



**WORLD BANK GROUP**

## **THE WORLD BANK GROUP – TAJIKISTAN PARTNERSHIP PROGRAM SNAPSHOT**



*April 2015*

## RECENT ECONOMIC AND SECTORAL DEVELOPMENTS

### Economic Growth and External Performance

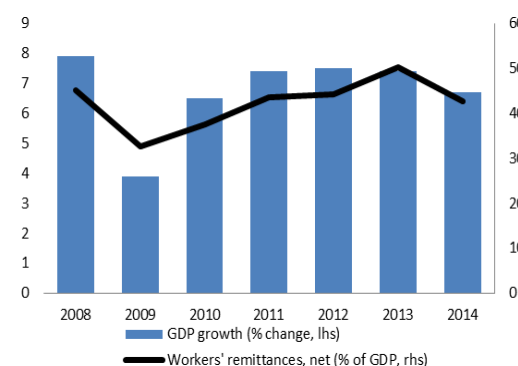
**The economic slowdown in Russia had a major impact on Tajikistan's economy in 2014 through the decline in remittances** (figure 1). The U.S. dollar value of remittances decreased by 8.3 percent in 2014 from a year earlier, largely due to the strong depreciation of the Russian ruble. This lowered domestic demand and slowed the growth in services, the major contributors to economic growth in the past decade. However, with remittances equal to 42.7 percent of GDP, Tajikistan remains the most remittance-dependent country in the world. Over 90 percent of remittances originate in Russia, making the decline in remittances the most important channel through which Russia's slowdown affects Tajikistan. A further reduction in remittances is likely because of the recession in Russia.

**Tajikistan's economic growth slowed to 6.7 percent in 2014 from 7.4 percent in 2013 because of weak global prices for key export commodities and the low expansion of services as remittances declined.** Lower demand for aluminum and cotton adversely affected Tajikistan's export performance. Agricultural output growth slowed due to heavy precipitation and lower temperatures in the first half of 2014. In contrast, industrial production accelerated slightly despite a substantial contraction in the output of aluminum and textiles due to the commissioning of new plants (e.g., cement, coal production, etc.). Slower growth in the service sector, which mirrors weaker domestic demand, was largely compensated for by an acceleration of growth in construction during the year (figure 2).

**Inflation started to pick up on the back of higher food prices and adjustments in tariffs for utilities.** Inflation has been low and declining during the past few years because of weak global food and fuel prices, a stable nominal exchange rate, and unchanged tariffs for major utilities. Twelve-month inflation increased to 7.4 percent in December 2014 from 3.7 percent a year earlier. Food prices, which constitute more than half of the consumer basket, picked up by almost 10 percent in the twelve months through December 2014 from 3.2 percent in 2013. This increase occurred largely as a result of the depreciation of the local currency, the somoni, and it became the main factor in accelerated inflation. Increases in utility tariffs have also contributed to higher consumer price inflation.

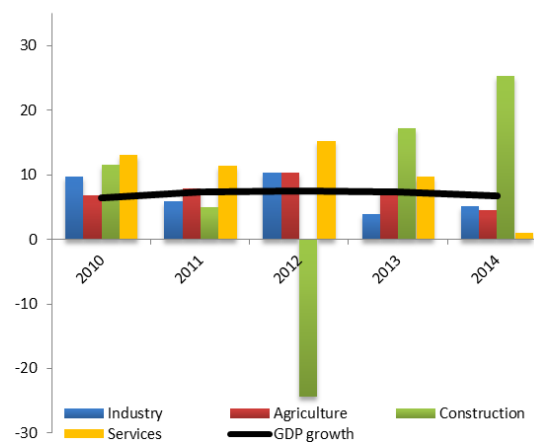
**The marked weakening of the Russian currency exerted pressure on the somoni.** After two years of nominal stability, the somoni depreciated by 11 percent in 2014 and another 5.2 percent in the first 2.5 months of 2015. Given the slowdown in foreign exchange inflows from remittances, the major source of foreign exchange and the principle source of financing of the current account deficit, the trend is likely to continue. Low international reserves, equivalent to about one month of import of goods and services, limit the room for National Bank of Tajikistan (NBT) interventions in the foreign exchange market during sharp exchange rate movements.

**Figure 1. GDP Growth and Remittances Inflow**



Source: TajStat; National Bank; World Bank staff calculations.

**Figure 2. Real GDP and Output Growth by Sector (in percent)**



Source: TajStat; World Bank staff calculations.

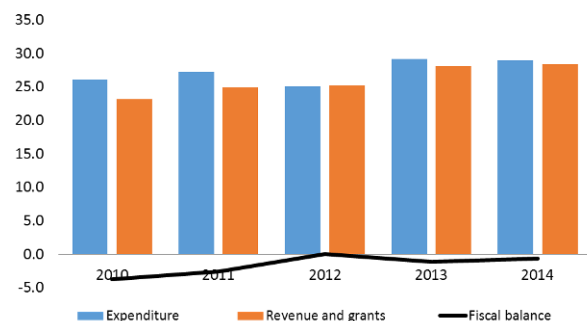
**The trade gap widened to 36.4 percent of GDP as export growth lagged behind import growth.** The value of merchandise export increased by 3.6 percent in 2014 compared to 2013. A significant decline in the

export of cotton and aluminum (by 30.2 percent and 37.2 percent, respectively) was offset by high growth in other exports. Import growth moderated to 7.3 percent year-on-year as a result of weaker domestic demand and lower prices for imported food and fuel.

## Fiscal Performance

**The fiscal outcome of 2014 was better than in 2013 due to higher revenues and expenditure restraint** (figure 3). Preliminary fiscal data show a small deficit of 0.6 percent of GDP in 2014 compared to a deficit of 1.1 percent in 2013. As a result of improved collection and higher proceeds from foreign economic activities, revenue exceeded the target by 2 percent and increased as a share of GDP compared to 2013. In contrast, expenditures were below the target due to the underexecution of capital spending. Slower economic growth and lower imports in 2015 are affecting budget revenues negatively. The Government is committed to keeping the budget deficit no higher than 0.5 percent of GDP, which will be achieved through continued efforts to improve revenue collection and through expenditure rationalization and restraint.

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



Source: Ministry of Finance; World Bank staff calculations.

**Government debt fell further by the end of 2014, largely on the back of loan repayments.** The ratio of the country's public and publicly guaranteed external debt to GDP decreased from 25.4 percent of GDP in 2013 to 22.6 percent as of January 1, 2015. The major contribution to this decline was debt repayments on Chinese, Asian Development Bank (ADB), and Islamic Development Bank (ISDB) loans. The Chinese Export-Import Bank remained the largest creditor to Tajikistan, with its loans representing around 43.1 percent of total external public debt as of January 1, 2015. The other largest

lenders are the World Bank and ADB, with 15.6 and 13.3 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). The risks are amplified by financial sector vulnerabilities and quasi-fiscal risks from state-owned enterprises (SOEs). In addition, the amortization of existing foreign debt is increasing sharply.

**The World Bank conducts an active dialogue with the Government of Tajikistan and the NBT on macro-fiscal issues.** The most recent analytical work in this area includes the Programmatic Public Expenditure Review (2013–14), a set of six notes aiming to inform fiscal policy and expenditure prioritization in key areas of the budget to improve the efficiency and quality of public spending and to support the structural transformation of the economy. The World Bank has also provided technical assistance to Tajikistan in the area of debt management.

## Financial Sector

**Tajikistan's banking sector faced worsening trends in 2014.** Tajikistan's banking system indicators point to a continuing deterioration in the quality of its assets, as the reported level of nonperforming loans (NPLs) rose from 23 percent at end-2013 to 27.2 percent in December 2014. The reported aggregate capital adequacy ratio for the banking system fell from 22.1 to 14.7 percent during the same period, and profitability (the reported return on assets) fell to -4.4 percent at end-2014. Many 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 shocks.

**Governance issues and the weak enforcement of prudential regulations in the banking sector continue to be of concern.** Several factors contribute 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. Directed lending in 2009–11 and again in 2013 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 weakening the fledgling credit culture. Government actions to mitigate risks in problem banks, including the state purchase of bad loans, changes in management, and attempts to collect on NPLs, have so far yielded minor results.

**Microfinance organizations (MFOs) continue to grow, are typically well governed, and are filling many gaps left by the weak banking sector, while the insurance sector remains in an embryonic stage.** MFOs continue to have an impact in rural areas, and loans as a percentage of GDP have grown to 4.2 percent in 2014 compared to 3.4 percent at the end of 2013. NPLs have increased from an already low 1.2 percent at end-2013 to 3.67 percent at end-2014. MFOs also, unlike banks, have adopted a code of conduct with respect to consumer protection. In contrast, Tajikistan's insurance sector remains weak, and consumer confidence in the sector is low.

**The World Bank Group supports financial sector development in Tajikistan through policy advice, technical assistance, and financial support.** In 2015, the World Bank Group, in cooperation with local financial institutions and the NBT, developed a financial literacy program to further support access to financial services for the population. A World Bank Group *Private Sector Competitiveness Project* supports financial sector development by financing the creation of a modern online collateral registry, replacing the real-time gross settlement payment system in the NBT with an automated transfer system and centralized securities depository, and strengthening the regulatory and supervisory framework for banking. The World Bank Group is also providing technical assistance to support the credit reporting bureau, improve the secured transactions operations, and support the MFO sector to prepare a sector development strategy and overcome over-indebtedness problems 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 putting the

regulatory framework in place to establish a one-stop shop. It has also made changes to the insolvency law to streamline the timelines for proceedings set in the law; improved the protection of minority shareholder rights in cases of self-dealing of the assets of a corporation; lowered corporate income tax rates; and passed new laws calling for the creation of a credit bureau. Tajikistan was the second Central Asian country to be admitted to the World Trade Organization. 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. With support from the World Bank Group, the Government developed a new law on public-private partnerships (PPPs), adopted in early 2013, to promote greater investment in infrastructure and social services. In 2012, 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. In February 2015, Tajikistan joined the Apostille Convention, which will simplify the recognition of public documents for foreign investors in Tajikistan as well as for Tajik citizens and businesses abroad.

**The development of the private sector and the investment climate 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 low levels of private investment. Tajikistan ranks 166th out of 189 economies in the World Bank Group's 2015 *Doing Business* report. The report notes that challenges remain. For example, obtaining an electricity connection takes longer for entrepreneurs in Tajikistan than it does for their counterparts in most other countries in Europe and Central Asia (ECA). Tax administration remains one of the most problematic issues in the business environment. To address this deficiency, a new tax code was prepared with support from the International Monetary Fund (IMF) and the World Bank Group. Some key changes include the elimination of the retail sales tax, the phasing out of the road user tax by 2017, 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 small and medium-sized enterprises (SMEs). 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 Bank.

**The World Bank Group supports private sector development in Tajikistan by improving economy-wide legislation and processes and strengthening infrastructure and institutions.** The *Private Sector Competitiveness Project* works to strengthen the legal and regulatory framework and build capacity in priority business and financial infrastructure, thereby lowering transaction costs, creating efficiency, and promoting a more competitive private sector. The completion of a governance exercise measuring the gap between how laws and regulations are written and how they are implemented identified problems in the implementation of the Inspections Law and helped the Government identify ways to close these gaps. Almost all recommendations of the assessment were addressed by the new draft of the Inspection Law.

## Poverty Developments<sup>1</sup>

**To date Tajikistan has done a remarkable job of reducing poverty.** The national poverty rate fell from 96 percent in 1999 to 47 percent in 2009 and an estimated 36 percent in 2013.<sup>2</sup> Tajikistan's pace of poverty reduction in the past 15 years has been among the top 10 percent in the world.<sup>3</sup>

**An important feature of poverty in Tajikistan is the strong seasonality,** meaning that poverty rates can fluctuate substantially from one quarter of the year to the next, which in turn creates challenges for identifying the poor. Furthermore, the fluctuations within the poor population itself are quite noticeable in Tajikistan, with many poor people exiting poverty and many non-poor entering poverty from one

quarter to the next. There are several reasons that poverty can fluctuate seasonally. For example, in agricultural areas seasons affect the primary source of income for many households. When harvests are gathered, there is often more work available and more income for those who produce and sell agricultural goods. The availability of other types of work outside of the agriculture sector can also vary seasonally.

**Households in Tajikistan are often affected by changes in the availability of work abroad as well.**

In Russia for instance, paid work opportunities are not always continuously available, and for households receiving remittances from workers there, this can lead to reduced consumption during some parts of the year. Holidays can likewise play a large role in consumption patterns.

**The country has done less well in reducing nonmonetary poverty.** Although methodologies have changed and poverty rates are thus not easily compared, it is still clear that in the past 15 years, monetary poverty has declined substantially. To analyze aspects of poverty other than monetary, the multidimensional poverty index (MPI) methodology developed by the Oxford Poverty and Human Development Initiative was used.<sup>4</sup> The analysis found that 32 percent of the population was multidimensionally poor in 2007 and 34 percent in 2013, with marked differences in the various dimensions of nonmonetary poverty. Between 2007 and 2013, there was a decline in the number of people who reported dissatisfaction with life, key concerns about health, or not having enough money to buy food, but there was a significant worsening of access to heating and sewerage infrastructure (figure 4). Decomposition of the MPI dimensions shows that education, sewerage, and poor heating are the main contributors to multidimensional poverty in Tajikistan (figure 5). By region, only Gorno-Badakhshan Autonomous Oblast shows a steep drop in multidimensional poverty (from 42 percent in 2007 to 25 percent in 2013); the MPI rate was unchanged in

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<sup>1</sup> 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).

<sup>2</sup> Since 1999, monetary poverty has been measured using the Living Standard Measurement Surveys (LSMS) primarily prepared and financed by the World Bank with help from TajStat. A new but preliminary poverty rate of 36 percent is based on 2012/2013 data from the national Household Budget Survey (HBS). Due to differences in methodology, this number is not strictly comparable with poverty numbers reported in the past and represents a structural break of the reported series.

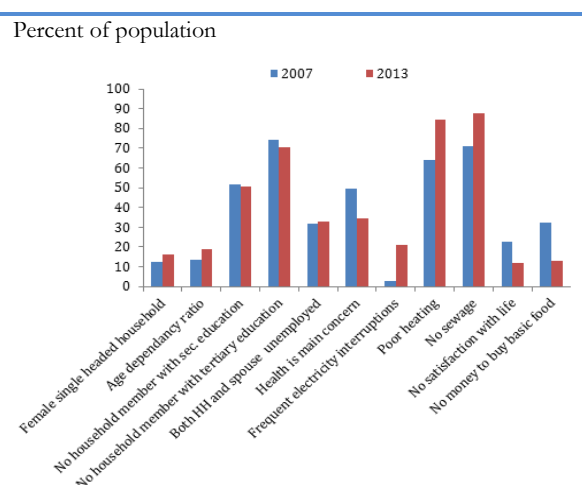
<sup>3</sup> J.P. Azevedo, A. Atamanov, and A. Rajabov, "Poverty Reduction and Shared Prosperity in Tajikistan: A Diagnostic," Working Paper Series 6923 (Washington, DC: World Bank, 2014).

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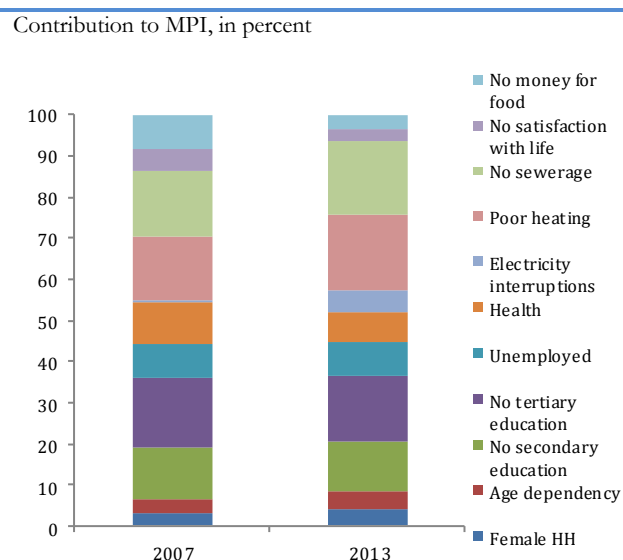
<sup>4</sup> Data from the Living Standards Measurement Study (LSMS) 2007 and a separate household survey were used for this analysis and the results show some inconsistencies with the results of monetary poverty assessments. The MPI dimensions used for Tajikistan were *single-female-headed household, age dependency, secondary education, tertiary education, health, employment, sewage, electricity, and poverty*. These dimensions were chosen because they are mentioned as priority areas in the strategic development documents of the Government and the World Bank. For an explanation of the methodology and complete MPI analysis see J. P. Azevedo, A. Atamanov, and A. Rajabov, "Non-Monetary Aspects of Poverty in Tajikistan in 2007–2013" (Washington, DC: World Bank, 2014, unpublished).

Khatlon, and in all other regions multidimensional poverty went up.<sup>5</sup>

**Figure 4. Dimensions of Multidimensional Poverty, 2007 and 2013**



**Figure 5. Contribution of Dimensions to Multidimensional Poverty**



Source: J. P. Azevedo, A. Atamanov, and A. Rajabov, “Non-monetary Aspects of Poverty in Tajikistan in 2007–2013” (Washington, DC: World Bank, 2014, unpublished).

## Social Protection

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 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 reform, the World Bank approved a US\$3.2 million grant to pilot and expand the Targeted Social Assistance (TSA) program and to evaluate the efficiency of targeting benefits to the poorest citizens using a new mechanism of proxy means testing (PMT). The national rollout of the TSA program is planned for 2017 through the development and implementation of a national electronic registry of social protection beneficiaries.

The Government’s first step in reform was to launch the pilot program in the Yovon and Istravshan districts in January 2011 to deliver a consolidated social assistance benefit to the poorest 20 percent of households. The European Union (EU) and the World Bank cooperated with the Government to support this pilot, which consolidated the two largest social assistance programs into a single TSA benefit targeted to the poorest 20 percent of the population. An in-depth evaluation found that the pilot performed better than the standard government social assistance programs. The PMT 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 household data.

The Government of Tajikistan expanded the pilot of targeted social assistance from two to 10 districts in 2013 and plans nationwide implementation as a strategic priority to reduce extreme poverty. Throughout 2014, an additional 15 districts were added to the total of 25, which is close to one-third of the country. The World Bank continues to provide financial support and technical assistance to this effort through the *Social Safety Net Strengthening Project*.

<sup>5</sup> Ibid.

## Health

**Health indicators in Tajikistan are among the lowest in the ECA region, though some key indicators have improved.** For example, the infant mortality rate declined from 65 per 1,000 live births in 2005 (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 was 43 per 1,000. Nevertheless, rates of malnutrition and micronutrient deficiencies are high, with 21 percent and 53 percent of children aged 6 months to 5 years, respectively, stunted and iodine deficient. Preventable illnesses contribute to a considerable proportion of all child deaths in Tajikistan.

**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 ECA 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, at roughly 70 percent, is higher than in many comparator countries in ECA, which raises concerns about equity of access.

**The World Bank has a long history of engagement in the health sector in Tajikistan.** Since 2000, the Bank has been supporting reforms, including promoting per capita financing for primary health care (PHC), strengthening the capacity of medical workers, rehabilitating infrastructure, and supporting community-based activities to address the high rates of childhood malnutrition. The *Health Services Improvement Project* aims to increase the coverage and quality of basic PHC services by piloting a performance-based financing scheme. A second Japan Social Development Fund grant is supporting early childhood nutrition, household gardening, and health interventions in the Khatlon region. The World 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 2012. The primary

enrollment rate is 98 percent, 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. The education budget has steadily increased as a percentage of GDP from 3.4 percent in 2007 to 4.2 percent in 2013 (18.2 percent of the state budget). Despite these increases, the level of financing is inadequate to meet system needs, according to the funding gap<sup>6</sup> analysis conducted by the Ministry of Education and Science.

**There is an increasing demand for “new economy” skills in Tajikistan.** Graduates' skills lack relevance to the needs of the economy and to development. This affects all levels of education, from preschool to universities. A new World Bank report, “The Skills Road: Skills for Employability in Tajikistan,” recommends shifting the focus from providing access to educational institutions to providing skills—cognitive, non-cognitive, and technical—to help students succeed as adults. Investing more in early childhood development programs, where rates of return on investment are generally very high and important soft skills are learned, would help to get children off to the right start. The recently published Higher Education Sector Study analyzed the efficiency, equity, and effectiveness of higher education and identified priority policy reform areas to further enhance the quality and relevance of higher education for labor market demand. Based on an in-depth analysis of the subsector, a planned *Higher Education Project* (planned for mid-2015) aims (i) to enhance the relevance of selected academic offerings to better respond to labor market demand, (ii) to strengthen the governance of the higher education system.

**Education financing in Tajikistan has undergone a series of reforms.** Starting in 2005, the Government with World Bank support has piloted per capita financing (PCF) for general education, which became fully effective across the country in 2010. The reform contributed to more equitable and transparent public funds allocation between the regions and increased the autonomy of schools by giving them more discretion over their budget allocations. Additionally, in 2007, the education sector was chosen as the first pilot sector for the

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<sup>6</sup> Around US\$131 million without recurrent expenditures for 2012–14 (mainly for infrastructure).



introduction of the Medium-Term Expenditure Framework to support the strategic and efficient use of resources in Tajikistan. Building on the successful PCF implementation in general education, the Government intends to reform the financing of other education levels.

**Higher education reform is one of the priorities for the Government of Tajikistan.** The Government, with support from the World Bank, the Russian Government, and Open Society Foundations, established the National Testing Center (NTC) and implemented the Unified University Entrance Examination (UEE) for the first time in July 2014. The new UEE system is expected to contribute to enhancing transparency and reducing corruption.

## Agriculture and Rural Development

**With 20 percent of GDP and 53 percent of employment, the agriculture sector has a major influence on economic performance.** Most of the agricultural produce (93.3 percent) is grown on household plots and private (*dehkan*) farms, which have proved to be more efficient than large collective farms. To minimize production and marketing risks, farmers grow comparatively 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. 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.

**Reforms in the agriculture sector are making a difference.** In 2007 a comprehensive reform program known as the "Road Map" was launched by the Government and donors. It focused on resolution of the cotton debt crisis, accelerated land reform, freedom to farm, improved access to rural finance, and the increased diversification of agriculture. Results from the Rural Investment Climate Assessment survey show that freedom to farm is now a reality for most farmers. Less than 1 percent of crop producers report that they are forced to sell to designated buyers by either local government or creditors. Successive amendments to the Land Code have strengthened land use rights, such that they are now lifelong, inheritable, exchangeable, and tradable. Amendments have been made to the Mortgage Law and the Law on Dehkan Farms to improve protection for land users in the event that they default on a loan for which their

land is being used as collateral. Further refinement of these laws is required. The establishment of a Unified Registration System and a modern cadastre are still in their early stages, and work on the public and private institutions for a land market and a land valuation system have yet to begin.

**The World Bank supports the agriculture sector in Tajikistan** through ongoing policy advice and investment lending for the implementation and deepening of agriculture reforms. The goals are to: reduce food insecurity; rehabilitate irrigation systems and support effective water management; improve access to agricultural financial services; develop agriculture support services; 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 sector ministries; and support the continued policy and reform process.

## Environment and Climate Change

**Tajikistan ranks first among countries in the region vulnerable to climate change, as it is particularly sensitive to climate trends and has low adaptive capacity.** Impacts from extremes in weather and climate are expected to worsen, putting development gains at risk.

**A US\$50 million investment program under the multi-donor Pilot Program for Climate Resilience (PPCR),** the program of the Climate Investment Funds, focuses on broad adaptation issues. The projects implemented under the PPCR are country-led, built on national strategies, and aligned with other donor-funded activities. In Tajikistan, the participating multilateral development banks include the World Bank, ADB, and the European Bank for Reconstruction and Development (EBRD). An additional US\$10 million was granted to Tajikistan by the donor parties in 2013 to further support Tajikistan's strategic program for climate resilience.

**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 latest project under this initiative, the *Environmental Land Management and Rural Livelihoods Project*, is funded through the Global Environment Facility (GEF) and the PPCR and supports the



widespread adoption of sustainable land and water management strategies and practices. Tajikistan is also part of the new World Bank–financed *Climate Adaptation and Mitigation Program for Central Asia*, which aims to provide a regional platform for dialogue and collaboration on climate change activities.

## Energy

**Tajikistan continues to face severe winter energy shortages, with 70 percent of the population suffering from 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 the power trade with Central Asian countries stopped.

**Recent studies by the World Bank analyzed various issues around the winter energy shortage and made recommendations on the most viable solutions.** The “Heating Assessment for the Urban Building Sector” makes a number of recommendations that include targeted investments for different customer segments and related policy measures to improve the heat supply and energy efficiency in residential and public buildings in Tajikistan. The “Assessment of Household Energy Deprivation” found that energy deprivation and affordability especially affect poor rural households. The study recommends measures to better target public resources to vulnerable households and cushion the poor from rising energy prices and energy expenditure burdens. The recommendations will be incorporated into a new *Winter Energy Project*, to be approved in 2016.

**The Government, supported by the World Bank Group and other international financial institutions, participated in the development of the CASA-1000 project<sup>7</sup>** aimed at supporting the transmission of excess summer hydropower energy from existing power generation stations in Tajikistan and the Kyrgyz Republic to Pakistan and Afghanistan. World Bank financing includes a US\$45 million grant for Tajikistan, and the Government allocated US\$15 million for the project. Tajikistan would be setting up a transparent mechanism to manage the revenues coming from exports under the CASA-1000 project. The European Investment Bank (EIB) and the U.S. Government have also agreed to provide financing for the project. In addition to the benefits of regional

electricity trade, revenues from power sales will provide a new stream of resources for Tajikistan to invest in energy solutions, including measures to alleviate the winter energy deficit.

**The Pamir Energy Project, which received financing from the World Bank Group and the Government of Switzerland,** has established a 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 Hydropower Plant (HPP) is providing electricity to several villages in neighboring Afghanistan, although on a limited scale.

**Assessment Studies for the proposed Rogun HPP in Tajikistan have been finalized.** The reports were disclosed on September 1, 2014 on the websites of the Government and the World Bank. The purpose of the studies, requested by the Government of Tajikistan, was to provide an independent assessment of the feasibility of the proposed Rogun HPP from a technical, economic, social, and environmental perspective as an input for further consideration by the Government and dialogue with riparian countries. The study process was supported by two independent panels of experts financed by the World Bank, one for a techno-economic assessment and the other for an environmental and social impact assessment. Consultations on the two studies were undertaken with the riparian countries, CSOs, and other stakeholders.

## Municipal Services

**Due to underinvestment, the water supply and sanitation infrastructure has suffered extensive degradation over recent decades and needs substantial rehabilitation.** The availability of 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 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. 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.

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<sup>7</sup> CASA-1000 refers to the Central Asia South Asia Electricity Transmission and Trade Project.

**The World Bank and the Government have established a decade-long partnership to improve municipal service delivery.** The *Second Dushanbe Water Supply Project* aims at improving the quality, reliability, and efficiency of the potable water service in the capital city Dushanbe. The *Municipal Infrastructure Development Project (MIDP)* assisted eight provincial towns in improving the access, reliability, and quality of basic municipal services. Additional financing for the project extended investments to four towns with a focus on the institutional strengthening of local service providers. The *Communal Services Development Fund Project* approved in March 2015 will combine financial resources from development partners to increase investments in municipal services.

## Governance and Anticorruption

**Tajikistan was selected as one of four countries in the ECA region to pilot the Country Governance and Anticorruption (CGAC) framework.** The strategy for Tajikistan will mainstream governance at the national, sector, and project levels by tackling three principal challenges: (a) strengthening transparency and accountability in key sectors; (b) developing capacity; and (c) fostering demand for good governance. Governance interventions will be mainstreamed throughout all projects in the portfolio by applying a new and innovative project-level tool, the Governance Checklist.

**Improving governance across sectors is also an important area for the new Country Partnership Strategy (CPS) for 2014–18.** The efforts focus on reducing corruption to improve the business environment, including by increasing the use of electronic services to comply with business regulations, particularly tax reporting. The World Bank Group is also committed to increasing the engagement of CSOs in projects to enhance feedback mechanisms and accountability for service delivery.

## Public Financial Management

**One of the key objectives of the Government of Tajikistan is the creation of an effective public administration system.** The Medium-Term Expenditure Framework (MTEF) has become an integral part of the annual budget cycle. Since 2011, additional sectors were brought into the MTEF after the completion of the pilot phase in the social sectors. The introduction of the administrative budget classification in 2010 at the republican level and its

extension to the local budget level in 2012 is another step forward. In 2014, the Ministry of Finance introduced the Unified Chart of Accounts and established a decentralized internal audit function. A Single Treasury Account was introduced at the republican level in April 2011 and was extended to subnational units in 2014. 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.

**Public administration capacity is being strengthened by the design and implementation of a new approach to capacity development,** informed by lessons learned from the past decade of World Bank–financed initiatives. The new approach, piloted with the Civil Service Agency, aims to assist the agency in streamlining its business processes and human resource practices (including merit-based recruitment and performance appraisal) and in augmenting its IT capacity. The new *Public Financial Management Modernization Project* will assist the Information and Communications Technology (ICT) Center under the Executive Office of the President, tasked with leading e-Governance initiatives, to select, prioritize, redesign, and implement a number of public administration services and processes through electronic channels to improve access to services for citizens.

**The World Bank is actively engaged in procurement reforms.** The South-South Knowledge Exchange Platform, working in collaboration with the ISDB, has facilitated a long-term cooperation agreement with Malaysia's Public Procurement Agency that has helped the State Agency for Public Procurement develop an e-Procurement Strategy and roadmap. An IDF grant was signed in November 2014 to help develop the Public Procurement Portal and implement an e-Procurement quotation module. A grant was approved in 2013 to support the development of a procurement curriculum and training and improved certification through the Institute of Civil Service.

## Transportation and ICT

**Tajikistan is Central Asia's least accessible, most isolated country, with only limited regional and international connectivity.** This is partly a function of the country's geography and topography; internal

and regional communications and transportation are problematic, especially in winter. Tajikistan depends on external trade for its development, and its export-driven business in agriculture and industry requires fast, reliable, and economically affordable transport and telecommunications connectivity.

**One of the pillars of the World Bank Group's CPS is enhanced regional connectivity** to increase Tajikistan's access to regional markets and global information and knowledge. A US\$45 million equivalent *Second Phase of the Central Asia Road Links Program (CARs-2)*, approved by the World Bank's Executive Directors in February 2015, will increase transport connectivity between Tajikistan and neighboring countries along priority cross-border road links in Sughd Oblast, which accounts for 40 percent of the country's overall freight turnover. Through better transport connectivity, the project will expand opportunities for trade, increase the competitiveness of domestic products, and facilitate economic and regional cooperation. The Bank also supports the Government's reform of the aviation and telecommunications sectors through a series of Development Policy Operations (DPOs).

## THE WORLD BANK GROUP PROGRAM

**Tajikistan joined the World Bank in 1993 and IDA in 1994.** Since 1996, the Bank has provided US\$1,023 billion in International Development Association (IDA) grants, highly concessional credits, and trust funds, of which some US\$788 million has already been disbursed.

**The World Bank Group CPS for 2014–18 will further support efforts to reduce poverty and promote shared prosperity in Tajikistan.** The new CPS, with a tentative program of US\$280 million, supports the transition to a new growth model led by private sector investment and exports and aimed at improving the income-earning opportunities of the poorest 40 percent of the population. The three main areas of the CPS include:

*Promote private sector-led growth* by improving the investment climate and strengthening competitiveness in key sectors to attract investment and create jobs;

*Promote social inclusion* by increasing access to improved social services, including education, health, social assistance, water supply, and sanitation;

*Enhance regional connectivity* to increase the country's access to regional markets and global information and knowledge.

Mainstreaming climate change, improving governance, and narrowing the gender gap will also continue to be important measures across all sectors of the CPS.

**The active portfolio of the World Bank consists of 21 projects with a net commitment of US\$283.4 million.** The largest share of the portfolio is in agriculture (24 percent), followed by urban and rural development (21 percent), transport (16 percent), governance and economic policy (9 percent), environment and natural resources (7 percent), education (6 percent), health and social protection (6 percent), water (6 percent), the private sector (4 percent), and social protection and labor (1 percent).

**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. Forty projects in Tajikistan's portfolio are funded by trust funds for the total amount of US\$61 million.

## International Finance Corporation

**Tajikistan became a member of IFC in 1994.** Since 1997, IFC has invested US\$192.5 million to support 52 private sector projects in the financial, hydropower, retail, tourism, telecom, and manufacturing sectors. As of December 31, 2014, IFC's committed portfolio stood at US\$78.1 million, which includes investments in telecom, financial markets, and the agribusiness sector. IFC is also implementing advisory services projects focused on the legal and regulatory infrastructure of SMEs, credit bureau development, leasing, agricultural finance, and infrastructure development through PPPs.

## Multilateral Investment Guarantee Agency

**Tajikistan became a member of MIGA in 2002.** MIGA has not so far provided any political risk guarantees for investment projects 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             | 0.53             | 4.87               |
| PPCR Grant          | 9.45             | 0.82             | 8.63               |
| Local Beneficiaries | 2.03             |                  | 2.03               |
| <b>Total</b>        | <b>16.88</b>     | <b>1.35</b>      | <b>16.08</b>       |

*\*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. This will lead to 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 risks, particularly for those pursuing subsistence agriculture or pastoralism, which only reinforces the need for sound land resource management. The widespread adoption of sustainable land and water management practices for agro-ecosystems will help farmers and communities address these issues and become more resilient to climate change.

The Pilot Program for Climate Resilience (PPCR) and the Global Environment Facility (GEF) fund the *Tajikistan Environmental Land Management and Rural Livelihoods Project*, which 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 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:** To help mitigate the effects of climate change on the rural population, facilitating organizations have been contracted to support the development of on-farm water management plans in Kulob and Farkhor and to support the development of pasture and livestock management plans in Tavildara and Jirgatal. Two facilitating organizations have been contracted to support participatory planning, community mobilization, and implementation support for sustainable village-based rural production and land resource management investments in both lowland and upland project districts. With this facilitation support, participatory *jamoat*-level environmental analyses and climate change adaptation assessments were conducted in Farkhor, Kulob, Tavildara, and Jirgatal to help villages understand the potential impact of climate change on livelihoods and the vulnerability to disasters. Facilitating organizations will further assist villages in identifying and designing investment plans to address the findings of the environmental and climate change adaptation appraisals. Contracted facilitating organizations are also supporting larger-scale initiatives in sustainable community land management. Under this support, Pasture User Groups have been established in *jamoats* in Jirgatal and Tavildara and Pasture and Livestock Management Plans have been developed to help the groups with improvements in livestock management (feeding, housing, animal health); pasture production (rotational grazing, protecting pastures); pasture rehabilitation through spot planting; improved processing and marketing; supplementary fodder production on non-pasture land; and capacity building, with investment support to begin by April 2015. A facilitating organization is working with Water User Associations in Farkhor and Kulob to develop and implement on-farm water management plans to address salinity, waterlogging, soil erosion, partial irrigation, and the uneven distribution of water.

**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:** 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: AGRICULTURE COMMERCIALIZATION PROJECT

### **Key Dates:**

**Approved:** June 10, 2014

**Effective:** February 27, 2015

**Closing:** June 30, 2021

### **Financing in million US Dollars\*:**

| <i>Financier</i>         | <i>Financing</i> | <i>Disbursed</i> | <i>Undisbursed</i> |
|--------------------------|------------------|------------------|--------------------|
| IDA                      | 22.00            |                  | 22.00              |
| Government of Tajikistan | 3.92             |                  | 3.92               |
| <b>Total</b>             | <b>25.92</b>     |                  | <b>25.92</b>       |

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



The Tajikistan Agriculture Commercialization Project builds on past reforms in agriculture and land and further expands opportunities for farmers and enterprises to increase productivity and access to domestic and export markets. Agriculture accounts for 21 percent of GDP and 53 percent of employment in Tajikistan, so it plays a major role in economic growth and poverty reduction.

**The Project Development Objective** is to increase the commercialization of farm and agribusiness products by improving the performance of selected value chains and productive partnerships through increased access to finance and the strengthened capacity of project beneficiaries.

The project will increase the commercialization of agricultural products using a coherent and complementary approach, addressing all of the main aspects of this effort by: increasing the capacity of farmers, traders, agri-businesses, and agro-processors to engage in agricultural markets through access to knowledge and technical assistance; improving access to finance; and strengthening the critical elements of the institutional framework and the sector's academic knowledge base required to support commercial activity. Particular emphasis will be given to strengthening the ability of the new generation of small-scale, private farmers to engage in market activity.

The project will contribute to the implementation of the comprehensive new Agrarian Reform Program prepared recently by the Government and donors as the basis for future reform and investment, where the rationale for increasing agriculture commercialization is also recognized. In line with these strategic objectives, the Government of Tajikistan has requested Bank support for a project to increase the commercialization of the sector, strengthen the links between producers and processors, and support producer associations. The project will further support the World Bank's twin goals of reducing poverty and promoting shared prosperity. It will contribute to poverty reduction in the short term through increased farm incomes, and employment generation directly during the project implementation period as well as in the long term, by setting up systems (such as improved technological capacity in the productive and agro-processing sector, a market information system, new financial products in the financial sector, etc.) that are expected to bring benefits to new beneficiaries after the project closes. People in rural areas, the major locus of poverty in Tajikistan (particularly in Khatlon, where the majority of project activities is expected to focus), will benefit from access to the wider range of farming, business, and employment opportunities generated by increased agricultural commercialization, raising incomes and reducing poverty.

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

**Key Partners:** The project will be jointly implemented by the Ministry of Finance and the Ministry of Agriculture.

## TAJIKISTAN: LAND REGISTRATION AND CADASTRE SYSTEM PROJECT

### **Key Dates:**

**Approved:** April 21, 2005

**Effective:** October 11, 2005

**Closing:** March 31, 2016

### **Financing in million US Dollars\*:**

| <i>Financier</i>   | <i>Financing</i> | <i>Disbursed</i> | <i>Undisbursed</i> |
|--------------------|------------------|------------------|--------------------|
| IDA Grants         | 20.21            |                  |                    |
| Gov. of Tajikistan | 0.09             |                  |                    |
| Beneficiaries      | 0.33             |                  |                    |
| <b>Total</b>       | <b>20.63</b>     | <b>17.89</b>     | <b>2.74</b>        |

*\*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 to improve the immovable property registration system.

**The project**, with Additional Financing: (i) builds an 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 by 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.

The project closing date has been extended to March 31, 2016 to provide additional time for the pilot registration activities and to prepare a follow-on project focused on real estate registration.

**Results achieved:** The cumulative total through December 31, 2014, of certificates of family and individual *dehkan* farms since the beginning of the project amounts to 109,261 against the final target of 112,000. Over 320,000 shareholders have benefited and been issued certificates under the project, with women constituting about 43 percent. A geodetic reference network has been established and is being used for the legal cadastre, and orthophoto maps for some 38,000 square kilometers have been produced. 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. The pilot registration offices have been set up in four locations and are collecting information for registration and testing the procedures, which will allow the new registration agency, the State Unitary Enterprise for the Registration of Immovable Property (SUERIP), to understand the issues and problems with registration and resolve them. A detailed evaluation of all project activities is under way, including a beneficiary survey.

**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, now part of SUERIP. 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 Agency for Development and Cooperation (SDC)-financed Helvetas legal aid program, and the U.S. Agency for International Development (USAID)-funded Land Reform Project and Family Farming Program.

## 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            | 4.04             | 12.70              |
| Global Agriculture and Food Security Multi-Donor Trust Fund | 27.90            | 6.72             | 21.18              |
| <b>Total Project Cost</b>                                   | <b>45.90</b>     | <b>10.76</b>     | <b>33.88</b>       |

*\*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 low-income households in Tajikistan, with 47 percent of the region's population living below the poverty line. Most of the Khatlon region's population depends on agriculture as a main source of livelihoods and are vulnerable to the broad range of risks related to low agriculture productivity, insufficient access to irrigation water, and the lack of rural finance. Funded by the World Bank and the Global Agriculture and Food Security Program (GAFSP), the Second Public Employment for Sustainable Agriculture and Water Resources Management aims to provide much-needed support to the region's agriculture sector through the rehabilitation of irrigation and drainage infrastructure to ensure increased farm-level crop production and incomes and reduce their volatility. In addition, the project 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:** Since the project became effective, its implementation has extended to five districts of the Khatlon region (Rumi, Jomi, Jilikul, Panj, and Yovon) and two Districts of Republican Subordination (Rudaki and Hissor). While rehabilitation activities scheduled for the second year of project implementation are ongoing, the project has already succeeded in generating temporary employment for more than 5,000 people. Female beneficiaries constitute 20 percent of the public works program beneficiaries so far.

Creating short-term employment is a short-term objective of the project; at the same time, water users and farmers in the project area also benefit from the initiated mechanized works. As of March 2015, 242 kilometers of collector and drainage network have been cleaned and leveled mechanically; (b) 19 kilometers of irrigation canals rehabilitated; (c) 788 outlet gates and 197 observation wells repaired; and (d) three flood channels rehabilitated.

The project has also succeeded in establishing nine new and reorganizing 19 existing Water User Associations (WUAs), aiming to build a self-sufficient institutional framework and serving to ensure the sustainability of investments in on-farm irrigation. The first results of the project's support to WUAs received positive feedback from the recently established Agency on Irrigation and Land Reclamation. Project efforts to strengthen WUAs' role in water resources management will be reinforced through a review of the relevant water legislation and proposed changes to the Law on WUAs, in particular.

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 Kulob 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 Energy and Water Resources, Agency for Land Reclamation and Irrigation, and the local administrations of Khatlon and the Districts of Republican Subordination (DRS) regions to implement this project.

**Key Development Partner** with all donors active in the sector under the framework of the Development Coordination Council (DCC), with which the Bank coordinates the policy and technical issues of the project.

## 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\*:**

| <i>Financier</i>                 | <i>Financing</i> | <i>Disbursed</i> | <i>Undisbursed</i> |
|----------------------------------|------------------|------------------|--------------------|
| IDA Grant                        | 15.9             | 15.7             | 0.2                |
| IDA Additional Financing (Grant) | 11.85            | 7.64             | 3.25               |
| Government of Tajikistan         | 1.5              | 1.3              | 0.2                |
| Gov. of Tajikistan (AF-MIDP)     | 1.02             | 0.73             | 0.29               |
| <b>Total</b>                     | <b>30.27</b>     | <b>25.37</b>     | <b>3.94</b>        |

*\*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 quality basic municipal services to the population of eight participating towns: Dangara, Istravshan, Kanibadam, Kulob, 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 for the delivery of basic municipal services; the second component supports additional engineering studies 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.

Under the Additional Financing, the project will support five towns: four existing towns (Dangara, Kurgan-Tube, Kulob, 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 by supporting 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 has 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, including the construction of sanitary zones, reconstruction of wells and pumping stations, rehabilitation and extension of the water supply system, and 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 Kulob, development of a Management Information System for the State Unitary Enterprise of Housing and Communal Services (KMK), and the rollout of a pilot metering program. Notable progress has been achieved in the construction and completion of 15 sanitary zones in Farkhor and Vose, which has translated into better access to solid waste collection and sanitation for an additional 3,500 people residing in high-rise apartment buildings in both towns. Proper management of the sanitation zones has been supported by the Bank's Water and Sanitation Program, through the establishment of Sanitation Zone Management Committees, which 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 baseline project impact assessment study fieldwork has been completed, and the household connection subsidy program is under way. 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 request, 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: 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             | 7.9              | 8.1                |
| Municipality of Dushanbe | 3.0              | 1.5              | 1.5                |
| <b>Total</b>             | <b>19.00</b>     | <b>9.4</b>       | <b>9.6</b>         |

*\*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 a 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 the first project implemented between 2002 and 2011, which achieved significant results in terms of the 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 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:** Key ongoing contracts include the installation of 76,500 residential meters, the reconstruction of 50 percent of the filtration capacity at Samatechnaya Water Treatment Plant, network and reservoir cleaning works, and the updating of customer database and billing and collection systems. Key capacity-building and institutional development activities have also been completed, in particular, advancements in public communication and outreach, annual Customer Satisfaction Surveys, and trainings for DVK public relations, customer management, and operational staff. Significant results are already being measured in terms of steady improvements in service quality and customer satisfaction, as well as positive water conservation outcomes of the metering program. DVK's financial performance over the past three years is also showing constant improvements, approaching cost-recovery objectives since 2013, and is expected to be further strengthened with advancements in the entity's financial department methods, staffing, and capacities. A closing date extension and Additional Financing are envisioned for the project to address slow progress in the filter reconstruction contract and funding shortages due to cost increases and currency exchange losses.

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

## 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            | 1.00             | 15.20              |
| <b>Total</b>       | <b>16.20</b>     | <b>1.00</b>      | <b>15.20</b>       |

*\*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 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 the provision of teaching and learning materials; 3) improving child-friendly learning environments through financing the construction or rehabilitation of schools and the 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 and through the provision of training for 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:** The project was launched in April 2014. The Ministry of Education and Science of Tajikistan (MOES) hired all key project staff to support project management and implementation including on the Education Management Information System (EMIS), per capita financing (PCF), and training. International technical assistance on the curriculum has started its work.

**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, the Aga Khan Foundation (AKF), and EU.

## TAJIKISTAN: SOCIAL SAFETY NET STRENGTHENING PROJECT

### Key Dates:

**Approved:** July 13, 2011

**Effective:** October 2011

**Original Closing Date:** December 31, 2015

**Restructured:** August 2014

**New Closing Date:** June 30, 2016

**Financing in million US Dollars\*:**

| Financier    | Financing  | Disbursed   | Undisbursed |
|--------------|------------|-------------|-------------|
| IDA          | 3.2        | 0.75        | 2.25        |
| <b>Total</b> | <b>3.2</b> | <b>0.75</b> | <b>2.25</b> |

*\*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 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 of the Population (MLSP) to pilot the reform of social assistance in two districts. The pilot consolidates the two largest social assistance programs into a single Targeted Social Assistance (TSA) program and uses a proxy-means test to target benefits to the poorest 20 percent of the population. The World Bank 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 systems, tools, and the capacity for rolling the TSA out at the national level.

Due to institutional changes in the Government of Tajikistan, on November 19, 2013, by Government decree, the social protection function was transferred from the MLSP to the Ministry of Health, renaming that ministry the Ministry of Health and Social Protection of the Population (MOHSPP). The IDA project has been restructured accordingly to reflect the transfer of the implementation function from the Ministry of Labor and the fiduciary function from the Executive Office of the President to MOHSPP.

**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 said capacity.

**The Project** would build on the lessons and experience of the Government's pilot reform of social assistance. The activities will include establishing a National Registry of Social Protection (NRSP) for administering a TSA program and developing policy, legal, administrative, and institutional frameworks for the operation and rollout of the program, including by strengthening the capacity of the State Agency for Social Protection (SASP) under the MOHSPP, which is in charge of administration of the TSA program.

**Results achieved:** The TSA program has been expanded from two pilot districts to 10 in 2013 and expanded into 25 districts starting July 1, 2014. More than 40,000 of the poorest households were enrolled and received poverty benefits by the end of 2014.

**Key Partners:** The Bank team is working closely with the Ministry of Health and Social Protection, the Agency of Social Protection, and the Ministry of Finance to ensure an effective TSA rollout and the sustainability of the Government's reforms.

**Key Development Partners** include the EU and UNICEF.

## TAJIKISTAN: PRIVATE SECTOR COMPETITIVENESS PROJECT

### **Key Dates:**

**Approved:** May 10, 2012

**Effective:** September 6, 2012

**Closing (extended):** September 30, 2017

### **Financing in million US Dollars\*:**

| <i>Financier</i> | <i>Financing</i> | <i>Disbursed</i> | <i>Undisbursed</i> |
|------------------|------------------|------------------|--------------------|
| IDA Grant        | 10.00            |                  |                    |
| <b>Total</b>     | <b>10.00</b>     | 1.54             | 8.46               |

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



The Private Sector Competitiveness Project (PSCP) aims to improve the business environment in Tajikistan, with a special emphasis on business regulation, the mining sector, and financial infrastructure. The project objectives aim to strengthen the legal and regulatory framework and build capacity in business and financial infrastructure, thereby lowering transaction costs, creating efficiency, and promoting a more competitive private sector. Following a request of the Government of Tajikistan, the project was restructured in 2014 to focus efforts on building capacity.

**The revised Project Development Objective** is to foster increased efficiency in key areas that influence private sector competitiveness, including business registration, infrastructure underlying access to financial services, and the mining industry.

The direct project beneficiaries are both existing and future entrepreneurs conducting business in Tajikistan. Entrepreneurs will benefit from the project as they will be able to register a new business more rapidly, experience greater transparency in construction permits procedures, and conduct other business-related operations more effectively. They will also benefit from the more efficient functioning of the country's financial infrastructure, including its movable collateral registry and payment systems. Entrepreneurs operating in the mining sector and residents of mining development communities will benefit from the expected growth of the sector, which will result from a more conducive legal and regulatory framework. Communities in areas of mine development will be able to take advantage of new opportunities resulting from mining activities. In addition, financial institutions will be able to operate under a sound regulatory and supervisory framework. This in turn will proliferate private sector access to finance and benefit entrepreneurs, as they will be better able to leverage their movable assets to access credit.

**Results targeted:** Following the restructuring, the project now focuses on a set of core enablers for competitiveness, such as institutional capacity building, which are necessary building blocks for a well-functioning private sector. The revised project structure prioritizes each component independently to foster increased efficiency.

**Encouraging Competitiveness and Development of the Mining Industry:** This component continues to make steady progress. The Project Management Unit (PMU) has negotiated contracts, and work is in progress on a Strategic Environmental and Social Assessment (SESA), the development of and training in modern mining cadastre, and improvements in the institutional framework for mining and the legal, regulatory, and fiscal frameworks.

**Strengthening Business Registration System and Processes:** A one-stop Shop workshop to kick-start the creation of a service level agreement (SLA) to improve the efficiency of the one-stop shop for business startup was held in January 2015. Associated government agencies agreed to an action plan and are drafting an SLA. Based on the draft, the project will procure equipment to increase the overall capacity of the counterpart agencies and to conduct trainings.

**Institutional Strengthening to Support a Single Window Construction Permit Process:** To promote transparency and institutional strengthening, the project team organized a study visit to Georgia for the Construction Committee and its staff to observe examples of best practices with regard single window construction permits. Efforts continue to focus on building capacity and procuring basic equipment within the committee.

**Improvement of Financial Infrastructure:** The PMU has finalized the negotiation of several contracts to help the National Bank of Tajikistan (NBT) to strengthen the regulation and oversight of the payment systems and conduct a feasibility study for the collateral registry.

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



## TAJIKISTAN: COMMUNAL SERVICES DEVELOPMENT FUND PROJECT

### Key Dates:

**Approved:** March 17, 2015

**Effective:** August 15, 2015 (expected)

**Closing:** December 31, 2019

### Financing in million US Dollars\*:

| Financier    | Financing    | Disbursed | Undisbursed  |
|--------------|--------------|-----------|--------------|
| IDA          | 13.50        |           | 13.50        |
| <b>Total</b> | <b>13.50</b> |           | <b>13.50</b> |

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



It is estimated that approximately 80 percent of communal service infrastructure is in need of rehabilitation in Tajikistan. The sector is also significantly underfunded; the State Unitary Enterprise (SUE) *Khojagii Manziliyu Kommunal* (KMK) estimated in 2011 that investment needs for water supply and sanitation alone are about US\$2 billion. The Government is unable to meet these needs independently, either through national and local budgetary allocations or through funds collected by KMK utilities from consumers. The Communal Services Development Project (CSDF) will combine financial resources from a number of development partners to increase investments in municipal services, such as clean drinking water, on-site sanitation, solid waste management, street lighting, and roads. The towns of Hissor, Kanibadam, Dangara, Sarband, Vose, and Fakhor will benefit from physical investments. Meanwhile, the towns of Chkalovsk and Kurgan-Tube will benefit from non-civil works and the procurement of goods for utilities.

Once established, it is expected that the CSDF would initially operate only as a results-based grant facility, which means that the project will provide reimbursement payments as an incentive to local governments and municipalities based on services provided to improve their capacity. During that time it would use a rule-based mechanism (a set of parameters to be identified during the establishment of the Fund) to allocate grants to eligible cities and towns, thus simulating a potential model for a rule-based intergovernmental transfer that could then be adopted by the Government of Tajikistan.

**The Project Development Objective** is to improve basic communal and municipal services. The following activities will be undertaken in support of the PDO: i) assistance in the establishment of a Communal Services Development Fund (CSDF); and ii) financing grants to enhance the capacity of local governments and utilities to improve the delivery of communal and municipal services.

Addressing the needs of the urban sector in Tajikistan, which consists of 74 units that are classified as urban territories, including 17 units that have the status of city and 57 units the status of small town (*posyolok*), remains a critically needed intervention to maintain economic growth and address the non-monetary dimensions of poverty in Tajikistan.

The project supports the second pillar of the Country Partnership Strategy, which seeks to address extreme poverty and promote shared prosperity by improving the delivery of social services that expand opportunities for excluded and vulnerable groups. Provision of improved basic municipal and communal services will positively impact nutrition and health outcomes, reduce mortality rates, and positively impact the lives of women and girls who assume the primary burden of fetching, storing, and managing water for household use. Moreover, over the mid- to long-term period, activities under the project as well as the design of the Fund itself can be further tailored to include a greater array of urban and municipal services that require investments so as to reduce the level of nonmonetary poverty in the country. The project would also provide financing for the results-based grants to local utilities and local governments for basic infrastructure investments (water sanitation, solid waste management). Finally, it would provide assistance to a) local governments and local utilities to enable them to achieve expected results (improved ability to plan for capital investments, operational efficiency, and financial performance); and b) national government entities to assist them in undertaking the required decentralization reforms in the sector, as needed.

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

**Key Partners:** The project will be implemented by the State Unitary Enterprise *Khojagii Manziliyu Kommunal* (KMK). Development partners such as the European Bank for Reconstruction and Development (EBRD), the Swiss State Secretariat for Economic Affairs (SECO), and SIDA have indicated their interest in pooling resources once the Fund is established and is satisfactory to the World Bank and its respective institutions.

## TAJIKISTAN: SECOND PHASE OF THE CENTRAL ASIA ROAD LINKS (CARS-2) PROGRAM

### **Key Dates:**

**Approved:** February 25, 2015

**Effective:** June 30, 2015 (expected)

**Closing:** April, 15, 2020

### **Financing in million US Dollars\*:**

| <i>Financier</i>         | <i>Financing</i> | <i>Disbursed</i> | <i>Undisbursed</i> |
|--------------------------|------------------|------------------|--------------------|
| IDA credit               | 38.25            |                  | 38.25              |
| IDA grant                | 6.75             |                  | 6.75               |
| Government of Tajikistan | 9.00             |                  | 9.00               |
| <b>Total</b>             | <b>54.00</b>     |                  | <b>54.00</b>       |

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



Tajikistan is Central Asia's least accessible, most isolated country, with only limited regional and international connectivity. This is partly a function of the country's geography and topography, which make internal and regional communications and transportation problematic, especially in winter. It is also due to regional trade and transit obstacles. The Republic of Tajikistan depends on external trade for its development, and its export-driven business in agriculture and industry requires fast, reliable, and economically affordable transport.

The Second Phase of the Central Asia Road Links Program, CARs-2, aims to rehabilitate approximately 70 kilometers of road sections in Sughd oblast of Tajikistan to link the country with its neighboring countries and include the following: (1) Kuhkkak-Kim-Isfara-Guliston (Border Crossing Point, BCP), (2) Dehmoi-Proletarsk-Madaniyat (BCP), including a link to the intermodal rail terminal in Proletarsk, and (3) Kanibadam-Patar (BCP). In addition, the project will support the Ministry of Transport of Tajikistan in developing the Transport Sector Development Strategy to 2050 in order to improve road operations and asset management practices, which will include a review of technical standards, norms, and parameters on vehicle (truck) weight, axle load limits, and the imposition of tariffs, as well as the development of the Government's strategic plan for the location and operation of axle load control systems (weight in motion). The project is the first engagement of the Bank in the transport sector in Tajikistan.

**The Project Development Objective** is to increase transport connectivity between the Republic of Tajikistan and neighboring countries along priority cross-border road links in Sughd oblast and to support improvements in road operations and asset management practices. The road sections to be financed under CARs-2 prioritize connectivity between Sughd oblast in Tajikistan with Batken and Osh oblasts in the Kyrgyz Republic and Ferghana oblast in Uzbekistan.

The project would also support private sector growth, enabling opportunities for cross-border trade. Focused on Sughd oblast, which accounts for about one-quarter of Tajikistan's GDP and 40 percent of the country's overall freight turnover, CARs-2 would not only facilitate economic and regional cooperation but also support private sector participation and the World Bank Group's agro-processing strategy for time-sensitive products, such as fruits and vegetables, clothing and textiles, and other consumer goods.

The first phase of the program, CARs-1, aimed to increase transport connectivity between the Kyrgyz Republic and Tajikistan along priority cross-border road links in Batken oblast of the Kyrgyz Republic. The Central Asia Road Links (CARs) program is a collaborative regional, multi-phase program initiated by the governments of Central Asia.

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

**Key Partners:** The project will be implemented by the Ministry of Transport of the Republic of Tajikistan.

## 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            | 2.5              | 11.5               |
| Health Results           |                  |                  |                    |
| Innovation Trust Fund    | 4.80             | 0.49             | 4.31               |
| Government of Tajikistan | 3.2              | 0.35             | 2.85               |
| <b>Total</b>             | <b>23.00</b>     | <b>3.34</b>      | <b>18.66</b>       |

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



The Tajikistan Health Services Improvement Project (HSIP) is 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 is contributing 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 working with the Government of Tajikistan to strengthen the country's health sector through introducing and implementing health reforms, including promoting per capita financing for PHC, strengthening the capacity of medical workers, and rehabilitating infrastructure. The HSIP aims to further improve maternal and child health outcomes by piloting an innovative approach to performance-based financing. PHC facilities receive incentives based on their performance in meeting certain pre-agreed maternal and child health targets. This process involves 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 is being implemented in eight districts of the Khatlon and Sughd regions of Tajikistan, covering 1.86 million people and representing around 25 percent of the country's population. In addition to piloting the use of performance-based incentives to PHC facilities, the project also provides training to doctors and nurses; supports physical rehabilitation and renovation of selected rural health centers, including the provision of basic medical equipment; and builds the capacity of health sector institutions at the central, regional, and district levels to manage and implement the performance-based financing scheme.

### **Results achieved:**

- ✓ Performance-based financing scheme successfully pre-piloted in 17 PHC facilities in Spitamen district since April 2014;
- ✓ Increased number of postnatal care visits and fully vaccinated children and expanded contraceptive use in Spitamen district;
- ✓ Incentive payments in the form of reimbursements for the quantity and quality of provided services to the 17 PHC facilities in the pilot district increased from US\$5,534 in August 2014 to US\$19,315 in December 2014;
- ✓ Performance-based financing scheme rolled out to 297 PHC facilities in seven remaining project districts;
- ✓ First independent verification of performance-based financing scheme, led by UNICEF, successfully completed in January 2015;
- ✓ 520 PHC providers, managers, and administrative personnel have been trained on performance-based financing principles;
- ✓ 35 doctors and 72 nurses in Sughd and Khatlon successfully completed a six-month Family Medicine Training Program, with an additional 24 doctors and 90 nurses currently enrolled;
- ✓ 119 medical personnel trained in PHC clinical protocols.

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

## TAJIKISTAN: SCALING-UP OF THE PILOT OF NUTRITION INVESTMENTS IN SEVERELY FOOD INSECURE DISTRICTS IN KHATLON - JAPAN SOCIAL DEVELOPMENT FUND GRANT

### **Key Dates:**

**Approved:** May 15, 2013

**Effective:** May 7, 2014

**Closing:** May 7, 2018

### **Financing in million US Dollars:**

| <i>Financier</i>          | <i>Financing</i> | <i>Disbursed</i> | <i>Undisbursed</i> |
|---------------------------|------------------|------------------|--------------------|
| JSDF Trust Fund           | 2.80             | 0.60             | 2.20               |
| <b>Total Project Cost</b> | <b>2.80</b>      | <b>0.60</b>      | <b>2.20</b>        |



Low incomes and shocks to food and fuel prices have contributed to high rates of early childhood malnutrition in Tajikistan. The National Nutrition Survey (UNICEF and the Ministry of Health, 2009) found a relatively high rate of stunting at 29 percent among children aged 6 months to 5 years, which means that infants and young children suffer from chronic undernutrition. Low body weight is also identified as a problem, particularly for children less than 24 months of age, which can severely and often irreversibly affect not only the physical but also the cognitive development of children. Stunting in the first two years of life is especially damaging, as it increases children's vulnerability to disease and early death. If the children survive, they face poor physical health throughout their lives and limited capacity to learn and earn an income.

Children in rural Tajikistan, and especially in the relatively poor Khatlon province, are more vulnerable to malnutrition because of the low productivity and production of food, droughts, and dependence on migrant workers' remittances for income. Findings from the previous Japan Social Development Fund (JSDF) grant indicate that vulnerable households lack food stocks, seeds, and livestock, and that dietary diversity among children under 12 months of age is low. Additionally, there is a scarcity of milk and animal protein during the winter seasons due to a lack of animal fodder, which affects children's access to an important protein source and results in a greater intake of carbohydrate-dense food and less protein. Overall average consumption of meat, eggs, or legumes is very low for children aged 24 months and below.

**The Project Development Objective** is to improve the health and nutrition status among children under five years and pregnant and lactating mothers in 14 districts affected by food price shocks in Khatlon province.

The project is closely aligned with the second pillar of the Bank's current Country Partnership Strategy, which aims to address extreme poverty and boost shared prosperity through promoting social inclusion. The project will support this objective by reducing the exposure of the vulnerable population to food insecurity and by improving the long-term physical, cognitive, and overall health status of infants, children, and women through the following components: (i) household gardening; (ii) community-based nutrition improvement; (iii) community training on the management of childhood illnesses; (iv) educational campaigns to promote healthy behavioral change; (v) the provision of micro-nutrient supplements; (vi) strengthened local capacity in maternal and childhood illnesses and nutrition surveillance; and (vii) project management, monitoring and evaluation, and knowledge dissemination.

### **Results achieved:**

- ✓ Baseline survey about to be launched;
- ✓ Identification of approximately 3,000 vulnerable households for provision of seeds and fertilizer ongoing;
- ✓ Other results to be updated after launch of all grant activities.

**Key Partners:** The project is implemented by the Ministry of Health and Social Protection of the Republic of Tajikistan and the Oblast Health Department (OHD) in Khatlon oblast, with the support of the Bank team.

**Key Development Partners** include the Embassy of Japan to Tajikistan, Mercy Corps, UNICEF, and USAID.



## TAJIKISTAN: TAX ADMINISTRATION REFORM PROJECT

### **Key Dates:**

**Approved:** October 31, 2012

**Effective:** February 8, 2013

**Expected closing date:** December 31, 2017

### **Financing in million US Dollars:**

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

*\*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 supports the Government's Tax Reform Program at the national and regional levels.

The **Project Development Objective** is to reform and strengthen tax administration in 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 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 the physical interaction between tax officials and taxpayers, and promote effective operations 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 an effort to improve 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) in developing 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 the 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 five 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:** the Presidential Administration, the Ministry of Finance of the Republic of Tajikistan, and the Tax Committee under the Government of the Republic of Tajikistan.

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

# TAJIKISTAN: CENTRAL ASIA PROGRAMMATIC POVERTY ANALYSIS SUPPORT (CAPPAS) 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        |
| <b>Total Project Cost</b> | <b>1,850,000</b> |



The Central Asia Programmatic Poverty Analysis Support 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; and 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:**

- TajStat calculated poverty using Household Budget Survey (HBS) for the first time on its own in January 2015
- First training on Poverty Mapping using HBS and Population Census data organized for the staff of TajStat and the Ministry of Economic Development and Trade (MoEDT)
- An International Conference on Poverty Measurement and Monitoring held in December 2014 in Dushanbe
- A study tour organized for MoEDT and TajStat representatives to KyrgyzStat to learn from its experience of organizing and conducting Integrated Household Budget and Labor Force Surveys
- A regional workshop on poverty and equity held in Almaty in April 2014, involving government and think tank representatives from Kazakhstan, Uzbekistan, Tajikistan, and Kyrgyzstan
- An intergovernmental Advisory Council on Poverty and Middle Class measurement set up, with the first meeting taking place in August 2014 and the second in December 2014
- A national poverty measurement methodology developed
- Two poverty measurement trainings (using the latest poverty measurement methodology and SPSS) provided to MoEDT and TajStat;
- An analysis of the proposed Rogun Hydropower Plant construction's poverty implications conducted
- A new data-entry system based on CSPro developed for the HBS, which overcomes the shortcomings of the old data entry system that was based on FoxPro. Related training provided to TajStat's staff in Dushanbe and regional offices
- Preliminary work on nonmonetary poverty and equity done using the Multidimensional Poverty Index and Human Opportunity Index
- Trainings on poverty, social protection, and simulation modules of the Applied Development Economics Poverty Tables (ADePT) software provided to key partners, including the MoEDT, TajStat, and the Strategic Research Center
- Three Accelerated Data Platform (ADP) trainings provided to the staff of TajStat; inventory of all the agency's household surveys prepared by two consultants who were trained on ADP
- TajStat and KyrgyzStat participated in training in Vienna on the use of household data for policy analysis and policy making
- Support provided to the Institute of Economics and Demography on organizing monthly workshops on economic development for local researchers and practitioners
- The findings of the Rural Vulnerability and Resilience Study discussed among development partners and government agencies
- The HBS system studied, and recommendations for improvements prepared jointly by the Bank team and international experts
- HBS questionnaires reviewed and a multi-topic survey designed (including modules on labor, migration, health, education, etc.)
- The Human Opportunity Index report prepared and a summary of the analysis presented to government officials
- An analytical country case study note on salient labor market trends in Tajikistan prepared and is being discussed/disseminated
- Discussions held on setting up a Poverty Committee that could recommend a national poverty measurement methodology to the Government of Tajikistan.

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

**Key Development Partners:** The Bank team coordinates closely with DfID, GIZ, United Nations Development Programme (UNDP), and UNICEF.

## TAJIKISTAN: IMON INTERNATIONAL

### Key Dates:

**Approved:** February 13, 2014

**Signed:** March 6, 2014

### IFC financing (million US Dollars):

| <i>Financier</i> | <i>Amount</i> | <i>Fiscal Year</i> |
|------------------|---------------|--------------------|
| Loan             | 10.0          | 2014               |



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 17 branches and 117 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 the International Finance Corporation (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 the 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 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 helping 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 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 in 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 Approach:** The Business Regulation and Investment Policy project of the Trade and Competitiveness Global Practice of the World Bank Group works to improve the investment climate in Tajikistan. The project helps the Government improve and implement legislation regulating the private sector. 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. The project also supported the Government of Tajikistan in joining the Hague Apostille Convention, which contributes toward strengthening Tajikistan's credibility in the international trade arena, making it a more attractive place to do business because the legalization of documents will require less time and money.

### Promoting Corporate Governance

**The Challenge:** Corporate governance continues to be a subject of significant market concern in Europe and Central Asia (ECA). Many companies and banks in ECA remain vulnerable to corporate governance challenges and lack the experience needed to strengthen their corporate governance practices. Local institutions are also not sufficiently developed to be able to deliver full-fledged corporate governance services independently.

**The IFC Approach:** The IFC Corporate Governance Program in ECA (i) assists individual companies and banks to implement good corporate governance practices, leading to improved performance and increased investment attractiveness; (ii) strengthens the capacity of local partner institutions; and (iii) contributes to the development of laws, codes, regulations, and other corporate governance tools.

**Key Achievements:** Since 2012, the project has helped local partner institutions raise nearly US\$412,000 in sales revenue through corporate governance work; assisted in improving the performance of 37 companies; helped 19 companies access financing in the amount of US\$437 million; and contributed to the drafting and adoption of 19 laws and regulations.

### 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:** Since 2014 and with IFC support, the Tajik Tax Committee has launched a nationwide rollout of risk-based audits, replacing manual selection of audit planning with computer-driven selection based on taxpayer data. The new system is expected to reduce corruption and the audit burden on small and medium-sized enterprises (SMEs) and increase the efficiency of the tax committee. Preliminary results of planned tax audits completed in 2014 based on a results-based accountability approach showed that about US\$13 million additional tax obligations have been imposed by the Central Tax Department of the Tax Committee alone. The data confirm that additional tax obligations have been raised by 24 percent in comparison with 2013. These are revenues the Tajik Government would not have otherwise collected and come from genuine non-compliant tax payers.



### **Supporting the Development of Credit Bureaus**

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

**The Approach:** The World Bank Group Finance and Markets Global Practice 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 micro, small and medium-sized enterprises (MSMEs) in the country.

**Key Achievements:** World Bank Group Finance and Markets Global Practice support has been crucial in helping build the Tajik credit bureau from scratch. IFC has been actively involved with the National Bank of Tajikistan in drafting and reforming credit information-sharing legislation since 2008. This resulted in the adoption of the Law on Credit Histories in March 2009, an amendment to the licensing law in October 2009, and credit bureau regulations in February 2010. The bureau was registered as a commercial entity in April 2010 and started operations three years later. In its first year of operations, the bureau database surpassed 800,000 records on 500,000 individual and legal entities representing 90 percent of the country's active credit clients. Largely due to the presence of a well-functioning, modern credit bureau built on international best practice, Tajikistan's rating in the getting credit section of the World Bank's *Doing Business* Report went from 0 in 2013 to 4 in 2014 edition and additionally to 6 in the 2015 edition, which brought Tajikistan to the list of top ten leaders.

### **Supporting 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 wider financial organizations, deposit-taking institutions, or even banks.

**The IFC Approach:** IFC is working with the selected microfinance institutions in Tajikistan to strengthen and build capacity by developing a modular package of fee-based advisory services. The modules cover such areas as financial management, assets and liabilities management, funding strategies, treasury, development of deposit products, and risk management.

**Key Achievements:** IFC strengthened the capacity building of a number microfinance institutions, enabling them to expand their outreach and services to clients and improve their financial performance and sustainability. IFC helped to transform them into deposit-taking institutions and increase the deposit base from the 0 baseline to more than 16,000 deposit accounts worth over US\$14 million in 2014.

### **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 is engaged in 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. The 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 markets 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 markets to at least 20,000 farmers in three countries.

**Key Achievements:** As of March 2015, the project had developed several agri-risk management and agri-financing tools to help financial institutions in managing their agri-sector financing activities. One of these tools is the cash flow-linked agri-risk assessment tool (CLARA). Developed jointly with a Ukraine agri-finance project, the tool helps financial institutions to streamline the credit process and to significantly increase the efficiency of the credit assessment of agricultural clients, thus reducing operational costs. The tool can also be used by financial institutions to capture the cash flow of their existing and potential borrowers to cross-sell other products and services, for example, savings deposits. Currently, the CLARA tool has been developed and adapted for Tajikistan and Uzbekistan, with the Kyrgyz version to be completed by the third quarter of FY15.

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

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

**Environmental Land Management and Rural Livelihoods Project**

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