



THE WORLD BANK GROUP – TAJIKISTAN PARTNERSHIP PROGRAM SNAPSHOT



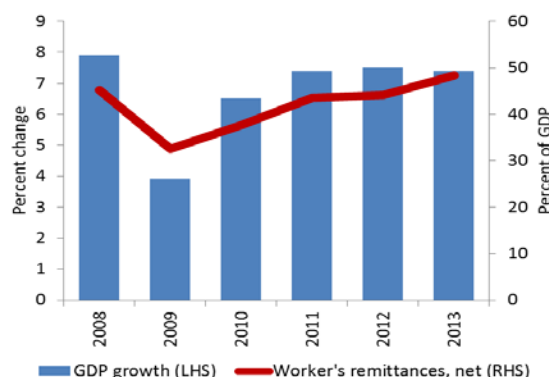
April 2014

RECENT ECONOMIC AND SECTORAL DEVELOPMENTS

Economic Growth and External Performance

Tajikistan's economy grew by 7.4 percent in 2013, as strong inflows of remittances continued to bolster domestic demand and reduce the negative impact of declining export performance (figure 1). Record high remittance inflows, estimated at about US\$4.1 billion in 2013 or equivalent to almost 49 percent of GDP, fueled private consumption and, to a lesser extent, investment. Meanwhile, relatively weaker economic growth globally and lower prices for aluminum and cotton adversely affected Tajikistan's export performance.

Figure 1. GDP Growth and Remittances Inflow



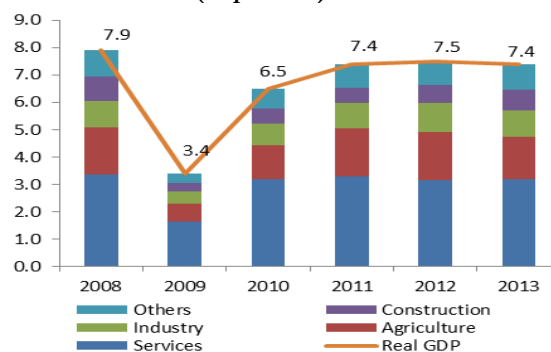
Source: TajStat, National Bank, World Bank Staff calculations.

On the production side, all sectors contributed positively to GDP growth. Supported by inflows of remittances, services remained the largest sector of the economy, contributing almost half of gross value added, followed by agriculture, with one-fifth (figure 2). Despite some slowdown, agricultural output growth remained strong at 7.6 percent, reflecting stable growth in crop production and livestock. Industrial sector performance has been mixed; the extractive industries demonstrated high output growth (43.6 percent), while manufacturing output contracted by 0.8 percent. Although from a low base, growth in the construction sector rebounded to 17.2 percent, largely on account of public sector infrastructure development projects and growing real estate construction activity by the private sector.

Inflation fell to a record low of 3.7 percent in 2013, thanks to the limited increase in food prices and stable exchange rate. Consumer price inflation has been declining since 2010 on the back of easing

food price inflation. Food prices, which constitute around 58 percent of the consumer basket, increased by only 2.8 percent in 2013 and became the main driver of low inflation. This benign picture was due mostly to the fact that lower global prices and the stable exchange rate kept food price inflation low, which is important, as food imports account for 80 percent of total food consumption in the country.

Figure 2. Composition of GDP Growth by Sectors (in percent)



Source: TajStat, World Bank staff calculations.

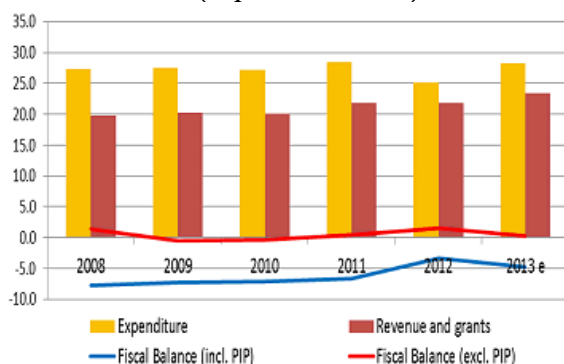
Monetary policy was gradually eased in light of lower inflation. Following two cuts in 2013, the National Bank of Tajikistan (NBT) reduced the refinancing rate further to 4.80 percent on January 10, 2014, down from 6.50 percent a year ago, thanks to favorable inflation dynamics. Nevertheless, the impact of monetary easing on domestic demand (and inflation) has been limited, as the share of NBT funding from the refinancing rate in the banking sector is very low. Accordingly, there is a significant gap between the refinancing rate and the interbank loan rate, which stood at 17.2 percent as of December 2013.

Large inflows of remittances largely offset the widened trade deficit. Weaker external demand and lower prices for major export commodities resulted in the contraction of export value, while imports continued to grow. This resulted in the widening of Tajikistan's merchandise trade deficit. Although in 2013 Tajikistan received more remittances than in any other previous year, this did not fully compensate for the trade account deficit. Remittances are the largest source of Tajikistan's foreign exchange earnings, higher than exports and official development assistance. Foreign direct investment is at a very low level—only 1.2 percent of GDP in 2013.

Fiscal Performance

Despite buoyant revenue performance, the budget deficit widened to 1.3 percent of GDP in 2013, in line with increased public investment program (PIP) expenditures as well as current expenditure growth (figure 3). Revenues grew by 18.1 percent in nominal terms in 2013, owing to a higher base and an improved collection. However, the overall budget deteriorated on the back of higher expenditures on donor-financed projects in transport and energy, as well as higher current expenditures, including salaries and pensions. Excluding PIP, the budget narrowed to near balance compared to a projected deficit of 0.5 percent of GDP in 2013 and a 1.5 percent of GDP surplus a year earlier.

Figure 3: Government Revenue and Spending (in percent of GDP)



Source: Ministry of Finance. World Bank staff calculations.

Government debt—of which three-fourths is to external creditors—fell further in 2013, largely on the back of loan repayments. The ratio of the country's public and publicly guaranteed external debt to GDP decreased from 28.6 percent in 2012 to 25.4 percent in 2013. The major contribution to this decline is debt repayments on Chinese and European Union (EU) loans. The Chinese Export-Import Bank remained the largest creditor to Tajikistan, with its loans representing around 42 percent of total external public debt by the end of 2013. The other largest lenders are the World Bank and the Asian Development Bank (ADB), with 16.7 and 14.7 percent shares, respectively, in total external public debt.

Tajikistan's fiscal and debt positions remain fragile and subject to significant risks. The fiscal and debt positions remain weak given the country's consumption-driven growth model, narrow export base, high dependence on concessional financing, and

large infrastructure needs (including in the social sectors). In addition, the amortization of existing foreign debt is increasing sharply. All of this makes the country extremely vulnerable to external shocks, while its ability to mitigate the shocks is limited due to low external and fiscal buffers and, more importantly, to its weak institutions and governance issues. Domestic policies, including soft budget constraints in the state-owned enterprise (SOE) sector and directed lending, create substantial quasi-fiscal risks and may undermine fiscal consolidation efforts. Public expenditure must be managed more efficiently and transparently so that government revenue can be used to support growth, reduce poverty, and boost shared prosperity.

Financial Sector

Tajikistan's banking sector remained weak in 2013, and governance issues and enforcement of prudential regulations in the banking sector continue to be a concern. Tajikistan's banking system indicators point to a continual deterioration in the quality of its assets, as the reported level of nonperforming loans (NPLs) rose from 18 percent at end-2012 to 23 percent at end-2013. Several factors contributed to the deterioration in asset quality, including weaknesses in banks' risk management systems; deficiencies in the regulatory and supervisory framework and its enforcement by the NBT; and weaknesses in the financial infrastructure. Most important, however, is government interference in commercial bank decisions related to lending, branching, and mergers, and interference in NBT's ability to intervene in problem banks. Renewed directed lending in 2009–11 and again in 2013 has contributed to the deterioration of the loan portfolio by adversely impacting the risk management systems of banks and their financial positions, undermining the NBT's independence as bank regulator and supervisor, and weakening the credit culture. The case of Agroinvestbank is the most serious instance of default of directed loans, followed by new directed loans often to the same parties. The Government has replaced the management of the bank and NBT is monitoring lending, but collection of past-due debts is proceeding slowly.

Financial intermediation in Tajikistan remains limited, as does the role it plays in supporting economic growth. Tajikistan ranks low in credit and deposit penetration compared to other countries in the region. Credit to the private sector as a share of GDP was estimated to be 12.5 percent in 2013, down from 13.5 percent in 2012, and deposits as a share of

GDP were 13.1 percent at end-2013, slightly down from 13.3 and 14.5 percent at end-2012 and end-2011, respectively.

The capitalization and profitability of the banking sector may be overstated, and banks face liquidity constraints. Profitability remains poor despite the sharp increase in net income, which reached US\$31.7 million in the first nine months of 2013, compared to a net loss of US\$6.3 million in 2011. The return on assets (ROA) increased to 2.04 percent at end-September 2013 from 1.56 percent in the same period of 2012. After decreasing to 0.7 percent at the end of 2012, the return on equity (ROE) improved to 10.4 percent at end-September 2013. The aggregate capital adequacy ratio for the banking system came down from (an admittedly high) 25.9 percent in December 2012 to 22.9 percent in September 2013. Although this level of capital adequacy may seem appropriate, the misclassification and underprovisioning of NPLs suggest that capital is overstated, and they disguise stresses in some individual banks. Banks also face liquidity pressures due to maturity mismatches, and they have been increasingly dependent on the NBT for liquidity loans to meet their funding needs. The financial system remains vulnerable to future shocks. Stress tests show that capital positions should be strengthened; risk management, governance, and accounting practices improved; and dependence on liquidity support from the NBT eliminated.

The World Bank Group supports financial sector development in Tajikistan through policy advice, technical assistance, and financial support. In recent years, the World Bank completed a vulnerability assessment of the banking sector and provided significant financial sector advisory assistance, including on: (i) banking legislation and regulation (central bank law, banking law, deposit insurance law, payment system law, bank insolvency law, and related regulations); (ii) payment systems development; (iii) secured transactions modernization; (iv) banking supervision; and (v) contingency planning. The Bank also assisted the authorities in preparing a medium-term financial sector strategy and action plan, and mobilized donor support for its implementation. In addition, the Bank is currently assisting the Government in developing an insurance market. In June 2013, the World Bank presented the findings of a diagnostic study on consumer protection and financial literacy. The NBT has requested the World Bank to provide follow-up technical assistance in the area of consumer protection in financial services. A World Bank *Private*

Sector Competitiveness Project, approved in May 2012, also supports financial sector development by financing (i) the creation of a modern, online collateral registry; (ii) the upgrading of the real-time gross settlement payment system in the NBT; and (iii) the further strengthening of the regulatory and supervisory framework for banking. The International Finance Corporation (IFC) is working on financial sector development through technical assistance to support the creation of a private credit reporting bureau and to improve conditions for leasing finance in the country.

Private Sector Development

Tajikistan has been active in taking measures to develop the private sector. For example, since 2008, the Government has made it easier to start a business by eliminating unnecessary procedures, lowering minimum capital requirements, and establishing a one-stop shop. In addition, in the area of permits and construction, the Government has passed amendments that have eased the burden of obtaining permits and enacted laws that call for the creation of a single window for utilities in construction. Moreover, the Government has made changes to the insolvency law to streamline the timelines for proceedings set in the law. It has also improved the protection of minority shareholder rights in cases of self-dealing of the assets of the corporation; lowered corporate income tax rates; and passed new laws calling for the creation of a credit bureau.

Tajikistan is the second Central Asian country to be admitted to the World Trade Organization (WTO) (after the Kyrgyz Republic became a member in 1998). The Government has also introduced amendments in the Parliament with respect to the Customs Code aimed at reducing the number of documents required for trade, and has started working with the World Bank Group on mining sector reforms. The international Extractive Industries Transparency Initiative (EITI) Board approved Tajikistan's application for EITI candidate status at its meeting in Oslo in February 2013. In addition, with support from IFC and the Bank, the Government developed a new law on "Public-Private Partnerships," adopted in early 2013, to promote greater investment in infrastructure and social services.

Recent reforms have been adopted improving the business environment and providing greater protection for investors. Tajikistan became the 147th State party to the Convention on the

Recognition and Enforcement of Foreign Arbitral Awards, commonly known as the New York Convention, on November 12, 2012. The convention requires courts of contracting States to give effect to arbitration agreements and to recognize and enforce awards made in other States. Accession has been a priority of foreign investors.



The new tax code will simplify filing for small and medium-sized enterprises (SMEs), but tax administration remains a weak point in the business environment.

The new tax code was prepared with support from the International Monetary Fund (IMF) and IFC. Some key changes include the elimination of the retail sales tax, the phasing out of the road user tax by 2017, an increase in the threshold for value added tax (VAT) filing to be harmonized with the upper threshold of the simplified regime, a unified declaration for social and personal income tax, and simplified filing and payment procedures, such as reduced filing for some taxes from monthly to quarterly. Initial estimates put the compliance cost savings of the reforms at well over US\$10 million annually, mostly accrued to SMEs. However, despite these reforms, there is discontent with some aspects of the new tax code, tied for the most part to the elimination of some VAT exemptions, the reduction of the threshold for patent regime filing, the elimination of deductions for business expenses paid to patent holders, and ongoing concerns over how fairly the code will be implemented. Tax administration remains one of the most problematic issues in the business environment, and the State Tax Committee will soon begin a full functional review of its operations with support from the *Tax Administration Reform Project* funded by the World Bank.

Nevertheless, the development of the private sector and the investment climate for its growth remain a work in progress. Despite a number of positive regulatory reforms to reduce red tape for businesses and attract new investment, Tajikistan continues to have an extremely low level of private investment, reflecting persistent challenges that limit business growth. Firms in Tajikistan cite poor implementation of legislation, weak protection for property rights, and the limited availability of key inputs, including electricity, finance, and skilled labor. Tajikistan currently ranks 143rd of 189 economies in the World Bank's 2014 *Doing Business* report and is

recognized for improved access to credit due to a new credit reporting bureau and a lower tax burden. However in the same year, the number of days required to open a new business increased significantly as a result of new procedural requirements introduced by the tax committee.



The World Bank Group supports the development of the private sector in Tajikistan by improving economy-wide legislation and processes and by building infrastructure and institutions for business and financial services.

On May 7, 2012, the World Bank approved a US\$10 million grant from the International Development Association (IDA) to lay the foundation for the competitiveness of the private sector. Later the same year, IFC began implementation of three new complementary projects focused on private sector development in the areas of tax administration, business regulation, and energy.

Through these projects, the Government aims to improve the delivery of services to the private sector, including to simplify specific and targeted procedures related to business start-up and operations (such as the process of starting a business, obtaining construction permits and inspections, and getting access to credit that is collateralized by movable assets); strengthen the financial infrastructure; and improve the business environment for mining, a high-growth-potential industry. The aim of these projects is to accelerate implementation of regulatory reforms while supporting ongoing regulatory improvements and facilitating capacity building (both IT and human resources) and training. A unique aspect of the Bank and IFC projects is the joint implementation of an assessment measuring the gap between how laws and regulations are written and how they are implemented. The assessment will result in specific reforms at the delivery level to improve the quality of service delivery and strengthen the implementation of reforms.

Poverty Developments¹

¹ This section is based on preliminary findings from a report by J.P. Azevedo, A. Atamanov, and A. Rajabov, "Pathways to the Middle Class: Defining the Middle Class, and How Ending Poverty and Promoting Shared Prosperity can Help" (Washington, DC: World Bank, 2013).

Economic growth in Tajikistan has been accompanied by steady poverty reduction. Poverty rates, measured by national poverty lines, dropped from 81 percent in 1999 to 47 percent in 2009. Extreme poverty rates, based on the food poverty line, declined even faster, from 73 percent in 1999 to 14 percent in 2009. In spite of this remarkable performance, poverty is still very high and its further reduction, along with an improvement in standards of living, are priority goals for Tajikistan in the National Development Strategy to 2015.

Figure 4. Nationally and Internationally Defined Poverty Rates in Tajikistan, 1999–2009

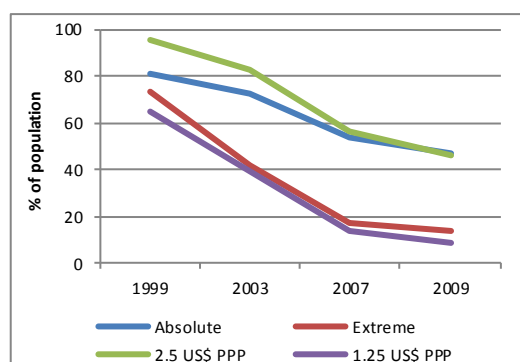
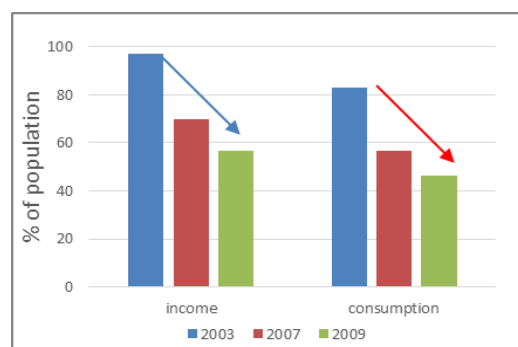


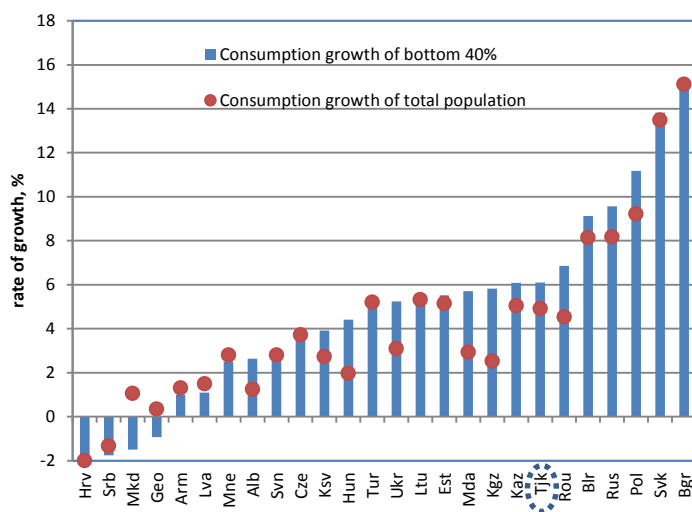
Figure 5. Income and Consumption Poverty Trends in 2003, 2007, and 2009, 2.5 USD PPP 2005 prices



Source: Agency on Statistics under the President of the Republic of Tajikistan; ECA (the Europe and Central Asia region) Team for Statistical Development (ECA TSD) calculations based on ECAPOV data.

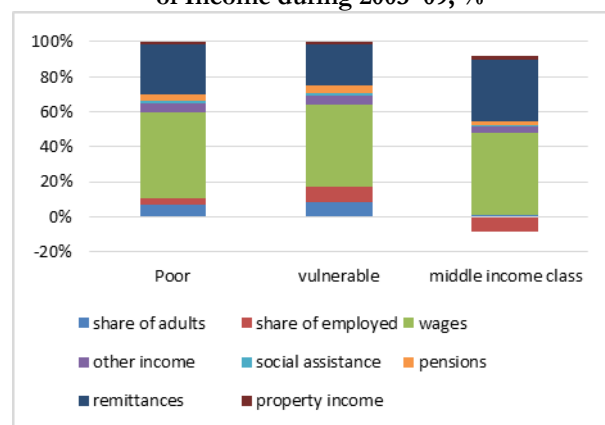
Income decomposition of poverty reduction shows that labor earnings and remittances were the key sources of poverty reduction during 2003–09. For instance, out of a decline in poverty of 40 percentage points, labor earnings and remittances accounted for 20 and 12 percentage points, respectively. Other income components also contributed to poverty reduction, but their role was negligible.

Figure 6. Shared Prosperity Indicators for ECA Countries



Source: ECA TSD calculations based on ECAPOV data.
Note: the period for Tajikistan is 2004–09.

Figure 7: Income Poverty Decomposition by Sources of Income during 2003–09, %



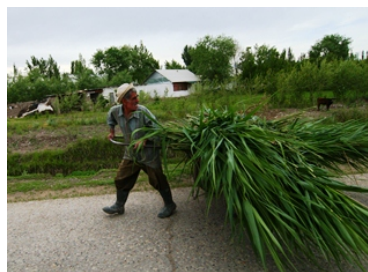
Source: ECA TSD calculations based on WDI and LDB data.
Notes: J. P. Azevedo, Minh Cong Nguyen, and V. Sanfelice, “ADECOMP: Stata Module to Estimate Shapley Decomposition by Components of a Welfare Measure,” Statistical Software Components S457562 (Boston: Boston College, 2012).

Social Protection

The Government of Tajikistan’s system of social protection consists mainly of a pension system and assistance programs that are not effective tools to reduce poverty. This is partly because of the small size of social assistance benefits—the lowest per capita budget in the Europe and Central Asia (ECA) region—and partly because the benefits usually do not reach the poorest families. The current

system lacks effective mechanisms for targeting, financial control, auditing, and monitoring.

The Government is addressing this through a step-by-step reform of social assistance. To support the Ministry of Labor and Social Protection, the World Bank mobilized a US\$2.2 million grant to



the Government from the Rapid Social Response Multi-Donor Trust Fund to support the pilot and evaluate the efficiency of targeting benefits to the poorest citizens.

The Bank has also provided an International Development Association (IDA) grant of US\$3.2 million to support the development and implementation of a national electronic registry for social assistance and capacity building for the national rollout of the consolidated and poverty-targeted social assistance benefit.

The Government's first step in reform was to launch a pilot program in Yovon and Istravshan districts in January 2011 to deliver a consolidated social assistance benefit to the poorest 20 percent of households in Tajikistan. The EU and the World Bank cooperated with the Government to support this pilot, which consolidated the two largest social assistance programs into a single benefit, targeted to the poorest 20 percent of the population. Moreover, the pilot tested the scoring formula (proxy-means test) proposed in the World Bank report, "Delivering Social Assistance to the Poorest Households." The proxy-means test is based on indicators of well-being that are correlated significantly with poverty in Tajikistan.

An in-depth evaluation study found that the pilot performed better than the standard government social assistance programs. The proxy-means test formula was more than twice as effective in identifying poor households as the present method, and the test can be improved further by using newly collected 2012 national survey data and by adjusting the scores for key vulnerable groups. A significant proportion of the poorest households did not apply, so the main areas for improvement are in communication campaigns and outreach to poor households through community structures.

Given this, the Government of Tajikistan expanded the pilot of targeted social assistance

from two to 10 districts in 2013 and supports nation-wide implementation as a strategic priority to reduce extreme poverty. The World Bank is continuing to provide financial support and technical assistance to this effort through the IDA grant for the *Social Safety Net Strengthening Project*.

Health

There is inefficiency in the provision of health care and the allocation of resources to this sector. The health sector



is characterized by poor health outcomes, misallocation of staff and other resources,

inefficient production of care, and hospital overcapacities. The provider payment system has worsened the problem of excess capacity, as it is based on the number of hospital beds. A lack of pooling of health funds has contributed to geographic divisions and underfunding, which hamper the efficient use of resources and pose a threat to access to care for low-income groups.

Health indicators in Tajikistan are among the lowest in the ECA region. However, some key indicators, such as the infant mortality rate, improved from 65 per 1,000 live births in 2005 (according to data from the United Nations Children's Fund [UNICEF]) to 34 per 1,000 live births in 2012 (Tajikistan Demographic and Health Survey). The overall under-five mortality rate for the period 2008–12 is 43 per 1,000. Total health expenditure has been quite stable over the past decade, ranging from 4.6 to 5.3 percent of GDP, which is now comparable to other countries in the region. However, the proportion of health spending provided by public funds is still the lowest and conversely, the proportion of out-of-pocket health spending, roughly at 70 percent, is higher than in many comparator countries in the ECA region, which raises concerns about equity of access.

The Bank is one of the largest development partners and has the longest history of engagement supporting the health sector in Tajikistan. The first *Primary Health Care Project* (2000–05) introduced a model of health care delivery based on primary care and the construction of 25 rural health facilities. The subsequent project, the *Community and Basic Health Project* (2006–12),

cofinanced by the Swedish International Development Cooperation Agency (SIDA) and the Swiss Agency for Development and Cooperation (SDC), aimed to increase access to, utilization of, and patient satisfaction with health services in project-supported areas, and to build capacity and efficiency at the national, oblast, and rayon (district) levels in administering a basic package of health benefits. Significantly, it also introduced financing reforms in primary health care (PHC). Since 2011, the Bank has also been supporting the Ministry of Health in the implementation of community-based activities aimed at addressing the high rates of childhood malnutrition observed in the Khatlon region. This project (2010–13) was implemented with the support of a Japanese Social Development Fund (JSDF) grant. The Bank is currently working with the Government to implement a new health project that will pilot the use of performance incentives for PHC providers, in order to improve the coverage and quality of basic services, particularly for women and children. Training of PHC providers and facility rehabilitation are also expected to contribute to better quality of care. Implementation of a second JSDF grant to scale up the child nutrition interventions in Khatlon region is expected to begin in mid-2014. In addition, the Bank is supporting the Government in improving the existing per capita payment system for PHC through an Institutional Development Fund (IDF) grant. This is expected to improve not only financing but also the capacity and managerial autonomy of PHC providers.

Education

Tajikistan is approaching universal primary and lower secondary education (grades 1–9 and ages 7–15). Enrollment for 14-year-olds increased from 88 percent in 2007 to 95 percent in 2009. The primary enrollment rate is 99 percent (2007), with gender parity. However, enrollment in preschool is very low, at only 9 percent (2012). Higher education (ages 18–24) is largely inaccessible to poorer families. Some 72 percent of university students come from rich households, compared to 13 percent from poor families. To increase access to higher education for the poor and make university admission more fair and transparent, the Government has established the National Testing Center, a key element of the National Assessment System, which is being supported by the Bank, the Russian Government, and the Soros Foundation. The first admission to the higher education institutions through the National Testing Center is planned for 2014.

The education level of the population has decreased over the past two decades. Today, less than 25 percent of the working-age population has a professional education. Tajikistan is a rare example of a country in which the education level of older generations is higher than that of the youth. What is more, graduates' skills lack relevance to the needs of the economy and to development. In spite of the steady increase in teacher salaries, the education system continues to experience a dramatic shortage of qualified teachers, who leave the sector mainly for economic reasons. This affects all levels of education from preschool to universities. Teacher training and retraining programs lack quality and relevance. The growing school-age population poses additional challenges to the education sector, affecting the entire economy. Forty-eight percent of school buildings need capital rehabilitation or reconstruction (affecting 36 percent of students). The Government is currently allocating budget resources and attracting external funds to implement the State Program on Investments in school infrastructure.



Education financing in Tajikistan has undergone a series of reforms. Starting in 2005, with the aim of

improving the efficiency of education spending within schools, the Government has piloted per capita financing (PCF) for general education, which became fully effective across the whole country in 2010. The reform contributed to improvements in the autonomy of schools by giving them more discretion over the allocation of their budgets. Additionally, in 2007, the education sector was chosen as the first pilot sector for the introduction of the Medium-Term Expenditure Framework to improve the strategic and efficient use of resources in Tajikistan. Building on the successful PCF implementation in general education, the Government plans to pilot PCF in the preschools in 2014.

The Education Management Information System (EMIS), operational nationwide since 2009, provides key education data for decision makers. The Ministry of Education plans to expand the EMIS to the remaining subsectors in phases starting in 2015. The main feature of the new National Strategy for Education Development (2012–2020) is to shift the focus from access to quality and relevance of

education, and from knowledge to competencies. The World Bank has supported key reforms in the sector (PCF, EMIS, curriculum modernization, assessment system establishment, etc.) through the *Education Modernization Project*, a series of *Education for All Fast Track Initiative* grants, and the ongoing *READ (Russia Education Aid for Development)* Program.

Corruption in higher education is publicly addressed, but without an effective measure to tackle the problem to date. While the relatively high enrollment rate contributes to improving the human capital index, a workforce without tangible skills and knowledge lowers the index score. The new Unified University Entrance Examination scheduled for summer 2014 is expected to contribute to reducing corruption. Entrance to state universities will now be based strictly on the exam results, with, if implemented successfully, no chance for university personnel to influence the results at entry. A more accountable governance structure with a well-represented governing body is likely to improve university governance.

Higher education reform is one of the priorities of the Ministry of Education and Science of Tajikistan. Higher education is a subsector that has received limited support from development partners to date. The ongoing Higher Education Sector Study (to be delivered in the second quarter of FY15) aims to analyze the efficiency, equity, and effectiveness of higher education, and identify priority policy reform areas to enhance the quality and relevance of higher education for labor market demand. Based on the in-depth analysis of the subsector, a *Higher Education Project* is planned for the first quarter of FY16. The new project is likely to support: reforming university governance (balancing autonomy and accountability); establishing quality assurance mechanisms; diversifying public financing; and enhancing information and communications technology (ICT) for distance education, quality improvement, and regional/international connectivity.

Agriculture and Rural Development

With 21 percent of GDP and 46.5 percent of employment, the agriculture sector continues to be the most labor intensive, with a major influence on economic performance. Most of the agricultural produce (93.3 percent) is grown in household plots and private (*dehkan*) farms, which have proved to be more efficient than large collective farms. However, despite positive trends, risks in the agriculture sector remain high. To minimize

production and marketing risks, farmers grow relatively small areas of several different crops that are selected from a relatively narrow crop range. The country is prone to various exogenous shocks such as food price spikes that contribute to increased household food insecurity. An increase in fuel prices is also of concern for agricultural producers, as it reduces recent achievements in productivity. Measures to reduce the constraints to agricultural growth as well as the sector's vulnerability to adverse events can thus have a high impact on economic growth and poverty reduction.

Mountains and hills cover more than 90 percent of Tajik territory. Tajikistan's agricultural resource base is characterized by limited arable land, a heavy reliance on irrigation for crop production, and substantial areas of permanent pasture. Of the 4.1 million hectares of agricultural land, only 830,000 are arable, equivalent to 0.15 hectares per capita of the rural population. Around 85 percent—720,000 hectares—of arable land is irrigated, but only 515,000 hectares are currently in use due to the deterioration of the irrigation and drainage infrastructure, waterlogging, and salinization. Wheat, cotton, fruit, and vegetables are the main irrigated crops. Livestock production relies mainly on forage production and local grazing resources instead of the available 3.3 million hectares of permanent pasture, which further increases the pressure on scarce arable land. However, the country has the resources and potential for a diversified agricultural sector, based on the production of cereals, cotton, fruit, vegetables, and livestock products.

Agricultural growth has been much slower than overall economic growth. The sector accounted for 14 percent of aggregate economic growth from 2008 to 2012. This growth has been driven by land reorganization, liberalization of the domestic market for cotton, and a write-off of farmer cotton debt, accumulated as a result of producer exploitation by the cotton processing and marketing monopolies, which also controlled credit and input supply. More than 95,000 small-scale private farms have now largely replaced the collective farms that dominated agriculture at independence. Agriculture sector performance also has a major impact on poverty reduction, as 77 percent of Tajikistan's poor live in rural areas. Of the country's four regions, Khatlon Oblast is the most important for agriculture, with approximately 45.9 percent of gross agricultural output, followed by Sughd Oblast (29.8 percent), the Districts of Republican Subordination (20.7 percent),

and Gorno-Badakhshan Autonomous Oblast-GBAO (3.6 percent). Following the successful implementation of Government Resolution #111 on “Freedom to Farm,” allowing farmers to grow what they want and to market their products where they wish without any government intervention, these reforms represent yet greater steps toward self-reliance and transparency, facilitating the transition to further private sector development and growth. The Government continues to work with development partners on agriculture sector strategy, although the pace of implementation must be accelerated to secure the productivity gains that Tajikistan needs to improve the agricultural growth rate.

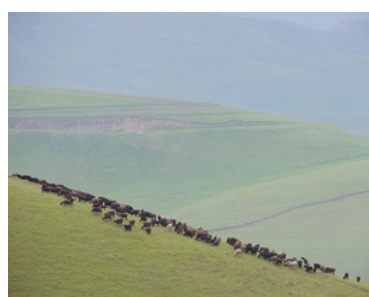
In 2013, the volume of agricultural production in Tajikistan compared to one year earlier, rose by 7.6 percent and totaled US\$3.490 billion. Production of wheat has increased by 12 percent compared to 2012, which is still not enough to satisfy the domestic needs of the country in wheat and flour. The growth was achieved due to the 7.6 percent growth in crop production and the 7.5 percent growth in animal husbandry, which reflect stable growth in crop production and the well-performing but underutilized capacity of the livestock subsector. The collection of raw cotton remained stable, with an overall volume of cotton production of 392,000 tons, which is slightly below the last year’s figure of 415,000 tons. The area under cotton has decreased by 4 percent compared to 2012. In 2013, export of cotton decreased by 10–15 percent compared to 2012, as a result of less interest among farmers in cotton production due to lower international prices and higher demand for other commercial crops on the Russia and Kazakhstan markets. Cotton yields, however, continue to grow, proving that diversification of agriculture creates incentives for more productive private (*dehkan*) farms. Despite the recent improvements, there is still considerable room to raise yields and productivity through better crop management, more intensive use of inputs, and most importantly, improved irrigation.

In 2013, the volume of agriculture produce export reached 228,000 tons. However, despite the continuous increase in exported agriculture products, agricultural output markets remain weak, limiting the incentives for farmers to continue increasing production. In domestic markets, the volume of food retail trade grew by 39 percent in real terms from 2007 to 2012 in response to increased personal disposable income and continued population growth. Yet most of this increased demand has been met by

imports, particularly for processed crop and livestock products. Export of agriculture products (processed and fresh) is growing, with Russia and Kazakhstan being the largest markets for the local produce. However, Tajikistan represents only 3 percent of Russia’s fruit and vegetable imports. The weak market links, low economies of scale, poor access to credit, and barriers to entry and expansion all constrain the demand of market agents for agricultural commodities. Resolution of these problems will require a shift in the priorities for sector development, with a greater emphasis on private sector development. Measures to increase the commercialization of agriculture will be integral to this new set of priorities.

The World Bank supports the agriculture sector in Tajikistan through ongoing policy advice and investment lending for the implementation and deepening of agriculture reforms to: reduce food insecurity; rehabilitate irrigation systems and support effective water management (including irrigation management and effective development of river basins); improve access to agricultural financial services (development of a broader base for agricultural lending and for high value crops); develop agriculture support services (input supply, marketing/processing, training/advisory services, veterinarian services, and support to seed sector development); support land tenure and sustainable land management; set up a land registration and cadastre system to support ongoing land reform; provide institutional development and capacity building for the sector ministries and support the continued policy and reform process through separate technical assistance programs; and promote the greater resilience of various subsectors against impacts stemming from recent climate variability and future climate change.

Environmental Protection and Climate Change



Tajikistan has been impacted by floods, droughts, and soil erosion due to extremes in weather and climate, coupled with limitations in national prediction and response capabilities. Degradation of land

resources is reaching alarming levels; it is estimated that 90 percent of rain-fed cropland, 60 percent of irrigated crop land, and 90 percent of pasture areas are showing signs of degradation.² Mono-cropping and improper land use practices, such as wasteful irrigation methods and inadequate drainage, are associated with soil degradation and stagnating yields, especially in lowland areas. Pasture degradation, due in part to overgrazing and poor stocking practices, is an important threat. In upland areas, the conversion of steep slopes to cereal production has also contributed to land degradation. Chronic energy shortages have resulted in the increased burning of organic matter and vegetation that would otherwise be available as fertilizer or ground/tree cover.

Impacts from extremes in weather and climate are expected to worsen in the future. Tajikistan ranks first among countries in the region vulnerable to climate change, being particularly sensitive to climate change with low adaptive capacity. A key pillar in the Government and donor approach was reached in November 2010, with the approval of a US\$50 million program of investments under the multi-donor-supported Pilot Program for Climate Resilience (PPCR), the key Climate Investment Fund focused on broad adaptation issues. The projects implemented under the PPCR are country led, built on national strategies, and aligned with other donor-funded activities supporting climate-resilient development plans. In Tajikistan, the participating multilateral development banks include the World Bank, ADB, and the European Bank for Reconstruction and Development (EBRD). Key components of the PPCR are: (i) enhancing the climate resilience of the energy sector (US\$10 million); (ii) advancing climate science and modeling (US\$3 million); (iii) improving weather, climate, and hydrological service delivery (US\$7 million); (iv) building climate resilience in the Pyanj River Basin (US\$15.3 million); (v) building the capacity for climate resilience (US\$3 million); and (vi) enhancing sustainable land management (US\$9.45 million).

A government coordination mechanism was established in August 2011 to promote inter-ministerial cooperation, enhance engagement with civil society organizations (CSOs), and facilitate implementation of climate change adaptation initiatives. The first project approved under this pilot was for regional hydro-meteorological services in

2011. Another initiative funded through the Global Environment Facility (GEF) and the PPCR was recently approved in the amount of US\$15 million to support the widespread adoption of sustainable land and water management strategies and practices for agro-ecosystems. The project will help farmers and communities to address these issues, and to adapt and become more resilient to climate change by improving local livelihoods and food security and restoring productive natural resources.

Energy

Tajikistan continues to face severe winter energy shortages. Approximately 70 percent of the population suffers from extensive electricity shortages during winter. The shortages increased considerably starting in 2009, when Tajikistan's power network was severed from the Central Asia Power System and power trade with Central Asian countries stopped. Electricity shortages in winter are estimated to be at least 2,000 gigawatt-hours, or about 20 percent of winter electricity demand.

The World Bank study "Tajikistan's Winter Energy Crisis: Electricity Supply and Demand Alternatives" examined a range of alternatives to meet Tajikistan's winter electricity needs through 2020, focusing on near-term policy measures and priority investments. Their implementation would require US\$3.4 billion over the next eight years. A program of this size could be carried out if the Government prepares and commits to implementation of a specific program and solicits broad-based support from international financial institutions (IFIs), donors, neighboring countries, and the private sector.

The World Bank also funded an energy-efficiency audit of the TALCO aluminum plant, which consumes around one-third of the total electricity generated in the country. The outcomes of the audit laid the foundations for the TALCO energy-efficiency action plan that was approved by the Government in January 2013 and is now being implemented by TALCO. Furthermore, feasibility studies for the rehabilitation, safety, and sedimentation management of the Nurek Hydropower Plant (HPP) have also been initiated under the *Additional Financing for Energy Loss Reduction Project*.

The use of Tajikistan's hydropower surplus during the summer will bring economic benefits to the country and region. The Government,

² Bettina Wolfgramm and others, "Tajikistan Pilot Programme for Climate Resilience" (Centre for Development and Environment, 2011).

supported by the World Bank and other IFIs, participates in the development of the CASA-1000 project.³ The project will involve the construction of high-voltage transmission lines to carry surplus electricity generated in Tajikistan and the Kyrgyz Republic to consumption centers in Afghanistan and Pakistan. Objectives of this project are (1) increased regional integration; (2) enhanced trade in electricity; and (3) the promotion of clean, renewable hydropower as an alternative to diesel generators. The project was negotiated between the four countries in February 2014.



In recent years, two new major power generation projects have been completed by the Government of Tajikistan with the help of foreign

investors. With an investment by Inter RAO, a Russian energy company, a run-of-river Sangtuda-1 HPP added an incremental capacity of 670 megawatts in 2009. The 240-megawatt Sangtuda-2 HPP, being built with Iranian investment, was commissioned in 2013.

The Pamir Energy Project, which received financing from IDA, IFC, and the Government of Switzerland, has established an exemplary public-private partnership (PPP)-based structure delivering electricity to a highly remote area in the eastern part of the country, based on its own generation, transmission, and distribution facilities. Apart from achieving a high availability factor, the Pamir HPP is providing electricity to several villages in neighboring Afghanistan, although on a limited scale.

In response to a request from the Government of Tajikistan, the World Bank is supporting assessment studies of the proposed Rogun HPP. The Techno-Economic Assessment Study and the Environmental and Social Impact Assessment, which are ongoing, will assess the proposed project's technical soundness, economic viability, and compliance with all relevant environmental and social safeguards. The World Bank has committed to an expanded role in the process, to ensure credible, transparent assessments that are open to international scrutiny and riparian dialogue.

A major focus in the electricity and gas sectors has been on implementing a loss reduction program, with support from the Bank and the Swiss Government. The World Bank project has helped finance the procurement of around 217,000 electricity meters in Dushanbe and over 128,000 gas meters in various regions of the country, and the bulk of the meters have been installed. Modern electricity meters installed in Dushanbe resulted in an increase in billed consumption of around 50 percent. Billed revenue for electricity sales in Dushanbe increased by almost five times in the same period. Reducing commercial losses in the electricity sector, in combination with more effective metering and higher collections, will lead to better accountability of revenue flows and improve the financial viability of the sector. A Financial Management Improvement Program is being implemented by Barki Tojik, which will help improve the transparency and governance of the company.

Municipal Services

Due to underinvestment, the water supply and sanitation



infrastructure has suffered extensive degradation over recent decades and needs substantial rehabilitation.

Because of the limited financial and operational capacity of operators, water supply and sanitation systems are inadequately maintained and renewed, and their degradation results in unreliable and inefficient service. The availability of sustainable drinking water and sanitation services is a challenge in both urban and rural areas, with only 59 percent of the population having access to a public water supply (versus the 79 percent Millennium Development Goal [MDG] target for 2015). In urban areas, approximately 50 percent of the population has house connections, and 32 percent yard connections. In rural areas, only 20 percent have access to centralized water supply systems, mainly through public standpipes and yard connections. Water quality in most systems does not meet national drinking standards. Furthermore, only 14 percent of the population has access to centralized sanitation services (44 percent in urban areas and 3 percent in rural areas). Finally, most urban centers do not have adequate solid waste collection, disposal, or recycling.

³ CASA-1000 refers to the Central Asia South Asia Electricity Transmission and Trade Project.

This poor level of service has a negative impact on people's health and adds unnecessary burdens to the daily management of the household, inevitably affecting women and children.

The World Bank and the Government have established a decade-long partnership toward the rehabilitation of municipal infrastructure to improve the local living standards of the population. The World Bank is providing significant support to the Government through two ongoing projects: i) the *Second Dushanbe Water Supply Project (DWSP2)*, approved in 2011, which follows the first *Dushanbe Water Supply Project (DWSP)* that closed in June 2011; and ii) the *Municipal Infrastructure Development Project (MIDP)*, approved in 2006, for which Additional Financing (AF) has been approved through 2015. DWSP and DWSP2 are aimed at assisting the capital city of Dushanbe in its effort to improve the quality, reliability, and efficiency of potable water service. The first phase of MIDP assisted eight principal provincial towns in improving the access, reliability, and quality of basic municipal services (water supply, sanitation, and solid waste management) to the population. These investments ultimately aim at boosting local economic growth and reducing poverty. The MIDP AF extends investments to four towns using a two-pronged approach of integrated urban development and an increased focus on the institutional strengthening of local service providers.



In particular, for the first time in Tajikistan, MIDP AF is helping establish independent community-based management committees of 14 sanitation zones, which are being constructed in the towns of Farkhor and Vose for multi-story apartment complexes lacking appropriate sanitation solutions. Six committees have been fully formed in Farkhor, and the formation of committees in Vose is pending the completion of the remaining eight sanitation zones. These committees are tasked not only with ensuring the sustainability of sanitation investments in their respective communities, but also with promoting proper behavior with regard to hygiene and sanitation.

The MIDP AF will also support the Government's housing and communal services reform agenda by engaging all stakeholders in the development of a Municipal and Communal

Services Development Strategy. The Government of Tajikistan recognizes the deteriorating state of its communal services in the drinking water supply, sanitation, solid waste management, and district heating. It passed Presidential Decree #321, titled "Concept of Housing and Communal Sector Reform (2010–2015)," in July 2010 to start the reform process in the municipal sector. The Strategy will focus on identifying and recommending municipal reforms that would be needed to establish an appropriate and sustainable rules-based financing mechanism, such as a Communal Services Development Fund (CSDF), to attract and channel donor contributions to the sector. The focus of the CSDF would initially be limited to water supply, sanitation, and solid waste management.

Governance and Anticorruption

Development in Tajikistan depends on improvements in governance. The civil war took a heavy toll on Tajikistan's institutional and human capacity. Efforts to rebuild that capacity are impeded by aspects of the country's political economy and its limited financial resources to upgrade institutions and retrain workers so that they can properly manage the transition to a market economy. Capacity limitations constrain the Government's effectiveness in designing and implementing programs to achieve priority development objectives.

Tajikistan was selected as one of four countries in the ECA region to pilot the Country Governance and Anticorruption (CGAC) framework.



The World Bank's CGAC strategy for Tajikistan moves toward

mainstreaming governance at the national, sector, and project levels by tackling three principal governance challenges: (a) strengthening transparency and accountability in key sectors (agriculture, energy, and private sector development); (b) developing capacity; and (c) fostering demand for good governance. Governance interventions will be mainstreamed throughout all projects in the portfolio, with an emphasis on consolidating and scaling up existing instruments of engagement to achieve strategic goals.

The implementation of the CGAC strategy has seen recent results. A new and innovative project-level tool, the Governance Checklist, has been applied to new projects in agriculture, water, health,

tax administration, private sector competitiveness, and the environment. The checklist will be applied to all new investment projects, as well as to mid-term reviews and implementation and completion reports. At the sector level, recent activities focusing on transparency and accountability have been completed, including: (i) an energy-efficiency audit of TALCO; (ii) an institutional and governance analysis of the extractive sector; (iii) an institutional and governance analysis of the Dushanbe Vodokanal project; and (iv) a stakeholder analysis of the health sector for the recently approved *Health Services Improvement Project*. These studies are identifying sector-specific governance risks as well as opportunities to scale up governance measures in the design of projects.

Activities on mainstreaming governance under the Governance Partnership Facility (GPF) grant have contributed to capacity building toward enhancing public accountability, public administration, and parliamentary oversight, and toward improving civil society's role in monitoring and evaluation. The grant activities have (i) improved the capacity of the Parliament to fully participate in budget negotiations and budget execution monitoring through the establishment of the Parliament Secretariat, with the role of increasing the capacity of the Finance and Economics Committee to join in the budget process; (ii) staged a series of workshops on budget-related topics; and (iii) developed and implemented the Budget Communication Strategy and public information center.

Public administration capacity has been strengthened by the design and implementation of a new approach to capacity development, informed by lessons learned from the past decade of World Bank capacity-development initiatives. The new approach, piloted with the Civil Service Department (CSD), aims to assist the CSD in streamlining its business processes, human resource practices (including merit-based recruitment and performance appraisal), and IT capacity in order to make it more capable of achieving its goals and in turn, make civil service more attractive. The pilot project has already helped the civil service to achieve several important interim results: the Institute of Civil Service has obtained the status of higher education institution and can now extend its capacity to deliver training across the government; and the new CSD website has been launched, providing up-to-date information to civil servants and civil society. A strategy for capacity building is under preparation.

The Bank has also been active in fostering demand for good governance in Tajikistan. The Bank's successful collaboration with the Parliament resulted in parliamentary hearings on the budget formulation and execution process that took place in 2011. To foster greater participation and understanding of the budget process, capacity-building activities have targeted CSOs and other stakeholders. These activities have focused on mechanisms for participation, access to information, and the introduction of a citizens' budget methodology for Tajikistan.

Collaboration with nongovernmental actors has also increased through roundtable discussions on fostering demand for good governance. The Bank is leading by example through CSOs that were competitively selected to monitor and evaluate Bank projects in health and agriculture. Further, Bank-financed capacity-building initiatives and peer-to-peer learning have allowed for deepened collaboration with parent-teacher associations (PTAs) as well as PTA monitoring of school capital expenditure needs. Community health scorecards are also being designed to help with results-based financing in health projects.

Finally, monitoring of governance and state-provided service delivery has improved through citizen feedback. Nationwide surveys on access to and quality of state-provided services were completed in 2012 and 2013. The 2012 results were presented by the Development Coordination Council at the 2012 Development Forum. The second wave of this survey, aimed at capturing trends in access to and perceptions of quality of services, including health, education, electricity, and water, is nearing completion, and analysis should be concluded by May 2014.

Public Sector Reforms

The gradual stabilization of the political system has reoriented the focus of the Government of Tajikistan from conflict resolution issues to the establishment of a stable institutional system. In 2006, the Government approved the Public Administration Reform Strategy, which embodies a broad approach to institutional reform, addressing institutional reorganization, budget management, regulatory management, and human resource management issues, and also proposes measures to strengthen accountability and transparency in public sector management. The major areas of reforms currently covered by the Government include implementation of key changes in civil service

development, optimization of organizational structures in selected public sector institutions, enhancement of the effectiveness of public expenditure management, and improvement of the quality of regulatory management.

The Bank supported public administration through the *Public Administration Reform Project*, which has contributed to fundamental civil service reforms. Some examples of such reforms include the new Civil Service Wage Grid, which in September 2011 was extended to the entire civil service, including local governments. The reform removed all nontransparent bonuses, better linked pay to outside market compensation, regularized pay for similar jobs across government, and made the system more consistent. In 2010, 2,514 vacancies in the civil service below levels 1-2 (political level positions) were filled through a competitive-based recruitment process, representing 82 percent out of 3,065 vacancies filled. In 2006, there was no competitive-based recruitment system in place.

Public Financial Management

The Government is committed to improving the public financial management system. The Medium-Term Expenditure Framework (MTEF) has fully become an integral part of the annual budget cycle. Since 2011, additional sectors were brought into the MTEF after the pilot phase in the social sectors had been completed. The introduction of the administrative budget classification in 2010 at the republican level and its extension at the local budget level in 2012 is another step forward. In 2014, the Ministry of Finance will introduce the Unified Chart of Accounts and develop a decentralized internal audit function. A Single Treasury Account was introduced at the republican level in April 2011, and its expansion to subnational units is planned in 2014. The Government also adopted the 2011–2016 Treasury Modernization Program and the 2011–2018 Public Accounting Reform Strategy. Other ongoing reform efforts in public financial management include improving public debt management capacity; modernizing customs and tax administration systems; introducing international reporting standards for SOEs and budget organizations; and introducing a modern public procurement system. Considerable work remains in all these areas, with support provided by IDA, the EU, the Swiss Government, and the UK Department for International Development (DfID).

The Bank supports public financial management reform through the *Public Financial Management*

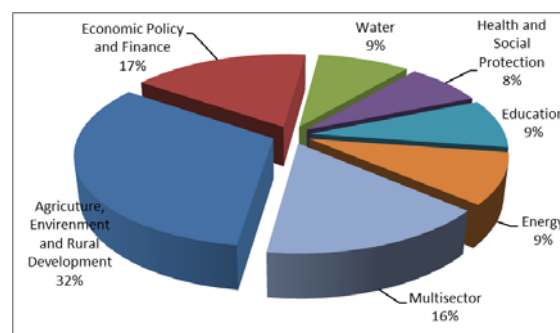
Modernization Project financed by IDA and a Multi-Donor Trust Fund. The project uses a two-stage Adaptable Program Loan (APL) approach. APL-1 would address capacity weaknesses, support streamlining procedures on budget preparation and execution, improve transparency and communications, and support the incremental automation of financial operations and IT capacity building in the Ministry of Finance. APL-2 would build on the results of reforms implemented under APL-1 and support the automation of modernized public financial management procedures.

In 2013, the World Bank launched a *Tax Administration Reform Project* to improve the quality of taxpayer services, enhance the level of voluntary compliance, reduce the size of the shadow economy, and contribute toward a more transparent, accountable, and effective tax system. The project aims to improve the institutional and operational capacity of the State Tax Committee and its field offices, reduce physical interaction between tax officials and taxpayers, and operate effectively in a new automated environment.

THE WORLD BANK GROUP PROGRAM

Tajikistan joined the World Bank in 1993 and IDA in 1994. Since 1996, the Bank has provided approximately US\$907 million in IDA credits, grants, and Trust Funds, of which some US\$730 million have already been disbursed. Around 32 percent of these funds have been committed for the agriculture, environment, and rural development sectors. Other major sectors for cumulative IDA support since 1996 are economic policy (17 percent), energy (9 percent), water and urban development (9 percent), health and social protection (8 percent), and education (9 percent).

Figure 8. Cumulative by Sector (includes projects financed by IDA resources and IDA-administered TFs)



The World Bank Country Partnership Strategy (CPS) for 2010–13 was extended by the Bank's Board of Executive Directors to 2014. The revised CPS shifts focus from crisis mitigation to structural reforms aimed at sustainable growth and development. The most important objective is to help stimulate private investment through overall private sector development. Other key priorities include: (a) ensuring macroeconomic stability and sound public financial management; (b) further increasing productivity in agriculture and efficiency in water use; (c) strengthening the power sector for reliable domestic supply and larger hydropower exports; and (d) increasing access to higher quality social services.

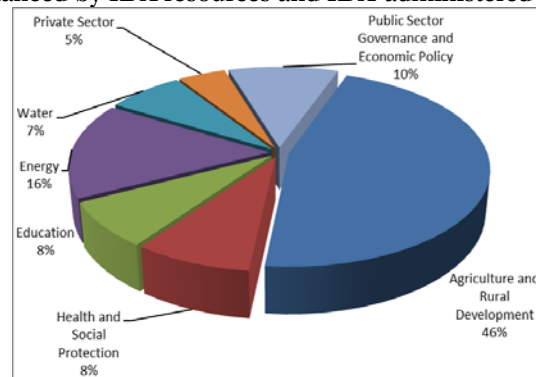
Improving core governance is mainstreamed across the CPS program in the context of the Country Governance and Anticorruption (CGAC) strategy. The CGAC strategy for Tajikistan facilitates mainstreaming governance at the national, sector, and project levels by tackling three principal challenges: (a) strengthening transparency and accountability in key sectors (agriculture, energy, and private sector development); (b) developing capacity; and (c) fostering demand for good governance. Governance interventions are being mainstreamed throughout all projects under the CPS program, with an emphasis on consolidating and scaling up existing instruments of engagement to achieve strategic goals.

The Bank and the Government of Tajikistan have agreed on the following priority pillars for the new CPS for FY15–18 currently under development: private sector-led growth, social inclusion, and regional connectivity. There is strong agreement to support the new model of private sector development-led growth based on strong institutions in order to increase competitiveness, raise productivity, and diversify economic assets. The Government is also supportive of the social inclusion agenda, especially in human development, social protection, water and sanitation, health, and education. On regional connectivity, it was agreed that Tajikistan needs to diversify and explore Asian markets more actively. It was also confirmed that learning and information networks are as critical as physical connectivity, including roads and energy transmission lines for export. The joint World Bank-IFC CPS is expected to go to the Board on June 3, 2014.

The active portfolio of the World Bank consists of 13 projects with a net commitment of US\$222 million. The largest share of the portfolio is in agriculture and rural development (46 percent),

followed by energy (16 percent), the public sector, governance and economic policy (10 percent), health and social protection (8 percent), education (8 percent), water (7 percent), and the private sector (5 percent).

Figure 9. Active Portfolio by Sector (includes projects financed by IDA resources and IDA-administered TFs)



To date in FY14, the World Bank has approved two projects with a total commitment of US\$31.2 million. These include the *Health Services Improvement Projects (HSIP)* (US\$23 million) and *Global Partnership for Education-4 Project* (US\$16.2 million). The total financing of these new projects stands at US\$15 million from IDA, US\$21 million from Trust Funds, and US\$3.2 million from the Government of Tajikistan.

Trust Fund activities complement the Bank assistance program and finance a wide range of projects in key strategic sectors, including education, energy, agriculture, food security, and the social sectors. The Bank continues to leverage more trust-funded resources for Tajikistan to supplement IDA resources to meet the critical needs of the country.

Analytical and Advisory Activities delivered in FY13–14 include: Winter Energy Crisis Report; Tajikistan Economic Report; a Khatlon Province Regional Development Study; a Public Expenditure Review; and Gender Diagnostic Notes. These activities and publications serve as an important vehicle for ongoing policy dialogue. In particular, they help advance the dialogue with the authorities on macroeconomic management and key structural reforms. Other ongoing and planned analytical activities include: Assessment Studies for the Proposed Rogun Regional Water Reservoir and Hydropower Project, Review of Safety Nets Reform, Addressing Energy Deprivation in Tajikistan: Issues and Options, and Rural Investment Climate Assessment in Tajikistan.

International Finance Corporation

Tajikistan became a member of the IFC in 1994. Since 1997, IFC has invested US\$86.9 million to support 33 private sector projects in the financial, hydropower, retail, tourism, and manufacturing sectors.

Since 2004, IFC has also pioneered advisory services projects focused on the legal and regulatory infrastructure of SMEs, credit bureau development, leasing, agricultural finance, and infrastructure development through PPPs. IFC works with private sector clients, government, and civil society to bring the benefit of global expertise to Tajikistan through its advisory services and selected investment projects. IFC, with its focus on private sector development, has an important role to play in supporting inclusive growth and job creation in Tajikistan.

TAJIKISTAN: ENVIRONMENTAL LAND MANAGEMENT AND RURAL LIVELIHOODS PROJECT

Key Dates:

Approved: March 29, 2013

Effective: October 3, 2013

Closing: May 31, 2018

Financing in million US Dollars*:

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
GEF Grant	5.40		
PPCR Grant	9.45		
Local Beneficiaries	2.03		
Total	16.88		

**Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



Among the 28 countries in ECA, Tajikistan is rated as the most vulnerable to climate change impacts, a function of its high exposure and sensitivity to climate change effects, coupled with its very low adaptive capacity. It is expected that Tajikistan's agriculture sector will be exposed to increasingly low and erratic rainfall as well as the drying up of water resources through increased regional temperatures, higher evapotranspiration, reduced snow accumulation in mountain glaciers, and an increased frequency of extreme events. These changes will lead to consequences, such as fluctuations in the hydrological cycle—especially from glacial retreat and flash floods—with downstream consequences nationally and regionally for agro-ecosystems and water resources. Climate variability and change are likely to pose additional and significant risks, particularly for those pursuing subsistence agriculture or pastoralism, which only reinforces the need for sound land resource management principles. The widespread adoption of sustainable land and water management strategies and practices for agro-ecosystems will help farmers and communities to address these issues, and adapt and become more resilient to climate change by improving local livelihoods and food security and restoring productive natural resources.

The Pilot Program for Climate Resilience of the Strategic Climate Fund (PPCR)- and Global Environment Facility (GEF)-financed Tajikistan Environmental Land Management and Rural Livelihoods Project, which was approved by the World Bank's Board of Directors on March 29, 2013 and became effective on October 3, 2013, aims to support rural communities in this effort.

The **Project Development Objective** (PDO) is to enable rural residents to increase their productive assets in ways that improve natural resource management and resilience to climate change in selected climate vulnerable sites. The project, with a total cost estimated at US\$16.88 million, will promote the adoption of innovative rural production and land management measures by providing (i) small-scale grants at the village level, and (ii) grants to *jamoat*-level pasture user groups to implement participatory pasture and livestock management plans, and to water user associations to introduce sustainable on-farm water management practices.

Progress toward achieving the PDO will be measured using the following indicators and end-of-project targets:

- Number of households supported that have adopted climate change and sustainable land management practices will reach 21,000;
- Land users adopting sustainable land management practices as a result of the project will reach 12,000;
- Area in hectares (ha) in the project sites covered by effective agriculture, land, and water management and improved climate resilience practices will be at least 30,000;
- Number of direct project beneficiaries will reach 126,000;
- Percentage of female beneficiaries will be at least 40 percent.

Results achieved: With its effectiveness on October 3, 2013, the project is at an early stage of implementation. Nevertheless, the project has made good progress on contracting consultants to support the Committee of Environmental Protection's (CoEP) Implementation Group, covering financial management, disbursements, procurement, environmental management, social development, and monitoring and evaluation, as well as interpretation and translation. In addition, the CoEP's implementation team conducted project orientation workshops from December 30, 2013 to January 31, 2014 in project-supported districts to provide further information on the project's structure and implementation arrangements. Key next steps include the selection and contracting of facilitating organizations to support: (i) participatory planning, community mobilization, and implementation support for village-level rural production investments in both lowland and upland project districts; (ii) the development of on-farm water management plans; and (iii) the development of pasture management plans.

Key Partners include (i) the Committee for Environmental Protection (the implementing agency), (ii) the Ministry of Finance, (iii) the Tajikistan PPCR Secretariat, and (iv) the districts of Farkhor, Kulob, Khovaling, Baljuvan, Tavildara, and Jirgatal. **Key Development Partners:** the UK Department for International Development (DFID) and the German Agency for International Development (GIZ), whose GREAT Program is providing complementary support to the project in community-based planning and organizational development, as well as technical agricultural advisory services.

TAJIKISTAN: SECOND PUBLIC EMPLOYMENT FOR SUSTAINABLE AGRICULTURE AND WATER RESOURCES MANAGEMENT PROJECT (PAMP II)

Key Dates:

Approved: November 29, 2012

Effective: May 3, 2013

Closing: February 28, 2018

Financing in million US Dollars*:

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA	18.00	1.40	16.66
Global Agriculture and Food Security Multi-Donor Trust Fund	27.90	2.12	25.78
Total Project Cost	45.90	3.52	42.44

**Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



The Khatlon region remains the main location of rural poverty in Tajikistan, with 47 percent of the region's population living below the poverty line. Khatlon's rural poverty and food insecurity can be reduced, as the region has a good agricultural resource base with a large area of arable land, a favorable climate, and access to gravity-fed irrigation. But access to water is inadequate, and the irrigation systems are generally in poor condition, due to the lack of funding for maintenance and rehabilitation, which lowers crop yields. Funded by the World Bank and the Global Agriculture and Food Security Program (GAFS), this repeater project responds to the need for the rehabilitation of irrigation and drainage infrastructure to ensure increased farm-level crop production and incomes and reduce their volatility; and supports the introduction of Integrated Water Resource Management as the basis for the sustainable use of water resources.

The Project Development Objectives are to: (i) provide employment to food-insecure people through the rehabilitation of irrigation and drainage infrastructure, (ii) increase crop production in response to improved irrigation and infrastructure, and (iii) support the development of improved policies and institutions for water resource management, as a means to improve food availability and food access for low-income people in poor rural areas supported by the project.

Results achieved: The original project, financed through the European Union Food Crises Rapid Response Facility Trust Fund in the amount of US\$10.01 million, was launched in 2010. The project supported 10,590 people in five vulnerable districts of Khatlon region: Farkhor, Qumsangir, Qabodyon, Shartuz, and Vakhsh, through the generation of temporary employment. The project generated an average net income of US\$230 per worker and improved access to irrigation water on 44,276 hectares of irrigated arable land. This resulted in at least a 5 percent increase in the production of rice, vegetables, potatoes, and wheat in targeted districts.

The repeater PAMP II project only became effective on May 3, 2013, and almost all planned preparatory works envisaged for the first phase of actual implementation have been completed on time by the Project Management Unit. The project has already started actual implementation of public works in Jomi, Rumi, and Jilikul districts, with more than 4,000 people employed in manual cleaning of on-farm irrigation canals. Female beneficiaries constitute 22 percent of the public works program beneficiaries so far.

The project has also succeeded in establishing and strengthening the capacity of the Water Users Association (WUAs) as an entry point to ensure the sustainability of investments in on-farm irrigation. Currently, project support is channeled to 16 existing WUAs established by the U.S. Agency for International Development (USAID) Family Farming Program and 15 WUAs created and/or reorganized by the project.

The rehabilitation of irrigation and drainage infrastructure envisaged under the project is expected to improve access to irrigation for about 190,000 hectares of land to the benefit of around 750,000 residents, their farms, and household land plots. A 10 percent increase in crop yields is expected on this rehabilitated irrigated land. In addition, emergency flood control works along a high-risk section of the Tebalai River in Kulyab city will reduce the risk of flooding for approximately 400 urban households.

Key Partners: The Bank team will work in close cooperation with the Ministry of Amelioration and Water Resources Management of Tajikistan and the local administrations of Khatlon and the Districts of Republican Subordination (DRS) regions to implement this project.

Key Development Partner includes the U.S. Agency for International Development (USAID), with which the Bank coordinates the policy and technical issues of the project.

TAJIKISTAN: LAND REGISTRATION AND CADASTRE SYSTEM PROJECT

Key Dates:

Approved: April 21, 2005

Effective: October 11, 2005

Closing: March 31, 2015

Financing in million US Dollars*:

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Grants	20.39	10.39	10.00
Gov. of Tajikistan	0.09		
Beneficiaries	0.33		
Total	20.81	10.39	10.00

**Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



This project supports the Government's reform agenda on (i) farmland restructuring, (ii) a transparent cadastral system, and (iii) immovable property registration. In Tajikistan, restructuring agricultural land into family units and providing use rights to family farms have created stronger incentives to raise agricultural production. The establishment of a transparent cadastral system that provides more accurate, consistently measured spatial data is useful not only for farmland restructuring and immovable property registration, but also for planning and managing infrastructure investments, environmental land management, and private sector development.

The Project Development Objective is to expand farmland restructuring, to increase the number of immovable properties with secure tenure rights, and to propose a plan for the improvement of the immovable property registration system.

The Project, with Additional Financing: (i) builds understanding of how to improve the immovable property registry system by testing and demonstrating in selected areas the integration of registry and cadastral information and good customer service, and supporting analysis and planning for extension at the national level; (ii) expands farmland restructuring and the issuance of certificates for family farms; (iii) expands the issuance of use-rights certificates for other types of immovable property; (iv) expands the productive use of project-financed databases and mapping capacity, and the further development of the cadastral system; (v) expands policy analysis; and (vi) supports activities that complement farmland restructuring and certificate issuance, including information for farmers and other immovable property users, grants for on-farm irrigation rehabilitation, and environmental land management.

Results achieved: The cumulative total through July 1, 2012, of certificates of family and individual *dekhkan* farms since the beginning of the project amounts to 43,386 certificates, out of a total of about 63,000 issued since 2007 in the country, including the certificates issued outside the project. Over 175,269 shareholders hold certificates issued under the project, of whom women constitute about 45 percent. Seven Regional Land Cadastral Centers are fully operational. A geodetic reference network has been established and is being used for the legal cadastre. The original project has fostered a number of policy reforms, including initiatives related to farm debt resolution, spatial database transparency, decentralization of certificate issuance, and a simplified certificate format, and has also built awareness of other key land policy issues. Additional Financing will target the reinitiating of activities in farm restructuring and the new activity of piloting an integrated registration system. This will reinforce the achievements of the initial project and enable registration in the targeted towns of Gissar, Vakhsh, Khorog, and Khujand to be piloted.

Key Partners: The project operates within the State Committee for Land Management and Geodesy (responsible for farmland restructuring) and collaborates with the Institute for Geodesy and Mapping (responsible for the geodetic network and orthophoto production). For the pilot registration offices, the project closely collaborates with regional branches of the Bureau of Technical Inventory. The project also collaborates with district government specialists working on land, irrigation, and environmental management.

Key Development Partners: The project has collaborated with other donor projects, including the European Commission's Finmap technical assistance support on geodesy and photogrammetry, the Swedish International Development Cooperation Agency's (SIDA) Swedesurvey Registration Project, the Swiss Development Cooperation (SDC)-financed Helvetas legal aid program, and the USAID-funded Land Reform Project and Family Farming Program.

TAJIKISTAN: FERGHANA VALLEY WATER RESOURCES MANAGEMENT PROJECT

Key Dates:

Approved: July 26, 2005

Effective: January 19, 2006

Closing: May 31, 2014

Financing in million US Dollars*:

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Grant	23.00	23.25	0.36
Tajikistan Government	1.17		
Total	24.17	23.25	0.36

**Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*

Disbursement figures are shown as of March 6, 2014



The Ferghana Valley is an important region of Central Asia, with a total population of about 11.3 million people, 70 percent of which live in rural areas, spread among Uzbekistan, the Kyrgyz Republic, and Tajikistan. After the collapse of the Soviet Union, the valley's irrigation and drainage systems fell into disrepair, leading to an unreliable supply of irrigation water, drainage and waterlogging problems, reduced soil fertility and crop yields, and a reduction in irrigated area. This has affected the livelihoods of people, reducing agricultural income and increasing the incidence of poverty. The project area of the Ferghana Valley Water Resources Management Project is located to the south of the Kayrakkum Reservoir (in Sughd region), covering a total net area of about 30,000 hectares and serving a rural population of about 250,000.

The Project Development Objective is to (i) increase the coverage of drained and irrigated areas in Bobojon Gafurov and Konibodom districts; and (ii) strengthen the early warning system of the Kayrakkum dam as well as carry out a geotechnical survey for assessing the risks associated with the dam.

The project helps the Government of Tajikistan to address deficiencies affecting irrigation and drainage and improve water management in the Konibodom and Bobojon Gafurov districts of the Sughd region. It addresses critical elements of the irrigation and drainage systems to improve their performance and efficiency and strengthen the early warning system of Kayrakkum dam.

Results achieved: The project is scheduled to close on May 31, 2014, and has achieved or exceeded most of the development objectives indicators and disbursed 97 percent of project funds. Remarkably, some of the key achievements include a return of more than 7,000 ha (against a targeted 6,450 ha) of agriculture land to effective irrigation, and the reduction of flooded and waterlogged land area within project perimeters near embankments by 3,530 ha (against a targeted 3,500 ha).

Other important completed project activities include:

- 117.6 kilometers of off-farm collector drains have been rehabilitated.
- 97 underground water observation tube wells have been rehabilitated.
- 110 vertical drainage tube wells have been rehabilitated.
- Rehabilitation of the 10 irrigation and drainage pump stations has been completed.
- 9,135 kilometers of envisaged reservoir embankments have been rehabilitated and strengthened, including 2,749 kilometers in Gafurov district and 6,656 kilometers in Kanibadam district.

Project activities contributed to a reduction in water losses and improved access to irrigation water in the project area by 20 percent through: (i) lining of 11,36 kilometers of the selected, more damaged sections of the Big Ferghana Canal and the full rehabilitation of the Kanibadam concrete canal.

Furthermore, institutional challenges of irrigation management were tackled through project efforts and resulted in the establishment and strengthened capacity of three WUAs in the project area. Despite existing challenges faced by these WUAs with respect to financial sustainability, project support led to a continuous increase of the water fee collection rate on average by 50 percent.

Key Partners: The Bank team works closely with the Ministry of Energy and Water Resources of Tajikistan, Agency on irrigation and land reclamation, its respective district-level water administration departments, and local government authorities in Sughd region responsible for project implementation.

TAJIKISTAN: SECOND DUSHANBE WATER SUPPLY PROJECT

Key Dates:

Approved: June 7, 2011

Effective: October 12, 2011

Closing: December 31, 2015

Financing in million US Dollars*:

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Grant	16.0	5.1	10.6
Municipality of Dushanbe	3.0		
Total	19.00	5.1	10.6

**Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



In Tajikistan, the bulk of drinking water and sanitation infrastructure consists of assets inherited from the Soviet era, extensively degraded at the hands of low-capacity operators and weak institutions. The availability of sustainable drinking water and sanitation services is a challenge in both urban and rural areas, with only 59 percent of the national population having access to public water supply (versus the 79 percent Millennium Development Goal [MDG] target for 2015). Water quality in most systems does not meet national drinking water standards and service interruptions are frequent. The Second Dushanbe Water Supply Project (DWSP2) follows up on a first project implemented between 2002 and 2011, which achieved significant results in terms of improved quality and reliability of service in Dushanbe.

The Project Development Objective is to improve water utility performance and water supply services in selected areas of Dushanbe.

The objective reflects the commitment of the Municipality of Dushanbe and of the Dushanbe Vodokanal (DVK) to deliver safe and satisfactory public services while improving financial performance. The objective is to be attained through (i) water treatment and distribution infrastructure upgrades to achieve water quality and service improvements noticeable by customers, (ii) metering programs and improved billing and collection systems to quickly enhance revenue generation while improving customer service, and (iii) technical assistance and capacity-building activities to strengthen DVK's management and operational performance. Achievement of the objective will be measured through improvements in water quality for selected areas of Dushanbe, in service satisfaction, and in revenue collection and the financial viability of DVK. Considering the scale of the rehabilitation and upgrade needs and the limited available funding, the targeted improvements cannot be achieved system-wide but rather in selected DVK service areas.

Results achieved: Project implementation started late, but has gained momentum with the mobilization of the Project Management Consultant in October 2012. The project is now fully underway. Sound designs and bid packages have been developed, optimizing the impact of available funds. All the main procurement packages have been issued, including for the rehabilitation of the Samotechnaya Water Treatment Plant filters (DWSP2-09) and the Napornaya Pumping Station (DWSP2-11). Two contracts have been completed, 14 are ongoing, five are in the bidding or evaluation stages, and one is undergoing bid package preparation. As a result, disbursements and commitments have continued to climb notably, now reaching 32 percent and 60 percent, respectively, and are bound to accelerate. Key capacity-building and institutional development activities have also accelerated, in particular advancements with public communication and outreach, finalization of the baseline Customer Satisfaction Survey, and trainings for DVK public relations and customer management staff. DVK's financial and operational performance over the past three years is also showing positive signs of improvement and is expected to be further strengthened with advancements in the entity's financial department staffing and the updating of its accounting and financing practices. Important studies are also underway to analyze the hydraulic network and assess appropriate water treatment optimization options, as well as seismic risks at the Samotechnaya water treatment plant.

Key Partners: The Bank team works closely with (i) Dushanbe Vodokanal as project-implementation entity, (ii) the Ministry of Finance, and (iii) the Municipality of Dushanbe as key partners.

TAJIKISTAN: MUNICIPAL INFRASTRUCTURE DEVELOPMENT PROJECT

Key Dates:

Approved: January 19, 2006

Effective: April 12, 2006

Additional Financing Approved: May 8, 2012

Additional Financing Effective: August 31, 2012

Closing: August 31, 2015

Financing in million US Dollars*:

Financier	Financing	Disbursed	Undisbursed
IDA Grant	15.9	15.7	0.2
IDA Additional Financing (Grant)	11.67	5.55	6.34
Government of Tajikistan	1.5	1.3	0.2
Gov. of Tajikistan (AF-MIDP)	1.02	0.0	1.02
Total	30.09	22.55	7.82

**Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



The Project Development Objective is to support the Government of Tajikistan's efforts to provide accessible, reliable, and good quality basic municipal services to the population of the eight participating towns. Ensuring access to basic municipal services is an important factor in supporting the growth of local economies and reducing poverty. The towns served by the project include Dangara, Istravshan, Kanibadam, Kulyab, Kurgan-Tube, Rasht, Vahdat, and Vose. All of the interventions help protect people from disease, and specifically aid Tajikistan as it moves toward achieving the Millennium Development Goal of halving the proportion of people without sustainable access to safe drinking water and basic sanitation. The Municipal Infrastructure Development Project (MIDP) includes three components: the first component finances the rehabilitation and repair of facilities and installations and the replacement of equipment needed for delivery of basic municipal services; the second component supports additional engineering studies that are necessary to define the needed investments and strengthen the institutional capacity of the State Unitary Enterprise of Housing and Communal Services; the third component is designed to provide implementation and project management support to the project implementing agency.

On May 8, 2012, the Board of Executive Directors approved Additional Financing for the MIDP (AF-MIDP), which allows for the scaling-up of ongoing activities to enhance the positive impacts of the first MIDP. AF-MIDP will continue to support five towns: four existing towns (Dangara, Kurgan-Tube, Kulyab, and Vose) and one new town (Farkhor). The AF-MIDP also increases the emphasis on institutional strengthening and sector reform by financing pilot activities to improve water service coverage and utility performance in select towns, and the development of a Municipal Sector Strategy. The strategy would include the identification of financing mechanisms for the provision of communal service infrastructure.

Results achieved:

As a result of the implementation of the first and second phase investment programs under the first project, the following progress has been achieved: 189,805 additional people have improved access to water services; 1,612 improved community water points were constructed and rehabilitated; 18,568 new piped household water connections were constructed; 89,925 piped household water connections have already benefited from rehabilitation works under the project; and 80 percent of the population in participating cities have improved solid waste collection services, with at least one collection per week.

The Additional Financing has scaled up physical investment in the cities of Farkhor and Vose, and civil works commenced in September 2012, including construction of sanitary zones, reconstruction of wells and pumping stations, rehabilitation and extension of the water supply system, and the extension of water distribution networks. The technical and Institutional Strengthening component includes several institutional pilots, such as the provision of a Household Connection Subsidy, implementation of community management in sanitary zones, modernization of billing and collection systems in Kurgan-Tube and Kulyab, development of a Management Information System for KMK, and roll-out of a pilot metering program. Notable progress has been achieved in the construction and completion of multiple sanitary zones in Farkhor, while construction is ongoing in Vose. Moreover, in cooperation with the Bank's Water and Sanitation Program, Sanitation Zone Management Committees have been established under each of the sanitary zones. These committees are comprised of community members who both manage the operation of the zones and also promote improved hygiene and sanitation behavior in their communities. Meanwhile, the household connection subsidy program and project impact assessment study are underway. The Additional Financing is also supporting the Government of Tajikistan in developing a Municipal Sector and Communal Services Development Strategy to identify mid- to long-term reforms for the sector.

In response to the Government's requests, US\$2 million was made available to the Government to help mitigate spring flooding in Tajikistan.

Key Partners: The Bank team works closely with the Ministry of Finance and the State Unitary Enterprise of Housing and Communal Services (KMK), which is responsible for overall project implementation.

TAJIKISTAN: ENERGY LOSS REDUCTION PROJECT

Key Dates:

Approved: June 30, 2005

Effective: December 7, 2005

Additional Financing Approved: February 14, 2012

Additional Financing Effective: August 31, 2012

Closing: December 31, 2014

Financing in million US Dollars*:

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Credit	15.0	15.0	0.00
IDA Grant	3	3.00	0.00
IDA Additional Financing (Grant)	18	7.00	11.00
Government of Tajikistan	4	4.00	0.00
Other donors (SECO)	8	4.5	3.50
Total	48	30.60	17.40

**Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



The Government of Tajikistan's Poverty Reduction Strategy Paper underscores the essential role of the infrastructure sector in achieving the main objectives of poverty reduction and growth. In particular, the energy sector is a priority due to its significant development potential. Accordingly, the Government's medium-term sector development strategy has identified the reduction of losses, in particular commercial losses, and steps to improve the financial viability of the energy sector as the top-most priorities within the sector. The project supports the implementation of these priority actions.

The Project Development Objectives are to assist in reducing the commercial losses in the electricity and gas sectors, and in improving the financial viability of the electricity and gas utilities in a socially responsible manner. Financing also covers assessment studies of the proposed Rogun Hydropower Plant (HPP) in Tajikistan.

The Project provides for the supply and installation of electricity and gas meters and support to testing and quality control laboratories. It supports the design and installation of computerized billing systems. It also supports capacity building and technical assistance to the relevant energy utilities and to the Government for the implementation of energy tariff and social protection policies. Upon the request of the Government, the project was restructured to include assessment studies for the proposed Rogun HPP. On February 14, 2012, the Board approved Additional Financing of US\$18 million, which covers the scale-up of the electricity component and will bring additional benefits from the original project. Furthermore, it finances a few strategic studies, which will help in achieving improved system reliability and energy security. This includes advisory support on the proposed CASA-1000 project and studies on the rehabilitation of the Nurek HPP and sedimentation in the Nurek reservoir.

Results achieved: *Barki Tojik.* About 150,000 electric power meters have been installed in Dushanbe. Most of the meters are destined to households that used to have obsolete and inaccurate electro-mechanical meters, or were billed based on norms (or not all), while 14,000 meters were installed for new residential customers. Furthermore, the electricity metering program under the project covered about 200 budget and commercial customers—schools, kindergartens, hospitals, etc. Installation of meters in Dushanbe city, together with distribution network rehabilitation, supported by another Bank-financed project (Energy Emergency Recovery Assistance Project) enabled an increase in billing by 50 percent in two years. In addition, 47,000 residential electricity meters have been procured and will be installed in Dushanbe under the Additional Financing for Energy Loss Reduction Project that became effective in April 2012. This, together with the planned implementation of a billing system, will further reduce commercial losses and improve the transparency and accountability of the power sector in Dushanbe.

TajikTransgas. About 128,700 gas meters have been installed, covering households, large industrial consumers, and transmission and distribution networks. Billing of customers has been performed based on actual meter readings rather than the old method of normative consumption. As a result, the losses in the gas sector have gone down by about 5 percent in the past three years.

Barki Tojik and Tajiktransgas are implementing a Financial Management Improvement Program. Tajiktransgas has successfully migrated to the International Financial Reporting Standards, while at Barki Tojik and its affiliates all over the country, migration is currently ongoing and expected to be achieved by mid-2014.

Key Partners: The Bank team works closely with: (i) the Ministry of Finance, (ii) the Ministry of Energy and Industry, (iii) OJSHC "Barki Tojik," and (iv) OJSC "Tajiktransgas."

Key Development Partners include the Swiss State Secretariat for Economic Affairs (SECO), which provides financial support to the project components.

TAJIKISTAN: FOURTH GLOBAL PARTNERSHIP FOR EDUCATION FUND GRANT (GPE-4)

Key Dates:

Approved: May 22, 2013*

Effective: February 27, 2014

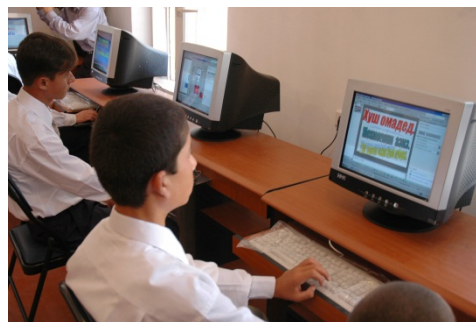
Closing: September 30, 2016

Financing in million US Dollars:

<i>Financier**</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Grant	16.20		16.20
Total	16.20		16.20

* Approved by the GPE Board.

***Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.



This is the fourth grant to Tajikistan from the Global Partnership for Education Fund, formerly known as Education For All-Fast Track Initiative Catalytic Fund. The previous allocations have had a catalytic effect on the mobilization and improvement of the use of national and international resources.

The Project Development Objective is to contribute to improving the learning conditions in preschool and general education. Learning conditions are understood here to include the education program standards and content, teaching-learning materials and practices, and the physical environment.

GPE-4 builds on the success of a series of projects financed since 2006 in Tajikistan from the GPE and will address improvements in the education sector through four main components: 1) increasing access to affordable and quality early childhood education programs through the enhancement of existing and the establishment of new early learning institutions; 2) enhancing the quality of general education through upgrading educational standards and programs, teacher training, methodological support, and provision of teaching and learning materials; 3) improving child-friendly learning environments through financing the construction or rehabilitation of schools and provision of furniture; and 4) strengthening capacity at all levels of the education sector to manage the education system through support to ongoing reforms in education financing and data collection and analysis, as well as the provision of training to preschool and school directors in financial management and pedagogical leadership.

Each component works toward the development of child-friendly schools to ensure that the children of Tajikistan, especially the most marginalized, including girls, ethnic minorities, rural children, and children with disabilities, are afforded the opportunity to achieve their education goals for future development and success.

Results achieved: This section will be completed after the project launch and the first results become available.

Key Partners: The project is implemented by the Ministry of Education and Science of Tajikistan.

Key Development Partners: United Nations Children's Fund (UNICEF), USAID, and Aga Khan Foundation (AKF).

READ TRUST FUND GRANT - TAJIKISTAN PHASE II PROJECT RUSSIA EDUCATION AID FOR DEVELOPMENT

Key Dates:

Approved: May 11, 2011

Effective: August 24, 2011

Closing: October 31, 2014

Financing in million US Dollars:

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
READ TF	3.40	1.95	1.45
Gov. of Tajikistan	0.40	0.27	0.13
Total	3.80	2.22	1.58

**Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



The National Strategy for Education Development seeks to ensure the effective and efficient delivery of education services and access to relevant and quality education for all. It adopts five strategic goals related to the improvement of management and performance, effectiveness of the system, quality education services at all levels, equitable access to basic education and merit-based access to other levels, and efforts to improve the physical infrastructure.

In line with these goals, in 2008, the Government established a National Testing Center (NTC) with a mandate to create a national assessment system that could provide information about the quality of education and educational levels attained by students. The NTC's immediate task until 2014 is to design and introduce a new system of admission to higher education institutions—a unified University Entrance Exams (UEE). Admission will be based on matching top-ranked students and places in the universities based on the results of the UEE, students' preferences, and the availability of places at the universities.

The tasks of the Ministry of Education and the NTC for the next 15 years are as follows:

1. To design and establish the UEE, a sustainable, fair, and transparent system for universities admission;
2. To establish student assessment systems at different levels of education;
3. To prepare the country for participation in international assessments (TIMSS, PISA, etc.);
4. To establish a system of state standards, curriculum, and textbook modernization, and teacher training/retraining based on the assessment results.

The READ grant supports the NTC in designing and establishing the UEE and building national capacity in the assessment area.

The Project Development Objective of this grant is to increase the capacity of the NTC to enable the sustainable introduction of UEE and national (grade-level) assessments with a long-term view of meeting international standards.

Results achieved:

The new UEE system developed under the project was presented at a national workshop in November 2013, and was inaugurated by the President of the country in December 2013 at the opening of the new NTC premises built and furnished under the World Bank-funded Education Modernization Project. Basic IT equipment for the new NTC premises (funded by the project) has been installed. The second batch of equipment is under procurement and should be delivered in May 2014, before the exams start. The NTC, with support from the Government and mass media, conducts intensive public relations campaigns. Key documents for the public have been developed and placed on the NTC website. The NTC is getting ready for the registration of applicants, which starts on March 3, 2014.

Key Partners: The project is implemented by the National Testing Center. The Bank team works closely with the NTC and the Ministry of Education of the Republic of Tajikistan.

Key Development Partners include the Open Society Foundations.

TAJIKISTAN: SOCIAL SAFETY NET STRENGTHENING PROJECT

Key Dates:

Approved: July 13, 2011

Effective: October 2011

Closing: December 31, 2015

Financing in million US Dollars*:

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA	3.2	0.2	3.0
Total	3.2	0.2	3.0

**Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



The European Union (EU), the Asian Development Bank (ADB), and the World Bank support policy actions to reform Tajikistan's system of social assistance through budget support grants. This operation builds the tools and capacity of the Government to support its ability to achieve and manage these reforms.

These reforms have already begun: the EU assisted the Ministry of Labor and Social Protection to pilot the reform of social assistance in two districts. The pilot consolidates the two largest social assistance programs into a single benefit, and uses a proxy-means test to target benefits to the poorest 20 percent of the population. The World Bank has also mobilized a grant from the Rapid Social Response (RSR) Multi-Donor Trust Fund to support the implementation and evaluation of the pilot. This International Development Association (IDA)-supported project will extend these reforms by supporting the development of core tools and the capacity for rolling them out at the national level.

The Project Development Objective is to improve the capacity of the Government of Tajikistan to plan, monitor, and manage social assistance for the poor through the development of a national registry of social protection and the provision of training, equipment, and related items for improving capacity.

The Project would build on the lessons and experience of the Government's pilot reform of social assistance. It would establish a National Registry for Social Protection, train government personnel and build other kinds of capacity to operate and sustain the National Registry for Social Protection, and support project management.

Results achieved:

Following the success of the pilot, contract bids are being evaluated for the National Registry of Social Protection.

Key Partners: The Bank team works closely with the Ministry of Labor and Social Protection, the Ministry of Finance, and the Executive Office of the President of the Republic of Tajikistan for the implementation of this project.

Key Development Partners include the EU and ADB.

TAJIKISTAN: HEALTH SERVICES IMPROVEMENT PROJECT

Key Dates:

Approved: July 30, 2013

Effective: December 11, 2013

Closing: January 31, 2019

Financing in million US Dollars*:

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA	15.00		15.00
Health Results			
Innovation Trust Fund	4.80		4.8
Government of			
Tajikistan	3.2		3.2
Total	23.00		23.00

**Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



The Tajikistan Health Services Improvement Project is being financed through a US\$15 million grant from the International Development Association (IDA) and US\$4.8 million from the multi-donor Health Results Innovation Trust Fund (HRITF). The Government of Tajikistan will contribute an additional US\$3.20 million to the project.

The Project Development Objective is to contribute to the improvement of the coverage and quality of basic primary health care (PHC) services in rural health facilities in selected districts of Tajikistan.

Since 2000, the World Bank has been supporting the Government of Tajikistan in strengthening the country's health sector through introducing and implementing health reforms, including per capita financing for PHC, strengthening the capacity of medical workers, and rehabilitating infrastructure. The new project will continue to build on these previous activities, in addition to piloting an innovative approach to performance-based financing. PHC facilities will receive incentives based on their performance in meeting certain pre-agreed maternal and child health targets. This process will involve verification of the facilities' performance before any payments are given. Similar performance-based financing programs have been successful in improving health system performance and health outcomes in many countries around the world.

The project will be implemented in eight districts of the Khatlon and Sughd regions of Tajikistan, covering 1.86 million people, representing around 25 percent of the country's population. In addition to piloting the use of performance-based incentives to PHC facilities, the project will provide training to doctors and nurses; support physical rehabilitation and renovation of selected rural health centers, including provision of basic medical equipment; and build the capacity of health sector institutions at the central, regional, and district levels to manage and implement the performance-based financing scheme.

Results achieved: This section will be completed after the project launch and the first results become available.

Key Partners: Ministry of Health and Social Protection of the Republic of Tajikistan; Ministry of Finance of the Republic of Tajikistan, UNICEF, EU, World Health Organization (WHO).

TAJIKISTAN: PRIVATE SECTOR COMPETITIVENESS PROJECT

Key Dates:

Approved: May 12, 2012

Effective: September 7, 2012

Closing: December 31, 2016

Financing in million US Dollars*:

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Grant	10.00		10.00
Total	10.00		10.00

**Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



This first private sector project in Tajikistan is expected to demonstrate tangible impacts from foundational reforms and infrastructure. The project objectives aim to strengthen the legal and regulatory framework and build capacity in priority business and financial infrastructure, thereby lowering transaction costs. The project is expected to demonstrate that implementation of reforms can result in substantial improvements in new business registration, construction permits, and electronic payments for wholesale and retail purchases, as well as in faster processing of mining licenses. This is anticipated to lay the basis for more challenging reforms, to be addressed in subsequent operations that will require greater coordination and a longer horizon for implementation.

The Project Development Objective is to remove key constraints to business development and investment by: (i) simplifying business registration and construction permitting processes; (ii) improving regulations and infrastructure underlying access to financial services; and (iii) encouraging development of the mining industry, where Tajikistan has a competitive advantage.

The direct project beneficiaries are both existing and future entrepreneurs conducting business in Tajikistan and residents of mining development communities. Entrepreneurs will primarily benefit from the project as they will be able to register a new business, obtain construction permits, and conduct other business-related operations more effectively. They will also benefit from accessing financial services at lower costs. Entrepreneurs operating in the mining sector, or as suppliers to mining operators, will benefit from the expected growth of the sector, which will result from the sector's more conducive legal and regulatory framework. Residents of communities in areas of mine development will also benefit from the project, which will provide local community members with information on how to take advantage of new opportunities resulting from mine developments, and which will reduce the environmental impacts of future mining activities.

Banks will also benefit from the project as they will be able to operate under a sounder regulatory and supervisory framework. Businesses will be able to gain access to more financial resources through banks. Banks and microfinance organizations (MFOs) will also be able to register their secured interests using a modern movable collateral registry. This in turn will benefit entrepreneurs, as they will be better able to leverage their movable assets to access credit.

Results achieved: The implementation of this important operation is modest. This is due to multiple factors ranging from a complex design to challenges faced in the implementation arrangements. As such, the project is undergoing a restructuring that will simplify both implementation arrangements and scope. Based on the restructuring plan, it is expected that contracts with an estimated value of nearly US\$1.5 million will be committed before July 2014. To provide additional procurement support, quality checks, and rapid responses to any queries that may arise, the Project Supervision Team has increased implementation support through more frequent missions and expansion of the team to include a short-term procurement consultant. The first disbursement of US\$0.75 million (roughly 8 percent) was made to the designated account in April 2013. **Strengthening Business Environment.** The Project Management Unit (PMU) is currently negotiating several contracts with individual consultants to help the National Bank of Tajikistan (NBT) work on payment systems and collateral registry. To support the NBT, a strong Implementation Group will be established, including the recruitment of a second procurement specialist. This specialist will be based at the NBT and manage procurement of all contracts and consultants related to the financial infrastructure component of the project, thereby aligning technical know-how with the procurement needs of the NBT. To accelerate the implementation and complement the project, the World Bank Group conducted a rapid assessment of the construction permits and inspection regulations. The assessment provides recommendations on the regulatory framework and technical specifications in relation to the single window for construction permits and inspections. These recommendations note that a primary factor inhibiting the appropriate functioning of the construction permits single window in Dushanbe is general awareness among the various external stakeholders, and the project will focus on addressing this specific issue. In addition, the project will contribute to the institutional strengthening of the Construction Committee. **Encouraging Development of Mining Industry.** Implementation of this component is progressing well. The PMU is moving to negotiate a contract for the Strategic Environmental and Social Assessment (SESA). Evaluation reports are currently being prepared with regard to contracts for the Subsoil Law and the Mining Cadastre. In addition, the PMU is working on the preparation of bidding documents for the procurement of equipment to modernize the geological survey.

Key Partners: The Bank team works closely with the State Committee for Investments and Property Management, which is responsible for project implementation, NBT, Ministry of Justice, Tax Committee under the Government of Republic of Tajikistan, Statistics Agency under the President of Republic of Tajikistan, State Social Insurance and Pensions Agency, Department of Geology, Hukumat of Dushanbe, Construction Committee, Secretariat of the Consultative Council on Improvement of Investment Climate under the President of the Republic of Tajikistan, and civil society organizations (CSOs) involved in private sector development.

TAJIKISTAN: PUBLIC FINANCE MANAGEMENT MODERNIZATION PROJECT

Key Dates:

Approval: May 14, 2009

Effective: February 12, 2010

Closing: August 31, 2014

Financing in million US Dollars:

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA	5.2	2.4	2.8
Gov. of Tajikistan	1.3	1.0	0.3
Gov. of Japan	0.97	0.71	0.26
Trust Fund (DfID and EC)	4.7	3.5	1.1
Total	12.17	6.01	6.16

**Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



The Project Development Objectives are to (a) establish basic processes for the efficient and transparent management of public expenditures; and (b) develop the adequate institutional capacity to support the implementation and sustained functioning of an automated financial management information system (FMIS). These objectives will be pursued by strengthening budgeting and treasury functions, improving transparency and communications, designing and implementing improvements of the public financial management information systems, and building capacity in core areas of public financial management (PFM). The project is designed to support selected core PFM reforms identified in the Government's PFM Strategy, and capacity building in the Ministry of Finance (MoF) and related agencies.

The project takes account of complementary ongoing reforms. It uses a two-stage Adaptable Program Loan (APL) approach. APL-1 would address capacity weaknesses, support streamlined procedures on budget preparation and execution, improve transparency and communications, and support incremental automation of financial operations and information technology (IT) capacity building in the MoF. APL-2 would build on the results of reforms implemented under APL-1 and support the automation of the modernized PFM processes.

Results achieved:

- Ministry of Finance Training Center has been renovated and equipped.
- Regulation on Establishing New IT Center has been approved. Twelve IT specialists have been recruited, who will maintain future FMIS.
- Technical specifications and functional requirements for the upgrade of current Treasury Information Management System have been developed.
- The Treasury Single Account has been established at the republican level.
- PFM Secretariat to evaluate and monitor PFM reforms has been created.

Key Partners: The Bank team works closely with the Ministry of Finance of Tajikistan.

Key Development Partners include DfID, European Commission (EC), SECO, and the International Monetary Fund (IMF).

TAJIKISTAN: TAX ADMINISTRATION REFORM PROJECT (TARP)

Key Dates:

Approved: October 31, 2012

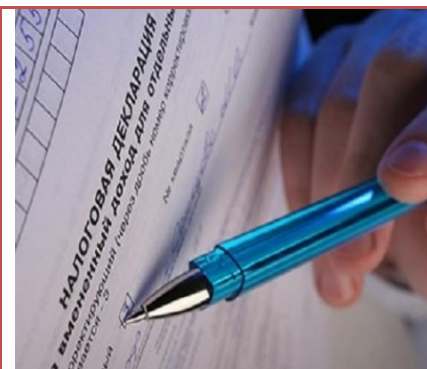
Effective: February 8, 2013

Expected closing date: December 31, 2017

Financing in million US Dollars:

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Credit	18	1.3	16.7
Other/Borrower	0		
Total Project Cost	18		

**Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



The Tax Administration Reform Project (TARP) builds on the Tax Reform Program developed by the Government of Tajikistan, which was also supported by a World Bank Institutional Development Fund (IDF) grant to strengthen the capacity of the Tax Committee to develop a tax reform strategy. This International Development Association (IDA) grant for TARP will support the Government's Tax Reform Program at the national and regional levels.

The **Project Development Objective** is to reform and strengthen tax administration in the Republic of Tajikistan to become more efficient and effective in collecting revenue, enhance the level of voluntary compliance, and improve the quality of taxpayer services.

The goal of the Tajikistan Tax Administration Reform Project is to improve the quality of taxpayer services, enhance the level of voluntary compliance, and reduce the size of the shadow economy. By promoting an effective tax administration, the project will contribute to improved public financial management and a better business environment—two key reform areas also supported by the World Bank in Tajikistan. Various components of the project will improve the institutional and operational capacity of the Tax Committee and its field offices, reduce physical interaction between tax officials and taxpayers, and operate effectively in a new automated environment. Electronic kiosks will be provided in remote locations to assist taxpayers who wish to file electronically but do not have computer access.

The World Bank has been working with several donors in the effort to improve both Tajikistan's business environment and fiscal sustainability. The International Monetary Fund (IMF), Asian Development Bank (ADB), European Commission (EC), U.S. Agency for International Development (USAID), International Finance Corporation (IFC), and World Bank have been supporting tax reforms in Tajikistan through technical assistance, budget support grants, and grants for investment projects. The EC assisted the Tax Committee (TC) to develop a single window for the registration of taxpayers. ADB has supported the development of IT strategy and business process reengineering for the TC. IFC supports risk management techniques and publication of brochures for small and medium-sized enterprises (SMEs). USAID has helped in piloting model function-based offices. The IMF has supported work on the amendment of the tax code to make it more in line with good international practice and to reduce the number of taxes from 25 to 12.

Envisaged Project Results and Performance Indicators:

- Increase in the number of active value added tax (VAT) and corporate income tax (CIT) taxpayers by 25 percent over 5 years
- Reduction in the tax gap as measured by the increase in VAT and CIT productivity
- Increase in average tax revenue collected by each tax official by 35 percent over five years
- Improvement in the perception of taxpayers regarding the level of professionalism and honesty in tax administration as measured through annual surveys

Key Partners: Presidential Administration, Ministry of Finance of the Republic of Tajikistan, Tax Committee under the Government of the Republic of Tajikistan.

Key Development Partners include: IMF, ADB, IFC, EC, USAID.

TAJIKISTAN: CENTRAL ASIA PROGRAMMATIC POVERTY ANALYSIS SUPPORT (DFID TRUST FUND)

Key Dates:

Approved: December 13, 2010

Effective: December 13, 2010

End Disbursement Date: March 31, 2015

Financing in GB Pounds Sterling (for 2 countries):

<i>Financier</i>	<i>Financing</i>
DFID	1,850,000
Total Project Cost	1,850,000



Objective of the Trust Fund

CAPPAS seeks to improve social policies in the **Kyrgyz Republic** and **Tajikistan** by increasing in-country capacity to:

1. **Collect** high quality policy-relevant data through multi-topic household surveys
2. **Analyze** data
3. **Utilize** data in policy formulation

Strategic Approach

- **Building Local Capacity:** Improve skills of local counterparts through formal courses and extensive on-the-job training. Provide **technical assistance** to strengthen local analytic capacity (within and outside government)
- **Integrating Poverty Analysis into Country Program:** Establish networks of policymakers, researchers, and data producers to facilitate peer-to-peer learning, knowledge transfer, and greater interaction between data producers and users
- **Filling Knowledge Gaps:** Fill key identified knowledge gaps in partnership with government counterparts and local researchers

Activities completed so far:

- Training on poverty, social protection, and simulation modules of the Applied Development Economics Poverty Tables (ADePT) software was provided to key partners, including the Ministry of Economic Development and Trade, the Tajikistan Statistics Agency (TajStat), and the Strategic Research Center.
- Accelerated Data Platform (ADP) training provided to the staff of TajStat; inventory of all the agency's household surveys was prepared by two consultants who were trained on ADP.
- A study tour to India on survey design and sampling was organized for TajStat staff.
- Support to the Poverty Reduction Strategy (PRS) monitoring unit of the Ministry of Economic Development and Trade (MoEDT), consultations on the new PRS for 2013–15 were provided.
- Staff from TajStat and Kyrgyz Statistics Agency (KyrgyzStat) participated in training in Vienna on the use of household data for policy analysis and policy making.
- Support to the Institute of Economics and Demography in organizing monthly workshops on economic development for local researchers and practitioners was provided.
- The findings of the Rural Vulnerability and Resilience Study disseminated and discussed among the development partners and government agencies.
- Study tour for senior government officials to Georgia on recent tax reforms organized in May 2012.
- The Household Budget Survey (HBS) system was studied, and a report on recommendations for improvements was prepared jointly by the Bank team and international experts.
- An analytical note on the role of the middle class in the sustainable reduction of poverty was drafted and presentations were delivered to Government and at donor community meetings.
- Report on the equity of public spending on health and education has been prepared.
- A presentation and hands-on training on poverty impacts of public spending using BOOST were delivered to government officials.
- HBS questionnaires were reviewed and a multi-topic survey designed (including modules on labor, migration, health, education, etc.).
- The Human Opportunity Index report has been prepared and a summary of the analysis has been presented to government officials.
- An analytical country case study note on salient labor market trends in Tajikistan has been prepared and is currently being discussed and disseminated.
- Discussions have been held on setting up a Poverty Committee that could recommend a national poverty measurement methodology to the Government of Tajikistan.
- The four quarters of HBS data were received from TajStat and preliminary poverty figures were estimated.

Key Partners: The Bank team is working closely with the Poverty Reduction Monitoring unit of the MoEDT, Agency of Statistics, Institute of Economics and Demography of the Tajik Academy of Sciences, and Strategic Research Center.

Key Development Partners: The Bank team coordinates closely with other donors engaged in the development agenda on poverty topics, such as DFID, GIZ, the United Nations Development Programme (UNDP), and the United Nations Children's Fund (UNICEF).

TAJIKISTAN: IMON INTERNATIONAL

Key Dates:

Approved: February 15, 2012

Signed: March 1, 2012

IFC financing (million US Dollars):

<i>Financier</i>	<i>Amount</i>	<i>Fiscal Year</i>
Loan	5.0	2012



The microlending organization IMON International is Tajikistan's largest microfinance company, founded in 2005. With a market share of about 12 percent, IMON is the largest non-bank microfinance provider in Tajikistan in line with commercial and sustainable practices. With a network of 13 branches and 65 outlets, IMON is present in most Tajik regions.

Limited access to finance, with low penetration of the microfinance and banking sectors, hinders economic development in Tajikistan. Access to finance is a priority area for IFC in Tajikistan. IFC's advisory services are helping microfinance institutions strengthen their operations, and IFC investment is helping them stabilize and diversify their funding base by extending long-term financing, thus fulfilling unmet demand for financial services.

IFC provided a local currency loan to IMON International to increase access to finance for the country's poorest and most vulnerable people, many of them women living in rural areas. This deal is IFC's first local currency financing project in Tajikistan.

The Project Development Objective.

IFC's local currency funds to IMON will provide funding for the underserved segments of society in Tajikistan, more specifically women entrepreneurs, and strengthen the microfinance sector. Combined with IFC's advisory work, the investment will also support IMON to increase and diversify lending activities, expand the microfinance network, and help the company during its transformation into a full-fledged bank.

Key Achieved and Expected Results:

- The project is expected to increase access to funding for underserved population segments, especially women entrepreneurs in micro and small enterprises, create more jobs, and reduce poverty in Tajikistan.
- Through its advisory services, IFC has been supporting IMON to transform into a commercial microfinance organization and expand its outreach to microfinance clients.
- IFC is also helping IMON develop a methodology for making leases of agricultural equipment and assisting its staff in making the leases.

Key Partners: N/A.

TAJIKISTAN: IFC ADVISORY SERVICES

In Tajikistan, IFC (International Finance Corporation) works with private sector clients, the Government, and civil society to bring the benefit of global expertise to Tajikistan through its advisory services. IFC works closely with Tajik banks and companies to strengthen their operations through improvements to risk management, internal controls, and business processes. At the same time, IFC works at the national level to improve the investment climate and introduce modern principles of private sector regulation.



Improving the Investment Climate

The Challenge: The Tajik economy faces a number of regulatory obstacles to business entry and growth. The weak protections for investors and poor implementation of legislation hinder further private sector growth and job creation.

The IFC Approach: IFC Business Regulation and Investment Policy (BRIP) project works to improve the investment climate in Tajikistan. The project does this by supporting the Government in improving and implementing legislation regulating private sector in Tajikistan. It focuses on reducing the regulatory burden on business by streamlining selected regulations and assisting with implementation in certain areas. The project supports regulatory reform in the areas of permits, inspections and investment policy.

Key Achievements: A new Law on Permit Systems adopted with IFC support reduces the number of permits from more than 600 to 86 and introduces several additional reforms, saving the private sector an annual amount of US\$13 million in compliance costs. IFC also supported the development of a new Law on Public-Private Partnerships to promote greater investment in infrastructure and social services.

Promoting Corporate Governance

The Challenge: Good corporate governance is important both for companies to achieve stable development and for countries in general striving to foster investment in the private sector. Companies in Tajikistan need to substantially improve corporate governance to win shareholders' confidence, reduce the risk of financial crises, and ease access to capital.

The IFC Approach: IFC helps Tajik companies and banks strengthen corporate governance practices and build sustainable institutional capacity so that they can attract capital, improve performance, and better weather financial crises. IFC support focuses on improving board practices, shareholder rights, internal and external controls, risk management, transparency, and reporting.

Key Achievements: IFC provided corporate governance to 298 local companies, helping them make US\$15 million in investments.

Reforming the Tax Administration

The Challenge: Taxation in Tajikistan is consistently seen as one of the major barriers to business growth and investment. The Tajik tax system is characterized by low capacity administrations, frequent and complex filing and payment requirements, and limited understanding of regulations on the part of both administrators and taxpayers. The **IFC Approach:** IFC launched the Central Asia Tax Project in October 2012 and will continue supporting tax administration reform, with a focus on the further improvement of a risk-based analysis approach in tax inspections, value added tax (VAT) administration, and tax reporting system simplification.

Key Achievements: The developmental impact of the project will be reduced tax compliance costs for businesses and the formalization and growth of micro, small, and medium enterprises (MSMEs) in Tajikistan.

Supporting the Development of Credit Bureaus

The Challenge: Access to finance is one of the foundations of private sector growth. The current financial market in the country needs further strengthening in order to secure its financial stability and broader access to finance.

The IFC Approach: IFC focuses on strengthening financial market infrastructure in Tajikistan by developing effective credit information sharing. It also introduces formal risk education and certification for financial institution employees. The project should help financial institutions make fast and accurate credit decisions, thereby increasing the availability and affordability of financial services for individual consumers, as well as for MSMEs in the country.

Key Achievements: IFC helped establish the first private credit bureau in Tajikistan.

Supporting the Microfinance Transformation Processes

The Challenge: To grow further and in a sustainable manner, microfinance institutions in Tajikistan need to expand their reach to attract more clients with a diverse product and service range supported by a stronger funding base. To build a stronger funding base, microfinance institutions can transform into deposit-taking institutions.

The IFC Approach: IFC is working with a number of microfinance institutions in Tajikistan to help them in their corporate transformation processes and to improve the regulatory framework for microfinance in the region. The project helps develop a broader range of financial services and increase access to finance for micro entrepreneurs and the population across the region.

Key Achievements: IFC and the Consultative Group to Assist the Poor, CGAP, helped Tajikistan adopt an improved law on microfinance organizations, increasing access to finance for micro-entrepreneurs and the general population. IFC partnered with a number of microfinance institutions to help them improve deposit, savings mobilization, and other services.

Improving Agri-financing

The Challenge: Agriculture plays a major role in the national economies of Kyrgyzstan, Tajikistan, and Uzbekistan where around 63 percent of the population are engaged in the agriculture. Despite the significant financing needs of farmers and agri-businesses, the financial sector strongly lacks the appetite, incentives, and skills to target and service the agricultural sector and its supply chain. Lack of broader access to financial services and the low level of participation of farmers/producers of agricultural products in the value chains limit opportunities for agri-enterprises to grow and sustain their productivity.

IFC Approach: The ultimate goal of the project is improved access to finance and market for farmers through the improved capacity of farmers, supply chain aggregators, and financial intermediaries in Kyrgyzstan, Tajikistan, and Uzbekistan. The project builds on IFC's previous efforts to improve the enabling environment and access to finance, and to build the capacity of farmers and agri-businesses.

Expected Results: The project will engage with at least six financial institutions to facilitate US\$50 million in new financing as well as with at least four aggregators and a number of other supply chain participants with the aim of improving access to finance and market to at least 20,000 farmers in three countries.

Unlocking Tajikistan's Mining Potential

The Challenge: Although the country has rich mineral deposits, its remote geographic location and low foreign investment levels have hampered the development of the mining sector.

The IFC Approach: IFC is advising the Government of Tajikistan on the tendering process to select a private investor to develop the Konimansur mine's silver deposits, ensuring that the tender process is transparent and competitive and leads to a successful long-term investment.

Expected Results: Private sector investment to be mobilized, following the successful completion of the project, is estimated at US\$500 million.

Donor Partners: Government of Switzerland, DFID, Ministry of Foreign Affairs of the Netherlands, Development Bank of Austria, EU.

CONTACTS OF ACTIVE WORLD BANK-FUNDED PROJECTS IN TAJIKISTAN
(FINANCED BY IDA AND TRUST FUNDS)

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Ferghana Valley Water Resources Management Project & Tajikistan Second Public Employment for Sustainable Agriculture and Water Management Project (PAMP II)

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Land Registration and Cadastre System Project

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GPE - 4

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