the CGAC strategy. Towards the first goal, the principal innovation was the design and application of the Governance Checklist – a project-level tool applied to all new lending operations to ensure that governance challenges and risks were appropriately reflected. The second goal was met through testing an innovative approach to institutional capacity building in the Civil Service Agency, and increasing capacity, transparency and accountability in the Parliament by establishing a secretariat to the Budget Committee of the Tajik Parliament, which enhanced analytical capacity of the Budget Committee and increased transparency through regular reporting and monitoring of the budget.

The new CPS priorities for improving governance are as follows:

6. In the area of **economic governance**, the focus is on the use of electronic mechanisms which will be utilized for a wide range of business regulatory procedures from registering a business, to paying taxes, to applying for permits leading to reduced opportunities for informal payments. Additional efforts will focus on fair access to land use rights, improved feedback mechanisms for the private sector to report governance abuses, and an ongoing governance dialogue through existing public-private dialogue forums.
7. **In the public sector and PFM reform**, the work on budget transparency and accountability of the budget process will continue through the PFM investment project (APL2). The reform objective of the APL1 is to establish basic processes for the efficient and transparent management of public expenditures through implementing an automated fiscal management information system (FMIS). The first phase - APL-1 helped to create preconditions for implementation of the FMIS and has supported reforms to the institutional structure of the Ministry of Finance and reengineering business processes. The objective of

the APL-2 is to move from preconditions to tangible outcomes in having most government expenditures being budgeted through a strategic process linked to Government sectoral goals. Financial reporting will be in accordance with TPSAS (based on IPSAS) and annual TPSAS compliant financial statements will be produced and subject to independent audit for the whole of government and major government entities (other than SOEs which will report according to IFRS). This transformation will result in significantly increased transparency, parliamentary participation in the budget process and an improvement in the Transparency International Corruption Perception Index ranking. In order to sustain advanced PFM reforms outcomes, APL2 will appraise and select a relevant component for government wide institutional and civil service reforms.

8. Under the **improved transparency and accountability in public procurement process**, the implementation of a functioning Public Procurement Portal and complaint handling system will be continued. The work program for the new CPS includes ongoing and future trust funds such as the ECA PFM Trust Fund on Public Procurement Capacity Building, an IDF grant to improve public procurement portal and e-procurement, and technical assistance to improve the complaint handing system. These efforts will continue to increase capacity of the Public Procurement Agency (PPA) to manage procurement, monitor and report on public contracts, and handle grievances.

9. **Under improved corporate and banking sector governance**, the work will continue to apply sound principles of corporate governance and use of international reporting standards especially in the energy sector. The Bank's interventions will help the Government implement its Financial Recovery Plan for Barki Tajik. In the banking sector, WBG is planning to employ a transformative approach to improve governance. The activities range from proper resolution in systemic bank (AIB) ownership and management, building capacity, and providing TA to improve banking supervision, regulation and lending policy. The World Bank and IFC stand ready to help in this transformation of AIB. Placing AIB under foreign management and ownership would protect the value of the bank, significantly improve its governance, and ensure the provision of credit and other financial services to SMEs and farmers throughout the country. The adequate resolution of the bank's situation has a potential to provide a "demonstration effect" to other banks.

10. **Under promoting accountability through improving quality of data for evidence-based decision-making** we will address the critical impediment of limited availability and poor quality of national level statistical data on poverty, economic development, labor force, and service delivery. Tajikistan faces gaps in statistical capacity of the National Statistics Agency (TajStat) which limits data collection, analysis, and dissemination. As an example, the national poverty rate has not been published since 2009. The Bank will support development of statistical capacity in order to improve the quality and public access to statistical data, particularly poverty and economic data for use by the government, development partners, academia and other relevant stakeholders. The target of the CPS is to build the capacity of the national statistical system to publish poverty and unemployment data on a quarterly basis by 2016.

11. In the area of **increasing the capacity of CSOs to demand good governance** the efforts will continue to build capacity for budget data analysis, M&E, project and financial management, and social accountability. Well-trained CSO organizations can provide both the government and the Bank with valuable information on quality of public service delivery and identify gaps in service access and quality across the country. The Bank has used CSOs to monitor and evaluate its own projects to serve as a demonstration effect for government, and will continue to engage CSOs in implementation and monitoring of its projects, with the aim of including CSOs in the implementation and/or monitoring of all Bank projects by 2018. Applying innovations such as the Governance Checklist, the Capacity Building Strategy, and seizing opportunities to enhance governance specifically in sectors, the Bank can achieve greater progress under this CPS period within the complex reform environment.

Climate Change in Tajikistan

1. Tajikistan is ranked the country in Europe and Central Asia most vulnerable to the projected impacts of climate change, owing to: (a) its natural resource base (e.g. its large rural, and poor, population, the fact that agriculture accounts for two-thirds of employment, and its extreme reliance on hydropower); (b) inadequacies in the climate resilience of key sectors of the economy (exemplified by droughts and weather extremes that caused damage estimated at 1.3 percent of GDP over 2000-07); and (c) its low adaptive capacity to ongoing and future changes, including limited institutional capacity to mainstream climate change adaptation in development plans, programs, and policies.
2. Climate change in Tajikistan is mostly about managing the country's huge water resources, in particular growing risks for water availability for agriculture. Ecosystems, hydropower generation, and human consumption, as well as the increasing risk of extreme events, such as glacier lake outbursts, floods, mudflows, and droughts. These anticipated impacts put at risk ten years of progress in poverty reduction and shared prosperity and threaten the achievement of the country's development priorities (food and energy security in particular). For instance, climate change-related shocks to agricultural systems can result in dramatic development and poverty impacts: a 20 percent drop in yields triggered by a drought would push the poverty rate up by an estimated 13 percentage points.
3. There are signs that the climate is already changing: since 1940, mean annual ground temperatures have increased by 0.5° cover most of the territory and 1°C in the south; glaciers, the most vulnerable ecosystems, have lost about 10 percent of their mass during the last 50 years, and smaller ones have already disappeared; and other extremes are increasing, such as the number of days with temperatures exceeding 40°C nearly doubling since 1940 and more frequent and intense rainfall. These trends are expected to accelerate going forward and climate change is likely to result in increased temperatures (0.1-0.2°C per decade), more variable rainfall and snow cover (including more extreme events), and a further 15-20 percent shrinking in glaciated areas.
4. The main implications of these anticipated changes include: (a) a gradual shift in the seasonality of river runoff one to two months forward in the year (e.g., before peak vegetation demand), given earlier and greater melting in the cryosphere, as well as an increase in rainfall and decrease in snowfall; (b) a gradual increase in annual average river runoff in the short term, due to greater melting in the cryosphere followed by a decrease towards the end of the century in the average annual flow in select, un-managed sub-basins as smaller glaciers start to disappear; (c) greater variability in annual river flows toward the end of the century, due to the increasing contribution from rainfall runoff and the decreasing contribution in some sub-basins from snow and ice melt; (d) higher annual evapo-transpiration, leading to higher demand for water, and possible seasonal water shortages with implications for agriculture, human settlements and ecosystems; and (e) a continued rise in weather-related hazards such as glacier lake outbursts, more frequent mudflows caused by intense rainfall and snowmelt during spring, extreme floods of melt water during spells of hot weather, and droughts due to low precipitation or low river flows.
5. Participating in the Pilot Program for Climate Resilience (PPCR) constitutes a chief component of Tajikistan's response to the related challenges of climate change and development. PPCR support focuses on investments: (a) to strengthen institutional capacities for effectively integrating climate resilience into national development and investment planning; (b) to improve the accuracy and timeliness of hydro-meteorological services for early warning, weather forecasting, and climate change assessments; (c) to make key water management and hydropower infrastructure more climate resilient; and (d) to support land management measures to enhance rural livelihoods through greater resilience to climate-related shocks.

6. The WBG, one of the PPCR's implementing agencies together with ADB and EBRD, is already helping Tajikistan address climate change through support for climate resilience directly—e.g. the two PPCR-related Bank operations—or for the non-climate drivers of vulnerability, such as unsustainable water resources management, land degradation, energy, transport, and urban infrastructure, and disaster-risk management. Through ongoing and planned operations, WBG support across the CPS' three pillars offers opportunities to address climate change vulnerabilities:

- *Private sector-led growth*—reducing commercial and technical losses in energy and water as well as increasing access to, and productivity of, land to build greater resilience in rural communities;
- *Social inclusion*—making clean water supply and sanitation climate-smart and piloting approaches to integrate the social dimensions of climate change into community-based responses; and
- *Regional connectivity*—improving transport infrastructure, promoting regional power trade, and developing a regional program for climate resilience, unifying the five Central Asian countries.

7. Beyond the current parameters of WBG engagement, several actions on the policy and institutional front could be considered and be part of a development policy (DPO) program. They include:

- Reforming the pricing of irrigation water
- Introducing norms for water efficient appliances
- Exploring the feasibility of risk coping mechanisms, from community funds to insurance schemes
- Reforming electricity tariffs (as populations are willing to pay more for better service) and better recovery (e.g., arrears with irrigation pumps)
- Expanding the PPCR Secretariat's mandate to coordinate and implement climate change projects

Tajikistan at a glance

3/3/14

Key Development Indicators <i>(2012)</i>	Tajikistan	Europe & Central Asia	Low income	
	Age distribution, 2012			
Population, mid-year (millions)	8.0	272	846	
Surface area (thousand sq. km)	142	6,479	16,198	
Population growth (%)	2.4	0.7	2.3	
Urban population (% of total population)	26	60	28	
GNI (Atlas method, US\$ billions)	7.1	1,805	494	
GNI per capita (Atlas method, US\$)	880	6,636	584	
GNI per capita (PPP, international \$)	2,220	11,856	1,387	
GDP growth (%)	7.5	1.9	5.9	
GDP per capita growth (%)	5.0	12	3.6	
<i>(most recent estimate, 2005–2012)</i>				
Poverty headcount ratio at \$1.25 a day (PPP, %)	7	1	48.3	
Poverty headcount ratio at \$2.00 a day (PPP, %)	28	2	74.3	
Life expectancy at birth (years)	68	72	61	
Infant mortality (per 1,000 live births)	53	19	56	
Child malnutrition (% of children under 5)	39	2	22	
Adult literacy, male (% of ages 15 and older)	100	99	69	
Adult literacy, female (% of ages 15 and older)	100	97	54	
Gross primary enrollment, male (% of age group)	102	101	111	
Gross primary enrollment, female (% of age group)	98	100	106	
Access to an improved water source (% of population)	67	95	67	
Access to improved sanitation facilities (% of population)	92	94	37	
Net Aid Flows				
	1980	1990	2000	2012 ^a
<i>(US\$ millions)</i>				
Net ODA and official aid	..	12	124	437
<i>Top 3 donors (in 2010):</i>				
United States	..	10	23	46
Japan	..	0	2	43
European Union Institutions	..	0	13	37
Aid (% of GNI)	..	0.6	15.0	7.8
Aid per capita (US\$)	..	2	20	57
Long-Term Economic Trends				
Consumer prices (annual % change)	..	203.6	32.9	5.8
GDP implicit deflator (annual % change)	..	6.2	22.7	11.9
Exchange rate (annual average, local per US\$)	..	0.0	2.1	4.8
Terms of trade index (2000 = 100)	..	53	100	17
1980–90 1990–2000 2000–12 (average annual growth %)				
Population, mid-year (millions)	4.0	5.3	6.3	8.0
GDP (US\$ millions)	..	2,629	861	7,593
<i>(% of GDP)</i>				
Agriculture	..	33.3	27.4	26.5
Industry	..	37.6	38.9	25.9
Manufacturing	..	24.8	33.7	14.8
Services	..	29.1	33.7	47.6
Household final consumption expenditure	..	73.8	92.0	120.0
General govt final consumption expenditure	..	8.7	8.3	8.6
Gross capital formation	..	24.8	9.4	19.6
Exports of goods and services	..	714	98.8	18.2
Imports of goods and services	..	92.6	100.9	64.5
Gross savings	..	17.5	0.0	16.3

Note: Figures in italics are for years other than those specified. .. indicates data are not available.

a. Aid data are for 2010.

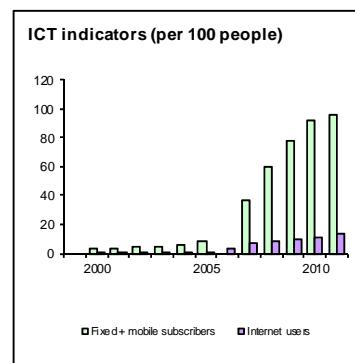
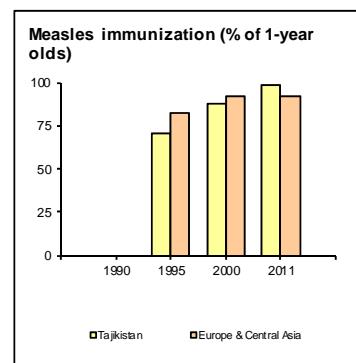
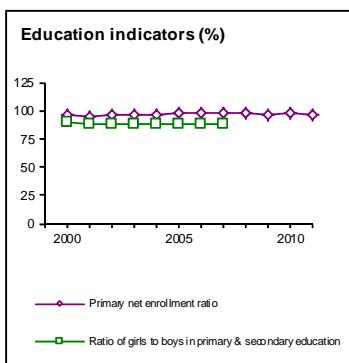
Development Economics, Development Data Group (DECDG).

Millennium Development Goals

Tajikistan

*With selected targets to achieve between 1990 and 2015
(estimate closest to date shown, +/- 2 years)*

	Tajikistan			
	1990	1995	2000	2011
Goal 1: halve the rates for extreme poverty and malnutrition				
Poverty headcount ratio at \$125 a day (PPP, % of population)	..	..	49.4	6.6
Poverty headcount ratio at national poverty line (% of population)	..	..	74.9	..
Share of income or consumption to the poorest quintile (%)	..	..	8.0	..
Prevalence of malnutrition (% of children under 5)	..	..	42.1	39.2
Goal 2: ensure that children are able to complete primary schooling				
Primary school enrollment (net, %)	..	..	96	97
Primary completion rate (% of relevant age group)	..	100	93	104
Secondary school enrollment (gross, %)	102	81	74	89
Youth literacy rate (% of people ages 15-24)	100	..	100	100
Goal 3: eliminate gender disparity in education and empower women				
Ratio of girls to boys in primary and secondary education (%)	..	..	89	89
Women employed in the nonagricultural sector (% of nonagricultural employment)	..	44	..	..
Proportion of seats held by women in national parliament (%)	..	3	3	18
Goal 4: reduce under-5 mortality by two-thirds				
Under-5 mortality rate (per 1,000)	117	114	95	63
Infant mortality rate (per 1,000 live births)	91	31	76	53
Measles immunization (proportion of one-year olds immunized, %)	68	70	88	98
Goal 5: reduce maternal mortality by three-fourths				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	120	..	45	45
Births attended by skilled health staff (% of total)	..	79	71	88
Contraceptive prevalence (% of women ages 15-49)	..	..	34	37
Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases				
Prevalence of HIV (% of population ages 15-49)	0.1	0.1	0.2	0.3
Incidence of tuberculosis (per 100,000 people)	92	65	476	350
Tuberculosis case detection rate (% of all forms)	67	24	20	47
Goal 7: halve the proportion of people without sustainable access to basic needs				
Access to an improved water source (% of population)	..	56	59	67
Access to improved sanitation facilities (% of population)	..	83	86	92
Forest area (% of land area)	2.9	2.9	2.9	2.9
Terrestrial protected areas (% of land area)	1.9	4.1	4.1	4.1
CO2 emissions (metric tons per capita)	13	0.4	0.4	0.4
GDP per unit of energy use (constant 2005 PPP \$ per kg of oil equivalent)	3.0	2.7	2.8	6.0
Goal 8: develop a global partnership for development				
Telephone mainlines (per 100 people)	4.5	4.5	3.5	5.4
Mobile phone subscribers (per 100 people)	0.0	0.0	0.0	90.6
Internet users (per 100 people)	0.0	..	0.0	13.0
Households with a computer (%)	..	..	0.0	3.6



Note: Figures in italics are for years other than those specified. .. indicates data are not available.

3/3/14

ANNEX B2

Selected Indicators* of Bank Portfolio Performance and Management

As Of Date
3/25/2014

Indicator	2011	2012	2013	2014
<i>Portfolio Assessment</i>				
Number of Projects Under Implementation ^a	14	12	12	12
Average Implementation Period (years) ^b	4.2	4.8	4.4	4.3
Percent of Problem Projects by Number ^{a, c}	7.1	25.0	25.0	33.3
Percent of Problem Projects by Amount ^{a, c}	2.6	14.4	20.3	24.0
Percent of Projects at Risk by Number ^{a, d}	7.1	25.0	33.3	50.0
Percent of Projects at Risk by Amount ^{a, d}	2.6	14.4	22.8	43.7
Disbursement Ratio (%) ^e	55.7	25.8	27.9	16.7
<i>Portfolio Management</i>				
CPPR during the year (yes/no)				
Supervision Resources (total US\$)				
Average Supervision (US\$/project)				

Memorandum Item	Since FY 80	Last Five FYs
Proj Eval by OED by Number	24	6
Proj Eval by OED by Amt (US\$ millions)	386.2	67.6
% of OED Projects Rated U or HU by Number	20.8	16.7
% of OED Projects Rated U or HU by Amt	27.7	37.0

- a. As shown in the Annual Report on Portfolio Performance (except for current FY).
 - b. Average age of projects in the Bank's country portfolio.
 - c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).
 - d. As defined under the Portfolio Improvement Program.
 - e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.
- * All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

ANNEX B3

IBRD/IDA Program Summary Tajikistan²⁵

Proposed IBRD/IDA Base-Case Lending Program ^a

<i>Fiscal year</i>	<i>Proj ID</i>	<i>US\$(M)</i>	<i>Strategic Rewards b (H/M/L)</i>	<i>Implementation b Risks (H/M/L)</i>
2014	AG COMMERCIALIZATION PROJECT	22.0		
	Tajikistan Health Service Improvement Project	15.0		
	CASA 1000	15.0		
	Result	52.0		
2015	PFM APL II+PSR	10.0		
	Communal Services Development Fund	30.0		
	CA Road Links (National IDA 1/3)	15.0		
	Result	55.0		
2016	Tajikistan DPO-1	20.0		
	Tajikistan Higher Education Project	15.0		
	Social Safety Net Strengthening AF	5.0		
	Winter Energy	30.0		
2017	Result	70.0		
	Tajikistan DPO-2	20.0		
	Land and Immovable Property Registration	15.0		
	Irrigation Improved Efficiency	15.0		
2018	National Sanitation	20.0		
	Result	70.0		
	Tajikistan DPO-3	20.0		
	TJK AFG TUR railway	30.0		
Private Sector Competitiveness		10.0		
Result		60.0		
Overall Result		307.0		

²⁵ Note: Pipeline for FY17-18 is indicative.

Tajikistan: IFC Investment Operations Program

	2011	2012	2013	2014*
<u>Original Commitments (US\$m)</u>				
IFC and Participants	6.45	6.97	0.27	12.78
IFC's Own Accounts only	6.45	6.97	0.27	12.78
<u>Original Commitments by Sector (%)- IFC Accounts only</u>				
AGRICULTURE AND FORESTRY				17.21
FINANCE & INSURANCE	79.84	75.61	100	82.79
FOOD & BEVERAGES	20.16			
WHOLESALE AND RETAIL TRADE				24.39
Total	100	100	100	100
<u>Original Commitments by Investment Instrument (%) - IFC Accounts only</u>				
Guarantee	17.8	3.88	100	27.25
Loan	82.2	96.12		68.05
Risk product				4.69
Total	100	100	100	99.99

* Data as of March 01,2014

ANNEX B4

Summary of Non-lending Services - Tajikistan

As Of Date 5/05/2014

<i>Product</i>	<i>Completion FY</i>	<i>Cost (US\$000)</i>	<i>Audience^a</i>	<i>Objective^b</i>
Recent completions				
The Khatlon Province Regional Dev. Study	2013	100.20	G, PD	KG
PER (Public Expenditure Review)	2013	220.90	G, D, PD	KG
TJ FSD Policy Dialogue	2013	147.90	G, D	KG
TJ Gender Diagnostics Note	2013	27.50	PD	KG
Protecting access to MCH Services	2013	396.30	G	KG
POWER SUPPLY OPTIONS STUDY	2014	781.80	G	KG
RICA Tajikistan	2014	337.30	G, D	KG
Supreme Audit Institution 2	201	364.40	G	KG
Underway				
Tajikistan: Preparation of the MISP 2	2013	78.90	G	KG
PER-2 (Public Expenditure Review)	2014	44	G, D, PD	KG
Addressing Energy Deprivation	2014	109.30	PD	KG
Tajikistan Review of Safety nets Reform	2014	15.90	G	KG
Implementation of the Governance Checklist	2014	373.30	G	KG
Tajikistan #10134 Strength Bank Regulation	2014	225.70	G	KG
FIRST TJ #10074 Payment Sys. Modernization	2014	233.80	G	KG
	2014	504.80	G	KG
	2014	50.50	G, D, PD	KG
Agriculture Sector Update	2015	23.79	G	KG
Tajikistan Irrigation Strategy	2015	G	KG	
Financial Sector Policy Dialogue	2015	30.50	G	KG
Higher Education Sector Study	2015	41.30	G	KG
Tajikistan #10220 Leg Framework for Secured Transactions	2015	78.80	G	KG
Tajikistan #10133 Dev Insurance Market	2015	134.20	G	KG
Tajikistan Energy Sector Dialogue	2015	47.70	G	KG
Review of Rogun HEP assessment process	2015	1,292.60	G, PD	KG
Strengthening Capacity for Budgets	2016	511.30	PD	KG
Planned				
Social Accountability in WSS Services	2018	0.00	G, PD	KG

a. Government, donor, Bank, public dissemination.

b. Knowledge generation, public debate, problem-solving.

ANNEX B5

Tajikistan: Poverty and Social Indicators

	Latest single year			Same region/income group	
	1980-85	1990-95	2006-12	ECA	LICs
POPULATION					
Total population, mid-year (<i>millions</i>)	4.6	5.7	8.0	272.1	846.5
Growth rate (% annual average for period)	2.9	1.4	2.0	0.7	2.2
Urban population (% of population)	33.2	28.9	26.1	60.2	28.2
Total fertility rate (<i>births per woman</i>)	5.5	4.5	3.2	2.0	4.1
POVERTY					
(% of population)					
National headcount index	..	..	..
Urban headcount index	..	..	..
Rural headcount index	..	..	..
INCOME					
GNI per capita (US\$)	..	210	880	6,636	584
Consumer price index (2005=100)	..	4	421	..	..
INCOME/CONSUMPTION					
DISTRIBUTION					
Gini index	..	..	..
Lowest quintile (% of income or consumption)	..	..	..
Highest quintile (% of income or consumption)	..	..	..
SOCIAL INDICATORS					
Public expenditure					
Health (% of GDP)	..	..	2.0	4.2	2.2
Education (% of GDP)	8.5	..	4.2	4.4	4.2
Net primary school enrollment rate					
(% of age group)					
Total	..	..	97	94	81
Male	..	..	99	94	83
Female	..	..	95	93	79
Access to an improved water source					
(% of population)					
Total	..	56	67	95	67
Urban	..	91	93	99	87
Rural	..	42	58	89	60
Immunization rate					
(% of children ages 12-23 months)					
Measles	..	70	98	92	77
DPT	..	80	96	90	78
Child malnutrition (% under 5 years)	..	..	39	2	22
Life expectancy at birth					
(years)					
Total	63	66	68	72	61
Male	61	64	64	68	60
Female	66	69	71	76	63
Mortality					
Infant (per 1,000 live births)	95	31	53	19	56
Under 5 (per 1,000 live births)	122	114	63	22	82
Adult (15-59)					
Male (per 1,000 population)	190	168	221	204	272
Female (per 1,000 population)	129	106	125	100	233
Maternal (per 100,000 live births)	..	120	45	32	410
Births attended by skilled health staff (%)			88	96	47

ANNEX B6

Tajikistan: Macroeconomic Trends and Projections (2009-2018)

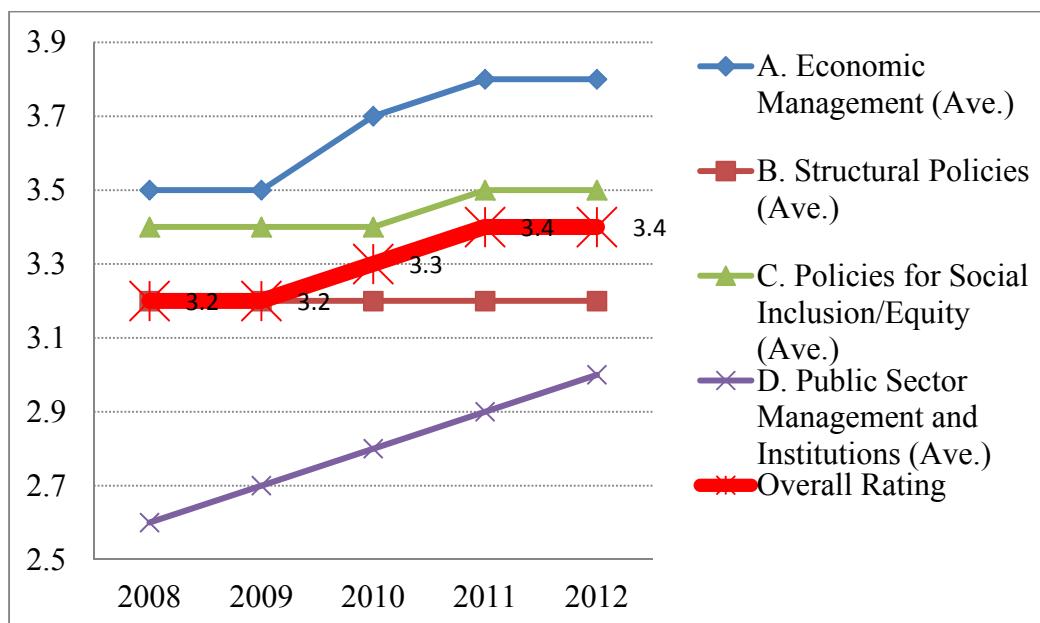
	(In percent of GDP, unless otherwise indicated)									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	Actuals					Estimated Projections				
National Accounts										
Real GDP growth (percent change)	3.9	6.5	7.4	7.5	7.4	6.8	6.2	5.8	6.0	6.2
Consumer Price Index (percent change, end of year)	5.0	9.8	9.3	6.4	3.7	6.5	7.0	7.0	7.0	6.0
GDP per capita (in U.S. dollars)	662	741	836	1035	1140	1206	1273	1357	1445	1533
Gross investment	14.3	12.9	15.5	14.9	15.0	15.2	15.5	15.6	15.9	16.2
Public	13.3	10.9	12.5	10.9	10.2	10.2	10.1	9.9	9.8	9.7
Private	1.0	2.0	3.0	4.0	4.8	4.9	5.4	5.7	6.1	6.4
Gross national savings	12.8	20.1	18.1	17.7	16.3	16.7	17.5	17.6	17.5	17.7
General Government Operations										
Revenues and grants	23.4	23.2	24.9	25.2	26.9	25.6	25.3	25.4	25.8	26.2
Tax revenues	17.6	18.0	19.4	19.9	20.2	19.9	19.8	20.0	20.3	20.7
Non-tax revenues	2.3	2.9	3.2	3.8	5.3	4.4	4.3	4.3	4.4	4.4
Expenditure and net lending	28.8	26.9	27.3	25.1	28.2	27.2	27.0	26.8	27.0	27.3
Current expenditure	14.6	15.0	14.8	14.2	15.8	15.8	15.9	16.0	16.2	15.9
Social expenses	9.0	10.1	10.3	12.3	12.3	11.8	11.7	11.5	11.4	11.4
Capital expenditure and net lending	14.2	11.9	12.5	10.9	12.4	11.5	11.1	10.8	10.8	11.4
Overall fiscal balance	-5.4	-3.7	-2.4	0.1	-1.3	-1.6	-1.7	-1.4	-1.2	-1.1
Primary balance	-3.2	-1.9	0.9	0.7	-0.9	-1.1	-1.1	-0.8	-0.6	-0.5
External Sector										
Current account balance	-5.9	-1.2	-4.7	-1.3	-2.7	-2.5	-2.0	-2.0	-2.2	-2.3
Exports of goods and services	15.3	15.4	18.1	18.2	16.0	16.1	16.2	16.2	16.6	17.5
Imports of goods and services	56.0	54.1	68.0	64.5	63.7	63.3	62.9	62.5	61.6	60.7
FDI inflows	0.3	0.3	1.0	1.9	1.2	1.6	1.8	2.0	2.2	2.4
Gross international reserves										
(Months imports of goods and services)	1.1	1.3	1.4	1.5	1.4	1.5	1.7	1.9	2.2	2.5
(In millions of dollars)	256.0	330.5	517.5	594.2	704.5	811.4	980.5	1179.9	1391.9	1669.6
Total public sector debt	38.8	37.9	36.6	32.6	32.1	31.7	31.0	30.4	30.1	29.5
Total external debt	53.5	54.6	50.9	48.1	48.8	45.9	44.0	42.1	40.3	41.5
Unemployment rate (percent)	11.5	..	..	..	..	..	..	..	..	..

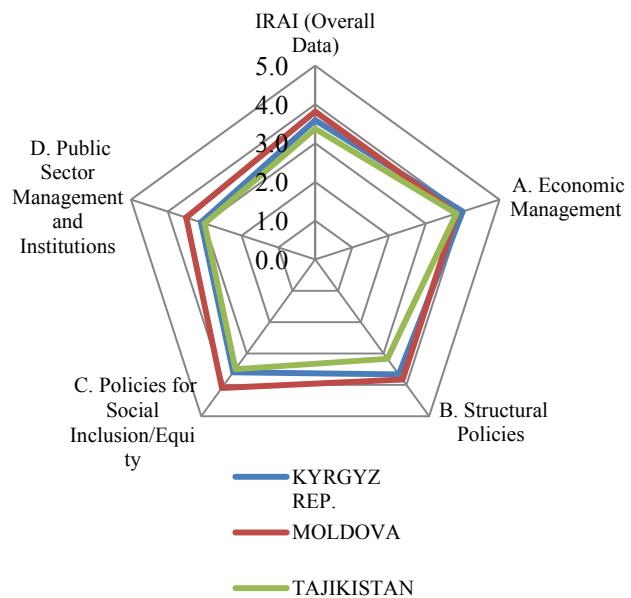
Source: World Bank staff estimates based on data from TajStat, MinFin, NBT and IMF.

Country Policy and Institutional Assessment—selected indicators

- i. Tajikistan's overall CPIA score improved from 3.2 to 3.4 during 2008-12. Its overall score compares favorably to the IDA average (3.3 FY2012), but lags behind the Kyrgyz Republic and Moldova (3.6 and 3.8 respectively). The most progress was achieved in the macroeconomic and public sector management clusters A and D. Progress on structural policies, however, was almost negligible, judging by the average score for cluster B, although this masks an improvement in the business regulatory environment (from 3.0 in 2008 to 3.5 in 2012) and deterioration in the financial sector (from 2.5 in 2008 to 2.0 in 2012). There has been some progress in the equity of public resource use and building human resources, which resulted in moderate improvement in the scores for cluster C.

Tajikistan: CPIA scores, 2008-12.





ANNEX B8

IFC Committed and Disbursed Outstanding Investment Portfolio

As of 3/31/2014

(In USD Millions)

FY Approval	Company	Committed					Disbursed Outstanding				
		Loan	Equity	*GT/RM	Participant	Total	Loan	Equity	*GT/RM	Participant	Total
2011	Amiri	0.8	-	-	-	0.8	0.8	-	-	-	0.8
2008/ 09/ 10/ 11/ 12/ 13/ 14	Eskhata Bank	0.3	-	3.8	-	4.1	-	-	3.8	-	3.8
2014	FINCA Tajikistan	1.5	-	0.3	-	1.8	1.5	-	-	-	1.5
2005/ 06/ 08/ 10	FMBT	0.3	0.5	-	-	0.9	0.3	0.5	-	-	0.9
2003	Giavoni	-	0.4	-	-	0.4	-	0.4	-	-	0.4
2014	Nutristar	2.2	-	-	-	2.2	-	-	-	-	-
2003	Pamir Energy	0.0	0.0	-	-	0.0	0.0	0.0	-	-	0.0
2002/ 04	SEF FOM	0.1	-	-	-	0.1	0.1	-	-	-	0.1
39796	SEF IMON	9.4	-	0.3	-	9.7	9.4	-	-	-	9.4
2009	Tourism Promotion	5.7	-	-	-	5.7	5.7	-	-	-	5.7
2009/ 11	Tajik Access	2.3	2.0	-	-	4.3	2.3	2.0	-	-	4.3
2012	Tajero	1.7	-	-	-	1.7	1.7	-	-	-	1.7
Total Portfolio:		24.3	2.9	4.4	-	31.6	21.8	2.9	3.8	-	28.5

* Denotes Guarantee and Risk Management Products

Tajikistan
Operations Portfolio (IBRD/IDA and Grants)
As Of Date 2/28/2014

Closed Projects 36

IBRD/IDA *

Total Disbursed (Active)	96.57
of which has been repaid	0.00
Total Disbursed (Closed)	323.95
of which has been repaid	32.10
Total Disbursed (Active + Closed)	420.52
of which has been repaid	32.10
Total Undisbursed (Active)	96.94
Total Undisbursed (Closed)	0.00
Total Undisbursed (Active + Closed)	96.94

Active Projects

										Difference Between Expected and Actual	
		Last PSR				Original Amount in US\$ Millions				Disbursements^{a/}	
Project ID	Project Name	Supervision Rating		Fiscal Year	IBRD	IDA	GRANT	Cancel.	Undisb.	Orig.	Frm Rev'd
		Development Objectives	Implementation Progress								
P118196	Dushanbe Water Supply II	MU	MU	2011	16			10.57358	2.9967628		
P089244	Energy Loss Reduction	MS	MS	2005	36		0.4876	11.05202	-10.17324		
P122694	Env Land Mgt. and Rural Livelihoods-GEF	S	S	2013		14.85		14.05	-0.14		
P084035	Ferghana Valley Water Res.	MS	MS	2006	23			0.370374	-10.19958		
P089566	Land Regis & Cadastre	MS	MU	2005	20			4.758185	-5.901827	-5.90183	
P079027	Municipal Infrastructure Development	S	MS	2006	26.85		0.0499	6.312832	-6.717154	0.571054	
P133327	PAMP II	MS	MS	2013	18			16.48422	-1.60113		
P099840	PFM modernization (APL#1)	MS	MS	2009	5			2.855925	9.072373		
P130091	Private Sector Comp.	MU	MU	2012	10			9.162001	1.6851785		
P122039	Social Safety Nets	MS	MU	2011	3.2			2.978426			
P127807	Tax Administration	S	S	2013	18			16.91031			
P126130	TJ Health Services Improvement Project	S	S	2014	15			15.4859			
Overall Result					191.1	14.85	0.5375	110.9938	-22.51581	-5.33077	

