TAJIKISTAN COUNTRY SNAPSHOT

At a Glance

- Tajikistan’s economic growth in the first half of 2017 was supported by recovering private consumption and exports.

- However, uncertainties in the external environment and growing domestic vulnerabilities are weighing on growth prospects.

- Although poverty fell from 35.3 to 33.5% in rural areas, it was relatively stagnant in urban areas at around 24%. The rising cost of food is expected to negatively affect households that are net buyers, while benefitting net sellers.

- The outlook for poverty reduction remains positive and is anticipated to benefit from economy-wide growth and a gradual recovery in remittances.

Country Context

Since independence, Tajikistan has done a remarkable job in reducing poverty. Between 2000 and early 2009, poverty fell from over 83 to about 47%, and it fell further from 37 to 30.3% between 2012 and 2016. Since 2012, the poorest regions of the country have made the most progress in poverty reduction.

However, progress has been slower in reducing non-monetary poverty. Recently available micro-data suggest that limited or no access to education (secondary and tertiary), heating, and sanitation are the main contributors to non-monetary poverty. These three are the most unequally distributed services, with access to education varying by income level and heating and sanitation by location.

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

Averaging about 15% of GDP annually since 2008, total investment is low by regional and international standards. The main obstacles cited by local and foreign entrepreneurs are inadequate infrastructure, in particular an insufficient and unreliable energy supply; weak rule of law, especially with regard to property rights; and an overly burdensome tax policy and administration.
The World Bank and Tajikistan

The World Bank Group Country Partnership Strategy (CPS) for 2015–18 helps lay the foundation for Tajikistan to transition to a new growth model led by investment and exports and to improve the income-earning opportunities of the poorest 40% of the population.

The CPS has three main areas:

- 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 also continue to be important measures across all sectors of the CPS.

The active portfolio includes 21 projects with a net commitment of US$632.6 million. The largest share is in the energy sector (44%), followed by water (14%), urban and rural development (12%), transport (7%), governance (6%), education (5%), health (4%), agriculture (3%), environment and natural resources (3%), trade and competitiveness (2%), social protection (1%), and poverty reduction (0.4%).

Key Engagement

The World Bank is one of Tajikistan’s most long-standing and trusted partners, a collaboration and portfolio that have strengthened and expanded significantly over the years. Since 1996, the Bank has provided US$1.39 billion in grants and highly concessional credits from the International Development Association (IDA) and trust funds.
Recent Economic Developments

Tajikistan’s GDP growth slightly decelerated from 6.6% in the first half of 2016 to 6.0% in the first half of 2017.

Growth was led by the strong performance in net exports and the incipient pickup in private consumption, supported by recovering remittances. On the supply side, growth was driven by industry, particularly non-energy extractives and services.

It is expected that in line with recovering remittances, private consumption will continue its positive contribution, though this is unlikely to boost growth significantly because of the uncertain prospects of the Russian economy.

Inflation rose to 7.4% year-on-year in June 2017 compared to 5.7% a year earlier, driven by the depreciation of the local currency (the somoni) and a supply-side shock on certain domestic agriculture products.

The somoni depreciated by 11% against the U.S. dollar during the first half of 2017 due to the monetization of the banking sector bailout, leading to an improvement in the country’s current account.

The latter was nearly balanced in the first quarter of 2017, driven by a sharp contraction of imports, a recovery of exports, and a pickup in remittance inflows.

The official poverty rate fell slightly from 31.3% in 2015 to 30.3% in 2016, while extreme poverty fell from 15.1 to 14% over the same period.

Economic Outlook

The economy is projected to grow by an average rate of 5.2% a year over the medium term, supported mainly by the sustained high rates of expansion of industrial output, construction of the Rogun Hydro Power Plant (HPP), and the resulting increase in electricity production from late 2018 onward.

The poverty rate is expected to fall in line with the projected growth, gradual increase in employment earnings, recovering remittances, and expansion of the Targeted Social Assistance program envisaged by the Law on Social Assistance.

The nationwide poverty rate is projected to fall from 30.3% in 2016 to 25.7% by 2019.

The medium-term fiscal policy is expected to be contractionary to help put public debt on a sustainable path.

In 2017, the deficit is projected to remain high at about 5% of GDP, driven by the construction of the Rogun HPP and the second-round bank recapitalization in the latter half of the year. However, this is still a significant adjustment compared to a fiscal deficit that exceeded 10% of GDP in 2016.
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 services, strengthening the capacity of medical workers, rehabilitating infrastructure, and supporting community-based activities to address the high rates of childhood malnutrition.

From 1992 to 2015, the level of undernourishment among the general population in Tajikistan increased from 28 to 33%, compared to just 6% in the neighboring Kyrgyz Republic. In 2012, the stunting rate among children under five was 26% of all children and 32% of poor children. Children who are poorly nourished and stunted and/or who do not receive adequate parenting or stimulation before their fifth birthday are more likely to learn less at school and earn less as adults; they are also less ready to compete as adults in an increasingly globalized economy.

The Tajikistan Health Services Improvement Project (HSIP) is financed through a US$15 million grant from IDA and US$4.8 million from the multi-donor Health Results Innovation Trust Fund (HRITF). The goal of the project is to increase the coverage and quality of primary health care (PHC) services by piloting a performance-based financing scheme and renovating rural PHC facilities. The project is providing training to doctors and nurses and supporting the physical rehabilitation and renovation of selected rural health centers, including the provision of basic medical equipment. It builds the capacity of health sector institutions at the central, regional, and district levels to manage and implement the performance-based financing scheme.

This new scheme has been piloted in 10 districts of Tajikistan so far, and the results have been significant: in just one year, the reported number of fully vaccinated children increased by 26%, the number of women receiving four or more antenatal care visits increased by 14%, and the number of women using contraceptives increased by over 27%, while the average score of service quality remains above 85%.