

The World Bank in Tajikistan

Country Snapshot



An overview of the World Bank's work in Tajikistan

April 2018

TAJIKISTAN	2017
Population, million	8.8
GDP, current US\$ billion	7.2
GDP per capita, current US\$	812
Life Expectancy at birth, years (2014)	71.0

At a Glance

- Tajikistan's economy sustained high growth in 2017, supported by an improved external environment reflected in increased net exports and recovering remittances.
- However, the slow pace of reforms, heightened vulnerabilities, and pending decisions in the banking and state-owned enterprise sectors present downside risks.
- Prospects for poverty reduction remain positive as remittances continue to recover and growth is sustained.

Country Context

Tajikistan has achieved rapid poverty reduction over the past two decades, mainly due to a favorable external environment. Poverty fell from over 83% to about 47% between 2000 and early 2009, and from 37% to 31% between 2012 and 2016.

In contrast to the decline in monetary poverty, Tajikistan has done less well in improving the quality and accessibility of public goods and services. The country's multidimensional poverty index indicates that non-monetary deprivations in the country are widespread. Many residents are not satisfied with the quality of key public services, such as electricity, water, heating, and roads. Only three out of four persons have access to an improved water source—essential for maintaining good health. Market accessibility mapping highlights the lack of infrastructure integration outside the largest cities.

The National Development Strategy 2016–30 envisions improving the living standards of the population in four main areas: (i) achieving energy security; (ii) improving transport and communication connectivity; (iii) improving food security and the population's access to good quality nutrition; and (iv) expanding productive employment.

To achieve higher growth, Tajikistan needs to implement a deeper structural reform agenda designed to: (a) reduce the role of the state and enlarge that of the private sector in the economy through a more favorable business climate; (b) modernize and improve the efficiency and social inclusiveness of basic public services; and (c) enhance the country's connectivity to regional and global markets and knowledge.

The World Bank and Tajikistan

The current World Bank Group Country Partnership Strategy (CPS) aims to support Tajikistan's transition to a new growth model led by investment and exports. The active portfolio includes 20 projects (including regional projects) with a net commitment of US\$642.33 million.

The largest share of the portfolio is in the energy sector (42%), followed by water (16%), and urban and rural development (11%). Other sectors supported by the WBG include transportation, governance, irrigation, agricultural development, health, education, social protection, the environment, and natural resources.

Tajikistan and the World Bank Group (WBG) are currently consulting on strategic priorities to be addressed jointly in the upcoming quinquennium under the umbrella of the successor Country Partnership Framework for 2019–23. The new strategy, to be launched in mid-2018, aims to support the country's efforts to transform the economy along the "industrial-innovative scenario" spelled out in Tajikistan's National Development Strategy to 2030.

Key Engagement

The World Bank is one of Tajikistan's most long-standing and trusted partners, a collaboration and portfolio that have strengthened and expanded significantly over the years. Since 1996, the Bank has provided US\$1.4 billion in grants and highly concessional credits from the International Development Association and trust funds.

WBG investments aim to support economic growth through private sector development, while making critical investments in human capital, such as education, health, communal services, and social protection.

In private sector development, for example, the Bank has continued efforts to reduce the cost of doing business, strengthen the financial sector, and increase access to finance. As a result of this support, the time it takes to register a business has

WORLD BANK PORTFOLIO

Number of Projects: 21

IDA: \$632.6 Million

been reduced, the use of the tax e-filing system has expanded, and an online permit application system has been established. In addition, the number of loans provided to individuals and small and medium enterprises has reached 352,681.

In agriculture, which employs 64% of the country's population, land tenure for individual and family farms has increased. More than 122,000 individual and family farms have received land rights certificates, benefiting more than 350,000 shareholders, of whom 43% were women. Temporary income-earning opportunities were created for almost 24,000 residents through work that involves the manual cleaning of secondary and tertiary irrigation canals, and irrigation and drainage services have been improved on almost 190,000 hectares of arable land.

Investments in maternal and child health and nutrition are showing positive results. As a result of the performance-based financing pilot, the number of fully vaccinated children increased by 26%, the number of women receiving four or more antenatal care visits increased by 14%, and the number of women using contraceptives increased by over 27%. Twenty percent of the country's primary health care network has been completely renovated.

The Bank's investments in the education sector helped to reduce the shortage of textbooks by over 40% and to rehabilitate 2,850 classrooms, benefiting over 110,000 schoolchildren, mainly in rural areas. A new primary grade competency-based curriculum has been developed and introduced nationally to improve education outcomes. The National Testing Center became operational and a Unified University Entrance Examination was introduced.

Recent Economic Developments

Tajikistan's real GDP growth accelerated to 7.1% in 2017, up from 6.9% a year ago. The economy was largely fueled by private consumption, supported by remittances and net exports and boosted by metallic minerals. On the supply side, growth was supported by both the tradable and non-tradable sectors, with the highest contribution from industry followed by agriculture and services.

Construction of the Rogun Hydropower Plant was on full track, facilitated by proceeds from the Eurobond issuance in late 2017. The latter increased the level of public debt to above 50% of GDP, exacerbating the country's debt-related risks. The external position continued to improve on the back of recovering remittances, net export growth, and more generally improved terms of trade.

Exports grew by over 23% in the first nine months of 2017 year-on-year, bolstered by the higher production of metallic minerals, while imports declined by 3%. FDIs contracted to 2.1% of GDP between January and September 2017 compared to 2.9% of GDP in the corresponding period of 2016.

The financial sector remains partially insolvent despite a reduction in the number of nonperforming loans from 47% in 2016 to 35.8% by end-2017.

Despite strong growth, however, poverty fell only slightly from 30.3% in 2016 to 29.7% by September 2017, with extreme poverty stagnant at 14.1% of the population. Income from employment and remittances remains the primary driver of poverty reduction. Food expenditure accounts for about 75% of total consumption for poor households.

Economic Outlook

Tajikistan's outlook for the short to medium-term remains positive due to the improved external environment, including the prices projected for major export commodities, and the deepening relationship with its neighbors, particularly Uzbekistan.

Despite the weak banking sector, growth is expected to be around 6%, supported by growing remittances, the construction of large infrastructure projects, and electricity sales. Inflation is forecast to remain in the single digits, assuming the central bank's move to an inflation targeting framework improves inflation monitoring.

Over the medium term, the fiscal stance is expected to remain prudent in line with the deficit ceiling set by the Government's medium-term fiscal strategy. The fiscal deficit is projected at around 3% of GDP, primarily reflecting investments in infrastructure projects and higher debt service obligations.

Poverty is projected to fall to about 24% by 2020. Strong growth and recovering remittances, as well as an expansion of the Targeted Social Assistance program nationally, are expected to push down poverty over the medium-term.

Risks are tilted to the downside, subject to external and domestic factors. External uncertainties may negatively affect remittance inflows. Domestic vulnerabilities include the inadequate resolution of problem banks, growing contingent liabilities in public enterprises, and the very slow pace of structural reforms, particularly to enhance the business climate.

The country's deteriorated debt trend and growing debt service obligations pose macro-fiscal challenges and limit the fiscal space for much-needed social spending.

Project Spotlight

Tajikistan Second Public Employment for Sustainable Agriculture and Water Resources Management Project



Safar Omonov, a farmer from the Hissor district of Tajikistan, says that with improved irrigation he can grow several crops a year.

Agriculture plays a vital role in economic growth and poverty reduction in Tajikistan, employing more than half the population and accounting for about a quarter of the country's GDP.

Agricultural production is the largest source of income for the poorest rural households.

However, although arable land in Tajikistan is highly dependent on irrigation, the irrigation sector poses the most immediate constraint to farmers in their efforts to increase crop production or shift to higher-value crops. A deteriorating drainage infrastructure, an unreliable electricity supply, and outdated pumping equipment are the main causes of inefficiency in the sector.

The **Second Public Employment for Sustainable Agriculture and Water Resources Management Project** was launched in 2013 to address critical issues in irrigation and water resource management and thus improve food security in the country's most vulnerable districts. The project is financed through a US\$18 million grant from the International Development Association and a US\$27.9 million grant from the Global Agriculture and Food Security Multi-Donor Trust Fund Program. The project's public works component offers income-earning opportunities for the poorest citizens through work that involves the manual cleaning of secondary and tertiary irrigation canals.

Thanks to the project, so far, 6,525 km of an on-farm irrigation network have been manually cleaned, creating income-earning opportunities for almost 24,000 citizens. As a result of the cleaning of irrigation and drainage infrastructure and the rehabilitation of a key pumping station, irrigation has improved on almost 190,000 hectares of arable land.

Since local Water Users Associations play an important role in maintaining the irrigation infrastructure, the project has strengthened the capacity of over 100 such associations in project districts. The project is also supporting ongoing institutional and policy reform in water resource management.

The "Country Snapshot" is a bi-annual update, highlighting the country's recent developments, economic outlook and major overview of the World Bank's partnership with the country. You can find the latest updates at <http://www.worldbank.org/tajikistan>



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