RECENT ECONOMIC AND SECTORAL DEVELOPMENTS

Economic Growth and External Performance

In January–June 2015, Tajikistan’s economic growth moderated to 6.4 percent year-on-year from 6.7 percent a year earlier, due to the spillover effect from the slowdown in Russia and the weak global demand and lower prices for key export commodities (figure 1). The U.S. dollar value of remittances, about 80 percent of which originate from Russia, fell by 32 percent in January–June 2015 compared to the same period of 2014, largely due to the sharp depreciation of the Russian ruble. Tightening legislation on migration in the Russian Federation since January 2015 has also contributed to the decline of remittances. The slowdown in remittances affected domestic demand, which in turn depressed growth in services, the major contributor to economic growth in the past. The slower growth in services was largely offset by an acceleration of growth in fixed investments and industry as a result of the implementation of a number of projects, financed by private foreign and public investments (figure 2). This, together with a better agriculture sector performance despite the winter frost, which damaged most of the orchards and vegetables in northern Tajikistan, resulted in better-than-expected results for the first half of 2015.

The trade deficit narrowed in the first half of 2015. The decline in merchandise exports, due to weak global demand and prices for major exports such as aluminum and cotton, has been overshadowed by the plunge in merchandise imports because of weaker domestic demand and lower prices for fuel and food. The level of international reserves remained low, the equivalent of about one month of imports.

Fiscal Performance

The state budget was in a surplus of 1 percent of GDP in the first half of 2015 (figure 3). Total revenues were below the target by 3.3 percent owing to lower proceeds from foreign economic activities, as imports contracted by 25 percent during the same period. In response, the Government reprioritized and restrained some expenditures (mainly capital expenditures). The Government is committed to a balanced budget and has pledged to pay more attention to social spending (salaries, pensions, and communal services), external debt service, and top-priority capital projects.

Average consumer price inflation for the first half of 2015 increased to 6.3 percent from 5.3 percent a year earlier on the back of higher food prices. This was due to the weakening of the Tajik somoni, which has depreciated by about 20 percent against the U.S.

Figure 1. Economic Growth and Remittances (Percentage change and percent of GDP)

Figure 2. GDP and Output Growth by Sector (Percent)

The possible larger impact of the somoni depreciation has been offset by lower demand and the increased supply of domestically produced foodstuffs.
Public and publicly guaranteed (PPG) external debt declined from 21.9 percent of GDP in the middle of 2014 to 19.6 percent on July 1, 2015 because of the exchange rate difference and principal repayments (figure 3). The Chinese Export-Import Bank is Tajikistan’s largest creditor; its loans represent about 46 percent of total external public debt for the reporting period. Other large creditors are the World Bank (15.1 percent) and the Asian Development Bank (12.7 percent).

**Financial Sector**

Banking system indicators point to a continuing deterioration in the quality of its assets, as the reported level of nonperforming loans (NPLs) rose from 27.2 percent in December 2014 to 29.2 percent in June 2015. The reported aggregate capital adequacy ratio for the banking system fell from 14.8 percent in December 2014 to 14.3 percent in June 2015. Profitability turned positive in this reporting period, as the reported return on assets (ROA) rose to positive 2 percent at end-June 2015. Similarly, the reported return on equity (ROE) had already risen to positive 17 percent at the end of 2014. The banks are becoming more sensitive to credit risk, including indirect risk from lending in foreign currency and market (exchange) risks. Many banks also face liquidity pressure due to maturity mismatches, and they have been increasingly dependent on the National Bank of Tajikistan (NBT) for liquidity support to meet their funding needs.

Significant changes in the NBT's management and structure were introduced in May 2015. The top management was replaced with a new team, whose first step to approve the new structure of the NBT (June 25, 2015). The new management team has developed a Strategic Plan for the NBT for the period 2015–19, which covers 12 key issues, including banking system stability, improvement of the system’s assets quality through risk monitoring, corporate governance and bank liquidity, and payment system development. In addition, a key theme of the NBT’s monetary policy is now control over the money aggregates and how to stabilize the national currency exchange rates to achieve an acceptable level of inflation (2.5 percent as of June 2015).\(^1\)

**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. The Government is working on inspection and permitting system reforms to create grounds for effective implementation of inspection legislation and is also developing an e-permit system to simplify procedures for obtaining permits. 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 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 Hague Apostille Convention of 1961, which will simplify the

\(^1\) See the website of the NBT, http://nbt.tj/en.
recognition of public documents for foreign investors in Tajikistan as well as for Tajik citizens and businesses abroad. The Convention will lead to nearly US$400,000 in direct cost savings for foreign investors in the country on an annual basis.

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 (including the mining sector) 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 in the implementation of the Inspections Law and helped the Government identify ways to close these gaps. Almost all of the assessment’s recommendations were addressed by the new draft of the Inspection Law.

Poverty and Inequality

The Agency for Statistics under the President of Tajikistan (TajStat) has launched a new official poverty series and methodological note using a new approach to measuring poverty, marking a significant milestone in Tajikistan’s ability to monitor and strengthen the country’s poverty reduction efforts. The new National Poverty Measurement Methodology was endorsed in April 2015 by Tajikistan's Council for Poverty and Middle Class Measurement (Poverty Council) under the Ministry of Economic Development and Trade. The new approach is based on international best practice and was developed in partnership with the World Bank Group.

The national poverty rate in Tajikistan dropped from 37.4 percent to 32 percent between 2012 and 2014. The extreme poverty rate (measured by a food poverty line at 2,250 kilocalories per person per day) dropped from 20 percent in 2012 to 16.8 percent in 2014 (figure 4).

The overall poverty line was set at TJ 158.71 per capita per month in 2014. Poverty in Tajikistan is higher in the Districts of Republican Subordination (DRS), Khatlon, and the Gorno-Badakhshan Autonomous Oblast (GBAO), and to a lesser degree in Sugd. Poverty is also higher in rural areas (36.1 percent) than among urban households (23.5 percent) (figure 5). Although overall poverty declined from 36.4 percent in 2012 to 32 percent in 2014, incidence of poverty fell more sharply in GBAO, where it fell from 50.9 to 37.3 percent, and in DRS, where it fell from 50.9 to 37.3 percent over this period.

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The poor in Tajikistan are concentrated in rural areas and in the three regions of Khatlon, GBAO, and DRS. Indeed, almost four out of five poor persons live in rural households in Tajikistan (figure 6). It is important to note that the concentration of poor decreased in urban areas and increased in rural areas between 2012 and 2014. Moreover, almost two-thirds of the poor are in the regions of Sughd and Khatlon. On average, food represents 65.3 percent of the household budget.

Overall inequality is relatively low, but it is higher in urban than in rural areas. In Tajikistan, inequality, measured by the Gini coefficient\(^2\) for per capita consumption, increased by 0.6 percentage points between 2012 and 2014 and stood at the level of 29.0 in 2014 (figure 7), below the generally accepted “low inequality” threshold of 30. With the exception of Sughd, most regions experienced a rise in inequality, with Dushanbe and GBAO facing the largest increases of 2.2 and 3.5 percentage points, respectively. On an urban and rural dimension, the urban level of inequality fell slightly, while rural inequality increased.

**Figure 5. Poverty Headcount Rate**

<table>
<thead>
<tr>
<th>Region</th>
<th>2012</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tajikstan</td>
<td>21.5%</td>
<td>25.3%</td>
</tr>
<tr>
<td>Dushanbe</td>
<td>41.3%</td>
<td>45.5%</td>
</tr>
<tr>
<td>Sugd</td>
<td>36.4%</td>
<td>40.0%</td>
</tr>
<tr>
<td>Khatlon</td>
<td>23.5%</td>
<td>29.3%</td>
</tr>
<tr>
<td>GBAO</td>
<td>45.9%</td>
<td>50.9%</td>
</tr>
<tr>
<td>Other</td>
<td>21.5%</td>
<td>25.3%</td>
</tr>
</tbody>
</table>

**Source:** “Poverty Measurement Methodology Note,” TajStat, 2015.

**Figure 6. Contribution to Poverty**

<table>
<thead>
<tr>
<th>Region</th>
<th>Share of Poor, 2012</th>
<th>Share of Poor, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban</td>
<td>26.7</td>
<td>Urban</td>
</tr>
<tr>
<td>Rural</td>
<td>73.3%</td>
<td>Rural</td>
</tr>
<tr>
<td>Urban</td>
<td>23.1%</td>
<td>23.5%</td>
</tr>
<tr>
<td>Rural</td>
<td>76.9%</td>
<td>76.5%</td>
</tr>
</tbody>
</table>

**Source:** “Poverty Measurement Methodology Note,” TajStat, 2015.

**Social Protection**

**Tajikistan’s system of social protection consists mainly of a pension system and assistance programs.** The social assistance structure in its current form is not an effective tool to address poverty, partly due to the small size of social assistance programs—the lowest in the ECA region—and partly due to poor targeting. The current system lacks effective mechanisms for financial control, grievances, 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 through the development and implementation of a national electronic registry of social protection beneficiaries and to evaluate the efficiency of targeting benefits to the poorest citizens using a new mechanism of proxy means testing (PMT).

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\(^2\) The Gini coefficient is the most commonly used measure of inequality. The coefficient varies between 0, which reflects complete equality and 1, which indicates complete inequality (one person has all the income or consumption, all others have none).
The Government's first step in reform was to launch a pilot program in the Yovon and Istravshan districts in January 2011 in order 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. 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 targeting is expected to be improved further by using newly collected household data.

The Government of Tajikistan expanded the TSA program to 25 districts in 2015, which is close to one-third of the country, and plans a nationwide implementation in 2017 as a strategic priority to reduce extreme poverty. The World Bank continues to provide financial support and technical assistance to this effort through the Social Safety Net Strengthening Project.

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 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

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3 Around US$131 million without recurrent expenditures for 2012–14 (mainly for infrastructure).
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, the recently approved Higher Education Project (US$15 million) will support the development of mechanisms that improve and monitor the quality and labor market relevance of higher education.

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 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 Foundation, 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. The first year of the UEE successfully attracted a large number of applicants; 52,402 students registered—25 percent more than in 2013. Moreover, the share of girls admitted to higher education institutions increased from 25 percent in 2010 to 37 percent in 2015.

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 has 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, the Asian Development 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–funded Climate Adaptation and Mitigation Program for Aral Sea Basin, which will provide a regional platform for dialogue and collaboration on climate change activities as well as increased investments and capacity building to address climate challenges common to these countries. Tajikistan will receive US$9 million under the program, which will start in 2016.

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 the design of the CASA-1000 Community Support Program.

The Government, supported by the World Bank Group and other international financial institutions, is developing the CASA-1000 regional electricity trade project 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), the UK Department for International Development (DFID), the European Bank for Reconstruction and Development (EBRD), the Islamic Development Bank (ISDB), 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 World Bank has supported financing of two studies related to the Nurek Hydropower Plant (HPP), the first a rehabilitation study and the other a sedimentation assessment at the Nurek reservoir. The studies are planned for completion by December 2015, and based on their recommendations, a rehabilitation scheme will be prepared. A Bank-financed Nurek HPP rehabilitation project is expected to be prepared in FY17.

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4 CASA-1000 refers to the Central Asia South Asia Electricity Transmission and Trade Project.
Assessment Studies for the proposed Rogun HPP in Tajikistan were finalized in August 2014 and the reports were disclosed on September 1, 2014 on the websites of the Government and the World Bank. The Bank will remain engaged in monitoring the activities related to the Stage 1 resettlement.

**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 Millennium Development Goal [MDG] target for 2015). In urban areas, approximately 50 percent of the population has house connections, and 32 percent yard connections. In rural areas, only 20 percent have access to centralized water supply systems, mainly through public standpipes and yard connections. 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.

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. In June 2015, the World Bank approved Additional Financing of US$10 million from the International Development Association (IDA) to the *Second Dushanbe Water Supply Project*, which will allow a scaling-up of activities aimed at improving the quality and sustainability of water supply services for the residents of Dushanbe. The Municipality of Dushanbe is providing an additional US$1 million for the project.

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 improving public sector governance via public administration and public financial management reform, more effective public procurement and audit system, and improved tax administration. These reforms will make it possible to further improve the efficiency of public service delivery, reduce opportunities for corruption in both public and private sectors, improve the business environment by reducing the compliance costs of tax administration, and increase the use of electronic services to provide selected public services and handle 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 state-
owned enterprises (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 World Bank–financed Public Finance Management Modernization Project (US$10 million IDA), cofinanced by DFID at US$11 million, will support the modernization of the automated financial management systems to strengthen the budget planning, budget execution, treasury, accounting, and financial reporting functions across government entities. Among other measures, the project will also provide support to strengthen the regulatory framework for e-Government services and to develop a pilot for a selection of such services.

**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, which make internal and regional communications and transportation 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 in February 2015, is working to 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$1.1 billion in IDA grants, highly concessional credits, and trust funds, of which some US$800 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 World Bank’s active portfolio in Tajikistan includes 24 projects (including regional projects
and trust funds) with a net commitment of US$383 million. The largest share of the portfolio is in agriculture (21 percent), followed by social, urban, and rural development (15 percent), energy (13 percent), transport (12 percent), governance (9 percent), health (7 percent), water (7 percent), environment and natural resources (4 percent), education (8 percent), trade and competitiveness (3 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.

The 2013 Debt Sustainability Assessment (DSA) for Tajikistan reduced the risk of debt distress from high to moderate, which was lowered further from moderate to low risk in the 2014 DSA. As of July 1, 2015, Tajikistan was in the “green light” category, moving from being eligible for a mix of grants and credit from IDA to 100 percent credit. The current concessional IDA lending terms for Tajikistan include no interest, repayment over 38 years, and a grace period of six years. There is a service charge of 0.75 percent.

The change in financing terms reflects Tajikistan’s progress on economic development and poverty reduction as well as the improved quality of the World Bank country portfolio. Tajikistan moved from a low-income to a lower-middle-income country in the World Bank’s country classification on July 1, 2015, which is based on a country’s gross national income (GNI) per capita. As a result of these changes in lending terms, Tajikistan saw a roughly 47 percent increase in IDA resource allocation, with about US$68.3 million in extra IDA credits being made available to support the country’s development priorities.

**International Finance Corporation**

Tajikistan became a member of IFC in 1994. Since 1997, IFC has invested US$192.5 million to support 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.
Among the 28 countries in the Europe and Central Asia (ECA) region, 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 is being 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 Jirgatol. Two facilitating organizations have also 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 Jirgatol to help villages understand the potential impact of climate change on livelihoods and the vulnerability to disasters. These facilitating organizations have further assisted villages in these districts 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. With this support, Pasture User Groups have been established in jamoats in Jirgatol and Tavildara and Pasture and Livestock Management Plans have been developed and are under implementation. These Pasture and Livestock Management Plans are supporting Pasture User 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. In addition, a facilitating organization is working with Water User Associations in Farkhor and Kulob districts to develop and implement on-farm water management plans that are helping to address a range of issues, such as 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 Jirgatol.

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*:

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<tr>
<td>Total</td>
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*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 are expected to focus), will benefit from access to the wider range of farming, business, and employment opportunities generated by increased agricultural commercialization, thereby raising incomes and reducing poverty.

Results achieved: The early stage of the project was devoted to establishing and equipping the two implementing units under the project. The project implementation activities have started. The Agriculture Entrepreneurship Development Project Management Unit (PMU) has started field visits to identify the priority project areas. The hiring of the international consulting company is under way. The PMU under the Ministry of Finance has prepared a set of key Terms of Reference under the credit line component. The hiring of the consultant for the due diligence of the participating financial institutions is well advanced.

Key Partners: The project is implemented jointly by the Ministry of Finance and the Ministry of Agriculture.
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 is 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 access to temporary employment to food-insecure people through the rehabilitation of irrigation and drainage infrastructure, (ii) increase yields of selected crops in response to improved irrigation and infrastructure, and (iii) strengthen the capacity of Tajikistan to introduce integrated water resource management.

By improving food access and food availability, these measures improve the food security of low-income people in the 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 Yoyon) and two Districts of Republican Subordination (Rudaki and Hissor). While rehabilitation activities scheduled for the third year of project implementation are ongoing, the project has already succeeded in generating temporary employment for more than 7,800 people. Female beneficiaries constitute 20 percent of the public works program beneficiaries so far.

Creating temporary employment is a short-term objective of the project; at the same time, water users and farmers also benefit from the initiated mechanized works. As of June 2015, 411 kilometers of collector and drainage network have been cleaned and leveled mechanically; (b) 49 kilometers of irrigation canals rehabilitated; (c) 863 outlet gates and 373 observation wells repaired; and (d) three flood channels rehabilitated.

The project has also succeeded in establishing nine new and reorganizing 36 existing Water User Associations (WUAs), as well as strengthening the capacity of an additional 23 WUAs, with the aim of building a self-sufficient institutional framework and ensuring 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 260,000 hectares of land to the benefit of around 1.4 million residents, their farms, and household land plots. A 10 percent increase in selected crop yields is expected on this rehabilitated irrigated land. In addition, emergency flood control works along a high-risk section of the Tebali 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.

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TAJKISTAN: LAND REGISTRATION AND CADASTRE SYSTEM PROJECT

**Key Dates:**
- **Approved:** April 21, 2005
- **Effective:** October 11, 2005
- **Additional Financing Approved:** February 21, 2012
- **Closing:** March 31, 2016

**Financing in million US Dollars:**

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*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.

**Results achieved:** The cumulative total of certificates issued to family and individual *debkan* farms since the beginning of the project amounts to 122,723 against the final target of 112,000. Over 350,000 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 41,000 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, the decentralization of certificate issuance, and a simplified certificate format, and has also built awareness of other key land policy issues. The pilot registration offices were set up in four locations, collecting information for registration and testing the procedures. This information and experience were used in the preparation of registration procedures and manuals and are also being used by 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 has been completed, including a beneficiary survey. The beneficiary survey showed an increase in the percentage of farmers who support land/farm restructuring from 22.7 percent strongly in favor in 2007 to 53 percent strongly in favor in 2014.

**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 collaborated 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.
The Private Sector Competitiveness Project (PSCP) aims to improve the business environment in Tajikistan, with a special emphasis on business regulation and registration and construction permits, 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 new settlement and clearing 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 mining areas will be able to take advantage of new opportunities resulting from activities related to mining development. 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 achieved: Since the project was restructured in August 2014, 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 the Competitiveness and Development of the Mining Industry: The project has succeeded in finalizing the draft of a new Law on Subsoil and Subsoil Use, which will promote a favorable environment for investment and economic development based on market mechanisms and also ensure protection of the interests of investors operating and those who intend to invest in the sphere of subsoil use in the country. The process to enact the prepared law is currently under way.

Strengthening Business Registration System and Processes: A service-level agreement to improve the efficiency of the one-stop shop for business startups was agreed on and signed by the relevant government agencies in April 2015. The project will procure IT equipment to increase the overall capacity of the agencies and to improve the time spent on business registration.

Institutional Strengthening to Support a Single Window Construction Permit Process: The project will procure equipment to increase the overall capacity of the Construction Committee to implement single window construction permits.

Improvement of Financial Infrastructure: The project supported a feasibility study to determine the optimal location and governance arrangements for a modern and web-based movable collateral registry. Also, the legal and regulatory work necessary to introduce a modernized payment system has been provided.

Key Dates:
Approved: January 19, 2006
Effective: April 12, 2006
Additional Financing Approved: May 8, 2012
Additional Financing Effective: August 31, 2012
Closing: April 30, 2016

Financing in million US Dollars*:

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*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 (AF), the project will support five towns: four existing towns (Dangara, Kurgan-Tube, Kulob, and Vose) and one new town (Farkhor). With AF, it will also increase 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 services 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 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. To date, the project has committed nearly 100 percent of its funds. 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 and registration 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, the household connection subsidy program is fully under way, and the billing and collections system is already operational in target towns. 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, which has been referred to the Government for its review and endorsement. In response to the Government’s request, US$2 million was made available to the Government to help mitigate seasonal 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
- Additional Financing (AF) Approved: June 30, 2015
- Closing: December 31, 2015

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*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.

On June 30, 2015, the World Bank approved Additional Financing to DWSP2 in the amount US$10 million from IDA—a US$4.5 million grant and a US$5.5 million credit. The Additional Financing aims to help complete originally planned project investments curtailed by the funding shortage. It will further scale up project investments toward consolidating project benefits and extending them to the entire DVK service area, such as assist with completing the installation of 10,000 residential water meters, rehabilitating the filtration capacity at Samatechnaya to 100 percent, sectorizing and replacing the prioritized portions of the water distribution network, further supporting the institutional and financial strengthening of the utility, etc.

**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:

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*Approved by the GPE Board.

This is the fourth grant to Tajikistan from the Global Partnership for Education (GPE) 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 (ECE) 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 Ministry of Education and Sciences (MoES) conducted a census of preschool institutions along with an analysis of the preschool financing and legal framework. A nongovernmental organization (NGO) hired by the ministry is conducting community mobilization to advocate early learning and support to Early Learning Centers (ELCs). The MoES has procured toys, learning materials, and furniture for the kindergartens (KGs) and ELCs. Nine hundred teachers from the KGs and ELCs are trained on a new ECE module developed jointly with the AKF/UNICEF. The MoES hired technical assistance to conduct an evaluation of the preschool services. The MoES, with support from technical assistance under the GPE-4 and a USAID project, is upgrading the curriculum package for the primary grades and for math and Tajik language classes for secondary grades. A primary curriculum is being piloted in around 50 schools with 500 primary teachers who have undergone the first round of training with the new competency-oriented curriculum. With support from UNICEF, the MoES is selecting teaching and learning materials (TLMs) for inclusive education that will be procured with GPE-4 financing. The MoES has completed physical adjustment works (ramps, toilets) in 20 schools to improve the physical access of schools for handicapped children. The MoES conducted a baseline survey related to physical conditions in schools and school attendance. It also started the construction of new school premises on 19 sites. A new model of per capita financing of KGs has been developed with UNICEF support, which will be piloted and scaled up under the project beginning in January 2016. The “Kindergartens” module for the Education Management Information System (EMIS) has been prepared and will be introduced in late fall 2015.

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.
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 (MLSPP) 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 MLSPP 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 was expanded from two pilot districts to 10 in 2013 and expanded into 25 more districts starting July 1, 2014. More than 40,000 of the poorest households were enrolled and received poverty benefits by the end of 2014. Within the first six months of 2015, about 55,183 households in 25 pilot districts were enrolled to receive poverty benefits.

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: HEALTH SERVICES IMPROVEMENT PROJECT

Key Dates:
Approved: July 30, 2013, AF approved June 26, 2015
Effective: December 11, 2013
Additional Financing (AF) Approved: June 22, 2015
New Closing Date: December 31, 2019

Finance in million US Dollars*:

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*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. Additional Financing (AF) for the Health Services Improvement Project (Grant and Credit) in the amount of US$10 million was approved in June 2015.

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

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 original 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 the 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.

The AF intends to extend the HSIP activities to one additional district (Dangara) in Khatlon oblast and one district (Fayzabad) in the Districts of Republican Subordination (DRS), covering approximately 107 rural health clinics and health houses with a total population of 245,271. The AF will use the well-performing HSIP implementation and institutional arrangements as an instrument to maximize outcomes, while at the same time bringing additional funds, which would be particularly important in view of the implementation of the health care reforms.

Results achieved:

- Incentive payments in the form of reimbursements for the quantity and quality of provided services to the 297 PHC facilities in the eight pilot districts increased to 169,220 USD in the second quarter of 2015 compared to 99,636 USD in the first quarter;
- 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 and the second round of independent verification is currently ongoing;
- 904 (272 doctors, 617 nurses, and 15 administrative staff) PHC providers, managers, and administrative personnel have been trained on performance-based financing principles;
- 59 doctors and 167 nurses in Sughd and Khatlon successfully completed a six-month Family Medicine Training Program;
- 119 medical personnel trained in PHC clinical protocols.

In recent years, Tajikistan has experienced a growing demand for “new economy” skills—higher-order analytical and organizational skills, including non-routine cognitive analytical and interpersonal skills. Between 2009 and 2013, the demand in Tajikistan for new economy and routine cognitive skills increased (often in manufacturing and services jobs), while the demand for routine manual skills declined (often in low-productivity agriculture and retail services).

Given this shift, a considerable share of firms in Tajikistan complain about an inadequately educated workforce. The most recent Business Environment and Enterprise Performance Survey reveals that approximately one-third of all firms in Tajikistan (36 percent) identify an inadequately educated workforce as a constraint. Additionally, the majority of respondents (80 percent) to a recent skills survey in Tajikistan feel constrained by a lack of adequate qualifications and face difficulties demonstrating their qualifications when finding a job. To address these concerns, higher education must look for additional ways to better align itself with the labor market demands of Tajikistan’s evolving economy.

The Project Development Objective of the Higher Education Project is to develop mechanisms that improve and monitor the quality and labor market relevance of higher education in Tajikistan. In doing so, the project will support reforms both at the system and institutional levels.

To support quality and labor market relevance improvements across the entire system of higher education, the project will finance the development of an external quality assurance system that is more consistent with European Standards and Guidelines. The project will also support the redesign of state-defined academic standards for select disciplines that are important to Tajikistan’s evolving economy. The financing structure for higher education will also be assessed to determine how it could better support key policy objectives (e.g., equity in access to higher education for those from less wealthy families).

At the institutional level, a competitive grants program will be made available to higher education institutions to fund initiatives aimed specifically at improving labor market relevance through activities, such as redesigning the curriculum, providing professional development for teachers, enhancing career services for students, refurbishing laboratories, and other related measures. These grants will also help strengthen mechanisms that support female students’ enrollment and completion of higher education and their subsequent transition into the labor market. The project will also fund higher education institutions for the development and delivery of short-term courses for job-seekers, including returning migrants and secondary education graduates, to strengthen the skills and competencies that are in immediate demand in the labor market.

The project’s direct beneficiaries include students (both female and male), management, administrators, and teachers of higher education institutions, as well as staff of the Ministry of Education and Sciences and other relevant government agencies who administer activities related to higher education. The indirect beneficiaries are public and private sector employers who will have access to a better-skilled workforce. It is expected that the project will directly benefit 15,000 students and 250 university professors.

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

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

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*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 an 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 though 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.
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 (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 launched;
✓ 3,000 vulnerable households have been identified for provision of seeds and fertilizers;
✓ 1,039 health workers and 300 community volunteers trained;
✓ Information materials on proper nutrition have been amended and approved by the Ministry of Health and distribution is ongoing;
✓ 9 doctors and 29 nurses are currently enrolled in the six-month family medicine retraining program.

Key Partners: The project is implemented by the Ministry of Health and Social Protection of the Republic of Tajikistan and the Oblast Health Department 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: PUBLIC FINANCE MANAGEMENT MODERNIZATION PROJECT

Key Dates:
Approved: June 1, 2015
Effective: December 31, 2015 (Expected)
Closing: June 30, 2021

Financing in million US Dollars*:

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

A key objective of Tajikistan’s national development is to create an effective public administration system as a basis for sustainable economic development and poverty reduction. The governance and public administration priorities identified by the Government include: increasing the effectiveness of the national development strategy; improving public administration in line with market economy principles; enhancing the effectiveness of public finance management; establishing a modern professional civil service; and forming local self-governance capable of providing quality services to the population.

The Project Development Objective is to continue supporting the Government of Tajikistan in improving the effectiveness, control, and accountability of public expenditure. The project will support the modernization of the automated financial management systems to strengthen the budget planning, budget execution, treasury, accounting, and financial reporting functions across government entities. It will also strengthen the accounting and financial reporting capacities of selected state-owned enterprises. The project will focus on strengthening the regulatory and institutional framework for public procurement and support implementation of an e-procurement system. In addition, the project will help the Chamber of Accounts to develop and implement an appropriate audit methodology to carry out compliance and performance audits. In line with the Government’s E-Government Concept, the project will also provide support in strengthening the regulatory framework for e-Government services in Tajikistan, as well as in developing a pilot of selected e-Government services.

The Public Finance Management Modernization Project-2 is designed to complement the efforts and activities carried out under the World Bank-financed Public Financial Management Modernization Project (2010–15) and Public Sector Reform Project (2006–11). These projects helped to strengthen the national capacity in human resources management and budget preparation and execution, improved the automation of financial operations and IT capacity of the Ministry of Finance, and supported the introduction of a Financial Management Information System.

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

Key Partners: The project will be implemented by the Ministry of Finance of Tajikistan.
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 between July 2014 and July 2015:
- An intergovernmental Advisory Council on Poverty and Middle Class measurement was set up; the first meeting took place in August 2014 and the second in December 2014. In June 2015, the Council held a seminar on the socioeconomic aspects of the middle class that included presentations from the World Bank, the Kazakhstan Institute of Civil Servants, and the European Commission.
- In November 2014, a delegation of 12 people from the staff of the State Agency for Statistics (TajStat) and the Ministry of Economic Development and Trade (MoEDT) paid a study visit to the Kyrgyz National Statistical Committee (NSC) to learn about the experience of the Kyrgyz NSC staff on the implementation of the Integrated Household and Labor Force Survey.
- In December 2014, an International Poverty Measurement and Monitoring Conference was held within the framework of the Poverty Council.
- Additional ADP (data-documentation) hands-on training was conducted by the World Bank team for TajStat staff. Surveys documented included Tajikistan Living Standards Survey (TLSS), Demographic and Health Survey (DHS), Multi Indicator Cluster Survey (MICS), Agro-census, Child labor, Population Census, Construction Survey, among others.
- Updates to the CSPro data-entry system for the Household Budget Survey (HBS) and user’s manual have been prepared.
- A workshop on the sampling theory and an updated Sampling Strategy has been prepared for TajStat’s HBS survey.
- The World Bank team held an introductory course on Poverty Mapping for TajStat staff using HBS and 2010 Population Census Microdata. The Bank team has been working with the TajStat team to validate the results of the Poverty Map.
- In April 2015, the Government of Tajikistan endorsed the National Method designed by TajStat with technical support from MoEDT and the Bank on the issue of Poverty Measurement in Tajikistan. The method was later disseminated at a press conference in June 2015 at TajStat and is available for download at [www.stat.tj/en](http://www.stat.tj/en).
- A high-frequency survey using Computer Assisted Telephone Interview technology was initiated in May 2015 to assess the impact of the economic downturn in Russia on households in Tajikistan. Preliminary results covering six waves have been presented to the donor community.

### Key Partners:
The Bank team is working closely with the 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: SECOND PHASE OF THE CENTRAL ASIA ROAD LINKS (CARS-2) PROGRAM

Key Dates:
- Approved: February 25, 2015
- Effective: October 13, 2015 (expected)
- Closing: April 15, 2020

Financing in million US Dollars*:

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*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 includes the following: (1) Kuhkak-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 will also support the Ministry of Transportation of Tajikistan in the establishment of a road user survey mechanism to monitor environmental and road safety issues reported by road users during the period of road construction. 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 is launched and the first results become available.

Key Partners: The project will be implemented by the Ministry of Transport of the Republic of Tajikistan.
The microlending organization IMON International is Tajikistan’s largest microfinance company, founded in 2005. IMON is the largest non-bank microfinance provider in Tajikistan in line with commercial and sustainable practices. With a network of 26 branches and 114 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 and also mobilized US$6.5 million from Proparco (in local currency) and US$5 million from the OPEC Fund for International Development (OFID) 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 to 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, which are delivered through the joint World Bank Group Global Practices. 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.

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### 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 in areas such as permits, inspections, and investment policy. It focuses on improving predictability and transparency for the private sector, reducing the regulatory burden on businesses, and supporting the government to strengthen implementation of adopted legislation.

**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 cuts months of time and thousands of dollars in expenses for investors to legalize official documents, making the country a more attractive place to do business.

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### 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.

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### Reforming 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 administration, 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 to support 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 data-driven selection based on taxpayer data. The new system is expected to reduce corruption and lessen the audit burden on small and medium-sized enterprises (SMEs) and increase the efficiency of the tax committee. In addition, changes to the tax code developed with project support have resulted in a reduction in filing and payment frequency, greatly reducing the tax administration burden on SMEs. Preliminary results indicate that Tajik firms are saving more than US$6 million per year in time and costs as a result of the reforms.
Supporting the Development of Financial Infrastructure System (Credit Reporting, Secured Transaction, Financial Literacy)

**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 and establishing mechanisms for lending secured by movables. It also introduces formal risk education and certification for financial institution employees and supports financial education in close collaboration with financial institutions and government stakeholders. 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. It has been actively involved with the National Bank of Tajikistan (NBT) in drafting and reforming credit information-sharing legislation since 2009. 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 two years of operations, the bureau database surpassed 81.4 million records on 900,000 individual and legal entities representing 95 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 and additionally to 6 in 2015, which brought Tajikistan to the list of top 10 leaders. It also supported significant changes in the legislative and institutional frameworks on secured transactions, which resulted in changes to eight legislative acts, pending ministry approval, which will enable the establishment of a movables financing system in the country. Under Financial Literacy, the Bank, with seven financial institutions, committed to provide counselling services to at least 80,000 customers and deliver financial literacy training to over 9,000 adults over the next three years. For broader dissemination, the project team signed two Cooperation Agreements with Dushanbe airport and Tajik Air. Dushanbe Airport has started broadcasting the financial literacy content in its waiting halls, where the average turnover is 30,000 passengers per month. The President’s office and the NBT supported this initiative and instructed the state TV and radio channels to start broadcasting materials on a regular basis. The financial literacy program aims to cover around 90 percent of the country’s population.

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 participation level of farmers/producers of agricultural products in the value chains limit opportunities for agri-enterprises to grow and sustain their productivity.

**The 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 for at least 20,000 farmers in three countries.

**Key Achievements:** The World Bank Group Finance and Markets Global Practice under the Central Asia Agrifinance Project continues to offer advisory services to the LLC Microcredit Deposit Organization FINCA to build capacity to its staff and provide agricultural lending through implementing the Cash-flow Linked Agri Risk Assessment (CLARA) tool.

To this end, the project organized training-of-trainers sessions and trainings for the FINCA dedicated loan officers to enhance its agricultural risk management by implementing CLARA and building the capacity of FINCA staff in agricultural lending. Moreover, the project team developed additional financial/banking features to enhance the tool. The project will offer advisory services to the First MicroFinance Bank Tajikistan to improve staff capacity and to extend the bank’s portfolio in new segments in the agri-sector. Within the framework of this engagement, the project team will design and deliver classroom-based training on financing solutions for agriculture lending delivered to the dedicated bank’s staff, as well as on-the-job trainings that will include field visits with project specialists, assessments, and the processing of applications from borrowers selected by the bank’s staff.

**Donor Partners:** Government of Switzerland, DFID, Ministry of Foreign Affairs of the Netherlands, Austrian Ministry of Finance (BMF), Japan Government’s Trust Fund, and EU.

**Central Asia Corporate Governance Program in Tajikistan and the Kyrgyz Republic II**

**The Challenge:** Corporate governance continues to be a subject of significant market concern in Tajikistan and the Kyrgyz Republic. Many companies and banks in Tajikistan and the Kyrgyz Republic 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 CACGP II (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 2013, the project has helped local partner institutions raise nearly US$103,000 in sales revenue through corporate governance work; assisted in improving the performance of 10 companies; helped seven companies access financing in the amount of US$ 52.5 million; and contributed to the drafting and adoption of two laws and regulations.

**Donor Partners:** State Secretariat for Economic Affairs of Switzerland (SECO) and Department for International Development (DFID).

**Azerbaijan and Central Asia Micro and Responsible finance project**

**The Challenge:** In the Kyrgyz Republic and Tajikistan (both IDA countries), microfinance institutions are permitted to offer a wide range of services beyond credit. However, the high number of multiple loans, poor loan collection practices, and a lack of pricing transparency have also created a negative perception of the industry, while poor financial literacy among borrowers has raised concerns about the potential for over-indebtedness.

**IFC Approach:** The project expects to increase customer outreach by at least 30 percent, 5 percent over its mandate, to increase deposits by US$7 million over 10,000 depositors. It also aims to improve responsible lending practices among microfinance institutions and bring about more transparent operations. Additionally, the project will use lessons learned from the Bosnia Microfinance Project to curb and prevent over-indebtedness. The aggregate result is expected to be seen in the overall level of multiple loans (at no greater than 30 per

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5 The current growth rates in both the Kyrgyz Republic and Tajikistan have been higher in the past few years, at rates ranging from 50 to 70 and even 100 percent. However, given concerns of over-indebtedness, microfinance institutions will have to exercise more caution and restraint in further expanding their loan portfolios. Thus, a median average of 30 percent has been assumed as a prudent balance between growth and a more conservative outlook.
percent as recorded by the Credit Bureau) and in the greater level of support for customer financial literacy. This combined effort will lead to a reduced level of nonperforming loans (NPLs) and a healthier financial system in general.

**Expected Results:** The microfinance sector of Tajikistan will become more responsible toward its clients; the NBT will have a strong role in consumer protection; and microfinance institutions will provide different banking services on a responsible basis.

**Key Achievements:** The project has helped the microfinance sector to create a draft Microfinance Strategy for the period 2015–2024. It has also helped to resolve reorganization issues and create a discussion platform on different issues involved in developing a financial sector in Tajikistan. Some microfinance institutions in Tajikistan have become more responsible toward their clients, as evidenced by the SMART certification of Arvand and Imon International, and also by the introduction of internal controls in some institutions with respect to loan-to-income ratios, the controls on the number of parallel credits to individuals and families adopted by some institutions, and the increasing use of the credit information system, notwithstanding the volatile currency market, rising interest rates, and increasing level of NPLs (though they are lower than among commercial banks). The NBT has reorganized and established the basis for a consumer protection function that the World Bank aims to strengthen through a coordinated technical assistance approach. The microfinance institutions provide different banking services on a responsible basis, with the aim of diversifying into other value-added services beyond credit.

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