**RECENT ECONOMIC AND SECTORAL DEVELOPMENTS**

**Economic Growth and External Performance**

Tajikistan economic growth slowed to an estimated 4.2 percent in 2015 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 33 percent in 2015 compared to 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 construction and industry as a result of the implementation of a number of projects financed by private foreign and public investments (figure 2).

Low international food and fuel prices and tight monetary policy helped contain the impact of the depreciation of the Tajik somoni on inflation, which remained low, at 5.8 percent. The somoni lost 24 percent of its value against the U.S. dollar in 2015. The possible larger impact of the somoni depreciation on inflation was offset by lower demand and the increased supply of domestically produced foodstuffs. The depreciation of the exchange rate contributed to an improvement in the trade balance but not by enough to offset the plunge in remittances. As a result, the current account deficit widened to an estimated 6 percent of GDP in 2015. The level of international reserves remained low, the equivalent of about one and a half months of imports.

**Fiscal Performance**

The fiscal deficit widened to 2.2 percent of GDP in 2015, as expenditures more than doubled under the externally financed public investment program (figure 3). A shortfall in revenues from foreign economic activities was partially compensated by higher revenues from domestic taxes and non-tax revenues, as tax authorities increased pressure on businesses to meet revenue targets, as well as higher than projected external grants (namely, the budget support grant from the Asian Development Bank [ADB] in the amount of US$53.4 million to support the Investment Climate Reforms Program).\(^1\)

The ratio of public and publicly guaranteed (PPG) external debt to GDP increased to almost 28 in 2015, the combined result of a moderate increase in the volume of the PPG external debt and a substantial reduction in the U.S. dollar value of GDP due to the depreciation of the somoni (figure 3). The Chinese Export-Import Bank is Tajikistan’s largest creditor, and its loans represented 53 percent of total external public debt for the reporting period. Other large creditors are the World Bank (15.2 percent) and ADB (12.9 percent).

\(^1\) The total amount of the operation is US$60 million, out of which US$6.6 million is a loan.

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 29.8 percent in December 2015. The reported aggregate capital adequacy ratio for the banking system fell from 14.8 percent in December 2014 to 11.1 percent in December 2015. Profitability turned positive in this reporting period, as the reported return on assets (ROA) rose to a positive 0.4 percent at end-December 2015. Similarly, the reported return on equity (ROE) had already risen to positive 3.7 percent at the end of 2015. 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 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 was 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. The NBT has already introduced new departments, such as consumer protection and financial stability, and started to pay attention to increased transparency in the financial sector. 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 (5.9 percent as of December 2015).

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 permit 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 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 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 132nd out of 189 economies in the World Bank Group’s 2016 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 begins a full functional review of its operations with support from the Tax Administration Reform Project, funded by the World 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 identified problems 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 Inspection Law adopted on December 25, 2015.

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 measure poverty and 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 31.3 percent between 2012 and 2015 (the last quarter of 2014 and the first three quarters of 2015). 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 15.7 percent in 2015 (figure 4).

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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 Sughd. 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 45.9 to 37.8 percent over this period.

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. On average, food represents 65.3 percent of the household budget.

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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).

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.

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.

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.

Social Protection

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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.

\(^2\) 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).
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 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

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3 Around US$131 million without recurrent expenditures for 2012–14 (mainly for infrastructure).
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 Foundations, established the National Testing Center (NTC) and implemented the Unified University Entrance Examination (UEE) for the first time in July 2014. The new UEE system is expected to contribute to enhancing transparency and reducing corruption. 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 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 ADB, and the European Bank for Reconstruction and Development (EBRD). An additional US$10 million was granted by the donor parties in 2013 to further support Tajikistan’s strategic program for climate resilience.

**A government coordination mechanism was established in August 2011 to promote inter-ministerial cooperation,** enhance engagement with civil society organizations (CSOs), and facilitate implementation of climate change adaptation
initiatives. The latest project under this initiative, the Environmental Land Management and Rural Livelihoods Project, is funded through the Global Environment Facility (GEF) and the PPCR and supports the widespread adoption of sustainable land and water management strategies and practices. Tajikistan is also part of the new World Bank–financed Climate Adaptation and Mitigation Program for Aral Sea Basin, which started in 2016 and provides 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 received US$9 million under the program.

Energy

The Tajik population, except for the capital city of Dushanbe, continues to face winter electricity shortages. However, the extent of the shortages this past winter significantly declined, due primarily to the mild winter and increased thermal power generation capacity. The additional 300 MWe at the Dushanbe Combined Heat and Power Plant 2, expected to come on stream in 2017, will further help mitigate winter power shortages.

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. In addition, the Bank is assisting Tajikistan in reducing the cost of winter energy through improving the energy efficiency and environmental performance of the heating stoves that are used by about 70 percent of households and public and administrative buildings in rural areas.

Assessment studies for the proposed Rogun Hydropower Plant (HPP) in Tajikistan were completed in August 2014. The Bank remains 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.

Preliminary findings of a World Bank study of Tajikistan’s drinking water and sanitation sectors revealed high inequality in the quality and conditions of drinking water and sanitation services between oblast centers, towns, and rural areas. The situation is especially dire in rural areas and for low-income households that have no piped connection and face real difficulties and incur high costs in meeting their drinking water and sanitation needs. The study is to be completed in 2016.

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.
Governance and Anticorruption

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

Improving governance across sectors is also an important area for the new Country Partnership Strategy (CPS) for 2014–18. The efforts focus on 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 are further steps 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 the UK’s Department for International Development (DFID) at US$11 million, supports 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 Islamic Development Bank (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.

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 improve 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. A Digital CASA project, currently under discussion between the World Bank and Afghanistan, Kazakhstan, Kyrgyz Republic, and Tajikistan, aims to implement a regional cross-border approach to improve broadband Internet connectivity in the landlocked countries of Central Asia and parts of South Asia by catalyzing private sector investment in infrastructure and modernizing the relevant policies and regulatory frameworks so as to use synergy between telecom, energy, and transport infrastructure. 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$831 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$405 million. The largest share of the portfolio is in the water sector (21 percent), followed by social, urban, and rural development (15 percent), energy (14 percent), transport (11 percent), governance (10 percent), education (8 percent), health (7 percent), environment and natural resources (6 percent), agriculture (5 percent), trade and competitiveness (2 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$68.5 million in extra IDA credits being made available to support the country’s development priorities.
International Finance Corporation

Tajikistan became a member of the International Finance Corporation (IFC) in 1994. Since 1997, IFC has invested US$151 million, including US$11.5 million mobilized from partners, to support 40 private sector projects in the financial, hydropower, retail, tourism, and manufacturing sectors. As of June 30, 2015, IFC’s committed portfolio stood at US$67 million, which includes investments in the telecommunications, financial markets, food, retail, and agribusiness sectors.

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 so far not provided any political risk guarantees for investment projects in Tajikistan.
Tajikistan is rated as the most vulnerable to climate change impacts in the Europe and Central Asia (ECA) region, 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), as well as recently approved Additional Financing from PPCR and IDA grant resources (US$2.0 million and US$0.8 million, respectively), fund the Tajikistan Environmental Land Management and Rural Livelihoods Project. The Project’s Development Objective 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 is being measured using the following indicators and end-of-project targets: a) Number of households supported that have adopted climate change and sustainable land management practices will reach 27,500; b) Land users adopting sustainable land management practices as a result of the project will reach 16,860; c) Area in hectares in the project sites covered by effective agriculture, land, and water management and improved climate resilience practices will be at least 41,500; d) Number of direct project beneficiaries will reach 165,000; and e) Percentage of female beneficiaries will be at least 40 percent.

Results achieved: Advances to date include the contracting of nongovernmental organizations (NGOs) to facilitate participatory planning, resource assessments, and community mobilization and to assist groups in the preparation and implementation of rural investments at the village level and pasture and on-farm water management plans at the jamoat level. With this facilitation support, participatory jamoat-level environmental analyses have been conducted in four lowland and upland area districts (Farkhor, Kulob, Tavildara, and Jirgatol) and will be conducted in two middle hill districts (Khovaling and Baljuvon) within the coming months. In the four lowland and upland area districts, facilitating organizations are assisting villages in preparing and implementing investment plans that help address the findings of jamoat environmental and climate change adaptation appraisals. Approximately 200 of these village-level plans are now under way, supporting land management, rural production, and small-scale infrastructure investments in lowland and upland areas.

Contracted facilitating organizations are also supporting larger-scale participatory initiatives in sustainable community land management. With this support, four Pasture User Groups (PUGs) have been established in Tavildara and Jirgatol districts, and Pasture and Livestock Management plans have been developed and are well under implementation. These Pasture and Livestock Management Plans are supporting PUGs with improvements in livestock management, pasture production, pasture rehabilitation, improved processing and marketing, supplementary fodder production, and capacity building. Four additional PUGs are being established in Rogun and Faizabad districts. In addition, a facilitating organization is working with four Water User Associations (WUAs) in Farkhor and Kulob districts to implement On-farm Water Management Plans that are helping address a range of issues, such as salinity, waterlogging, soil erosion, partial irrigation, and uneven distribution of water. Four additional WUAs will be supported in Muminabad, Yvon, and Hamadoni districts to pilot these approaches in areas where conditions and environmental problems are different than in the existing districts.

To date, the project has supported approximately 7,500 households (or about 48,750 people, approximately 49 percent of whom are women) in developing and adopting rural production and sustainable land management practices that improve livelihoods and food security and restore productive natural resources.

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, Baljuvon, 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.
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 project is moving slower than expected, with most delays related to the Value Chain Development Component, implemented by the Agriculture Entrepreneurship Development Project Management Unit (AED PMU). However, support to the Agrarian University and the National Statistics Committee is progressing well. The PMU under the Ministry of Finance has started disbursements under the credit line, and the hiring of the training companies (for training the participating financial institutions in value chain financing and in the environmental and social aspects of the project) is also progressing well.

Key Partners: The project is implemented jointly by the Ministry of Finance and the Ministry of Agriculture.
Khatlon remains the main location of rural low-income households in Tajikistan, with 36.7 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 risks related to low agriculture productivity, insufficient access to irrigation, lack of rural finance, and deteriorated irrigation and drainage infrastructure. 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 Project 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. The project also supports the introduction of Integrated Water Resource Management to promote sustainable use of water resources. The project was restructured in November 2015 to accommodate an emergency response to the districts affected by floods in July 2015.

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: The project is implemented in seven districts of the Khatlon region—Rumi, Jomi, Jilikul, Panj, Vose, Hamadoni, and Yovon—and two districts from the Districts of Republican Subordination—Rudaki and Hissor. Although rehabilitation activities scheduled for the third year of project implementation are ongoing, the project has already succeeded in generating temporary employment for more than 11,259 people. Female beneficiaries constitute 20 percent of the public works program beneficiaries so far. Through the public works program, as of December 2015, (a) 418 kilometers of collector and drainage network have been cleaned and leveled mechanically; (b) 54 kilometers of irrigation canals rehabilitated; (c) 1,104 outlet gates and 411 observation wells repaired; and (d) three flood channels rehabilitated.

The project established 11 new and reorganized 49 existing Water User Associations (WUAs) and strengthened the capacity of an additional 23 WUAs (in partnership with the U.S. Agency for International Development [USAID]), 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 236,600 hectares of land to the benefit of around 1.34 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 the Tebalai River and Pyanj river in Khatlon will reduce the vulnerability of approximately 400 urban households in Kulob city and 60,000 existing project beneficiaries in Hamadoni district to potential floods.

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 the Khatlon and Districts of Republican Subordination (DRS) regions to implement this project. Key Development Partners 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.
The five Central Asian countries are among the ECA region’s most vulnerable to climate change, and building resilience to climate’s mounting impacts is a priority for poverty reduction and shared prosperity in the region. Average annual temperatures across the region have increased since the mid-20th century by 0.5°C in the south to 1.6°C in the north, and impacts are already being observed, from melting glaciers in upland areas (where glaciers have lost one-third of their volume since the 1900s) to droughts and floods in the lowlands (where weather-related disasters are estimated to cause economic losses from 0.4 to 1.3 percent of GDP for Tajikistan, Turkmenistan, and Kyrgyz Republic, for instance). 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.

The Climate Adaptation and Mitigation Program for Aral Sea Basin (CAMP4ASB) seeks to reap the benefits from regional cooperation and collaboration to address the mounting challenges of climate change, which often transcend borders in Central Asia. The program will strengthen the knowledge and information base on climate change risks and provide financing and technical assistance to rural communities for climate-smart investments in sectoral areas considered to be priorities in the Central Asian countries.

The World Bank approved an allocation of US$38 million from the IDA to finance the first phase of CAMP4ASB, which includes US$9 million for Tajikistan, US$14 million for Uzbekistan, and US$15 million for regional activities. Preparation is already under way in the other Central Asian countries for their participation in the program over the next two years.

The new program will support a platform for sustained regional dialogue and knowledge exchange between all Central Asian countries on climate change across a broad range of sectors, including agriculture, disaster risk management, water, energy, etc. An integrated analytical system with improved data, information, and tools on climate change will be available to all countries of the region to inform policies and the prioritization of climate-smart investments. Also, financing will be provided to rural communities to address current threats to agricultural production and rural livelihoods stemming from climate risks such as droughts and weather extremes. These climate investments will help improve livelihoods while also demonstrating climate change mitigation and adaptation efforts that can be ultimately shared and scaled up across the region. It is expected that these projects will benefit 240,000 people in Tajikistan and Uzbekistan under the first phase of the program.

Results achieved: This section will be filled when the project is in its implementation stage.

Key Partners: The project is implemented in Tajikistan by the Committee for Environmental Protection under the Government of the Republic of Tajikistan. The Executive Committee of the International Fund for Saving the Aral Sea (EC-IFAS) and the Regional Environmental Center for Central Asia (CAREC) are responsible for regional components of the project.
**TAJIKISTAN: REAL ESTATE REGISTRATION PROJECT**

**Key Dates:**
- **Approved:** April 4, 2016
- **Effective:** June 15, 2016 (expected)
- **Closing:** April 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.*

While land in Tajikistan remains in state ownership, the rights to immovable property in urban and rural areas (houses, apartments) have been privatized and are currently bought and sold. However, the current system offers little tenure security, as the legal rights are not registered and the current information is not connected to the cadastre that records the location of all parcels and buildings. Both foreign and domestic investment remains low in Tajikistan compared to the region, averaging about 2.8 percent (net inflows as a percentage of GDP) for the period 2010–14. One of the obstacles cited by investors for this low investment is weak rule of law, especially as regards property rights. The Law on State Registration of 2008 created a unitary property registration entity, the State Unitary Enterprise for Registration of Immovable Property (SUERIP), established in January 2015. SUERIP’s mandate is to design, develop, and implement a unified registration system for land and property.

To support SUERIP and the broader goal of providing enhanced tenure security and support to the property market, the **Project’s Development Objective** is to support the implementation of a reliable, transparent, and efficient real estate registration system nationwide. This will be achieved by: (a) developing the real estate registration system throughout the country with efficient procedures, systems, and human resources; (b) developing solutions for organizing and digitizing the documents and data currently in the offices; (c) creating systems for data management and electronic registration; (d) developing a legal framework; and (e) increasing public awareness of the registration system and how to register.

Creating a registration system will strengthen the legal enforcement of property rights by providing a system for the registration of all legal rights to land and property (inheritance, ownership, and use) that is connected to the properties’ physical location and is transparent, efficient, and accessible to all. This registration system will provide enhanced tenure security to users and owners, as well as to banks if such property is mortgaged. The project will contribute to the development of real estate markets and related institutions, thereby contributing to better and more intensive use of real estate assets to achieve more growth. To improve equity and welfare outcomes, the project will focus on improving transparency and access to the real property institutions so that all property owners and potential owners benefit. In addition, its impact on the economic empowerment of women will be positive, contributing to increased voice and agency at the household level and enhanced economic empowerment that can have ripple effects on the social and economic well-being of families.

**Results achieved:** This section will be filled out when the project enters its implementation phase.

**Key Partners:** The State Unitary Enterprise for the Registration of Immovable Property (SUERIP) is the implementing agency. SUERIP will work closely with the State Committee for Land Management and Geodesy during implementation. The U.S. Agency for International Development (USAID) is currently implementing a project in the land sector and the RERP will continue to coordinate with USAID.
In Tajikistan, the bulk of drinking water and sanitation infrastructure consists of assets inherited from the Soviet era, extensively degraded through a combination of low-capacity operators and weak institutions. The inability of the service areas to meet the Millennium Development Goal (MDG) targets for the millennium project to deliver safe and satisfactory public services while improving financial performance. The objective is to improve water utility performance and water supply services in selected areas of Dushanbe.

The Project Development Objective is to improve water utility performance and water supply services in selected areas of Dushanbe, 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 on business principles. The project will support the institutional strengthening of the utility, upgrade existing equipment to increase the overall capacities. This will be achieved through improvements in water quality for selected areas of Dushanbe, in the mining sector and residents of mining development communities will benefit from the expected growth of the sector, which will allow to leverage assets to access credit.

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The revised Project Development Objective prioritizes each component independently to foster increased efficiency.

Results achieved: All contracts under the DWSP2 have been completed in full, including installation of 76,500 residential meters and 10,000 commercial meters.

The project's achievements include:

- **Water Quality**: The installation of 76,500 residential and 10,000 commercial meters.
- **Financial Performance**: Improvement of the utility's financial performance.
- **Capacity Building**: Strengthening DVK's management and operational performance.
- **Customer Service**: Improvements in customer service.

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- **Customer Service**: Improvements in customer service.

The revised Project Development Objective prioritizes each component independently to foster increased efficiency.
The Project Development Objective is to support the Government of Tajikistan’s efforts to provide accessible, reliable, and quality basic municipal services, such as water, sanitation, and solid waste management, to the population of eight towns: Dangara, Istravshan, Kanibadam, Kulob, Kurgan-Tube, Rasht, Vahdat, and Vose. This is done through financing the rehabilitation and repair of facilities and installations and the replacement of equipment for the delivery of basic municipal services and conducting additional engineering studies to define the needed investments and strengthen the institutional capacity of the State Unitary Enterprise of Housing and Communal Services. Under the Additional Financing (AF), the project has been supporting five towns: four existing towns (Dangara, Kurgan-Tube, Kulob, and Vose) and one new town (Farkhor). The AF increases the emphasis on institutional strengthening and sector reform by financing pilot activities to improve water service coverage and utility performance and by supporting the development of a Municipal and Communal Service Development Strategy (2015–2030). The Strategy presents the municipal and communal sector challenges, long-term vision, strategic objectives, and an action plan for ensuring equal access to municipal and communal services for the citizens. It was officially delivered to the Government for its attention on June 12, 2015.

Results achieved: As a result of the original project, the following progress has been achieved: 189,805 additional people have improved access to water services; 1,623 improved community water points were constructed and rehabilitated; 18,358 new piped household water connections were constructed; 38,825 piped household water connections benefited from rehabilitation works; and 80 percent of the population in participating towns has improved solid waste collection services, with at least one collection per week.

The AF scaled up the physical investment in the towns of Farkhor and Vose, including the construction of sanitation zones, reconstruction of wells and pumping stations, the rehabilitation and extension of the water supply system, including through a pilot subsidy water connection program, and the minor extension of water distribution networks. As a result, the percentage of the population receiving a clean water supply in Vose has increased from 32 to 70 percent, and in Farkhor from close to 0 to 60 percent. Cumulatively, 221,544 people have benefited and been covered by the original project and its AF with improved water sources, out of which 53 percent are women. The project is expected to close on April 30, 2016 with the following results: i) 1,766 improved community water points, ii) 19,248 new piped household water connections, iii) 38,805 piped household water connections that have benefited from rehabilitation works, iv) 90 percent of the population in Farkhor and Vose with improved solid waste collection; and v) 3,737 people in Farkhor and Vose benefitting from improved sanitation solutions. A key pillar of success and measure of sustainability under the project is its Citizen Engagement program, the result of which has led to proper operations and management of sanitation investments through the establishment and registration of Sanitation Zone Management Committees, which are comprised of community members who not only manage the operation of the zones and promote improved hygiene behavior but also collect user fees.

Due to the introduction of a modern billing and collection system, 100 percent of financial transactions of bills issued and collected are done automatically. In turn, it has contributed to the transparency and financial viability of target water utilities in Kurgan-Tyube, Dangara, Kulob, Farkhor, and Vose. The State Unitary Enterprise of Housing and Communal Services (SUE KMK) and its subsidiary branch of Kurgan-Tube Vodokanal use a pilot Management Information System (MIS) that allows for the tracking of water utility performance through the set of International Benchmarking Network (IBNET) indicators in the system. Subject to the successful performance of the system, its expansion is envisioned for the benefit of other target water utilities.

The AF also supported the Government in developing a Municipal Sector and Communal Services Development Strategy, as well as the Diagnostic Assessment of Housing and Communal Services in 26 Cities and Towns of Tajikistan, so as to identify mid- to long-term sector reforms. The findings of the strategy and diagnostic were presented and discussed with relevant government counterparts at the National Conference on “The Ways of Implementation of the Concept for Local Development in Tajikistan for the Period to 2030,” supported by the World Bank. In addition, US$2 million was made available to the Government under the project 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: 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 and is now completing a preschool services and facilities assessment. A nongovernmental organization (NGO) hired by the ministry completed a community mobilization campaign 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 Aga Khan Foundation (AKF)/UNICEF. 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 the secondary grades. A primary curriculum is being piloted in around 50 schools with 500 primary teachers who have undergone two rounds 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. Civil works are ongoing on 25 sites. More than 1,254 school directors have successfully completed training on school management. A new model of per capita financing of KGs has been developed with UNICEF support and is being piloted under the project beginning in January 2016.

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

Key Development Partners: United Nations Children's Fund (UNICEF), USAID, the Aga Khan Foundation (AKF), and EU.
TAJIKISTAN: HEALTH SERVICES IMPROVEMENT PROJECT

Key Dates:
Approved: July 30, 2013, AF approved June 26, 2015
Effective: December 11, 2013, AF effective December 4, 2015
New Closing Date: December 31, 2019
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 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 the quality of basic primary care services through a number of complementing activities, including: (1) introducing performance-based financing (PBF) to Rural Health Centers (RHCs) and Health Houses for a set of verified maternal, child health, and noncommunicable disease (NCD) services, as well for improvement in the structural and clinical quality of care in these facilities; (2) supporting the physical rehabilitation of and providing basic medical equipment for 37 RHCs, as well as the renovation of a regional training center; and (3) providing training to doctors and nurses, pilot testing a Continuous Quality Improvement approach in primary care, and pilot testing a citizen engagement approach in improving the accountability of the health facilities.

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. The AF extended HSIP activities to one additional district (Dangara) in Khatlon oblast and one district (Fayzabad) in the Districts of Republican Subordination (DRS), covering approximately 107 RHCs and Health Houses with a total population of 245,271. In addition to continuing HSIP implementation and institutional arrangements, the AF also provides technical assistance to the rollout of the Per Capita Financing policy that was adopted by the Government of Tajikistan at the end of 2015. The technical assistance also lays the foundation for expanding PBF to district poli-clinics and for integrating PBF into the primary care capitation payment, which will be completely rolled out on a national scale in 2019.

Results achieved:
✓ Incentive payments in the form of reimbursements for the quantity and quality of care have been provided to 297 PHC facilities in the eight pilot districts in 2015, totaling to US$888,990;
✓ PBF scheme rolled out to 297 PHC facilities in seven remaining project districts; in January 1, 2016, two new districts joined the PBF scheme, making the total number of facilities to date 439;
✓ First independent verification of PBF scheme, led by UNICEF, was successfully completed in January 2015, and the second round of independent verification was completed by mid-October 2015;
✓ 904 (272 doctors, 617 nurses, and 15 administrative staff) PHC providers, managers, and administrative personnel have been trained on PBF 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.

TAJIKISTAN: SOCIAL SAFETY NET STRENGTHENING PROJECT

Key Dates:
Approved: July 13, 2011
Effective: October 2011
Original Closing Date: December 31, 2015
Restructured: August 2014
New Closing Date: June 30, 2016

Financing in million US Dollars*:

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<td>Total</td>
<td>3.2</td>
<td>2.7</td>
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*Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

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

These reforms have already begun: the EU assisted the Ministry of Labor and Social Protection of the Population (MLSP) to pilot the reform of social assistance in two districts. The pilot consolidates the two largest social assistance programs into a single Targeted Social Assistance (TSA) program and uses a proxy-means test (PMT) to better target benefits to poor families. 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)-funded project has been supporting the development of core systems, tools, and capacity for rolling out the TSA program.

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 Ministry of Health and Social Protection of the Population (MOHSP), 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 further to 15 additional districts starting July 1, 2014. By end-2015, close to 60,000 households in 25 districts were enrolled to receive poverty benefits, which represents a coverage of 15 percent of all the families in those 25 districts. The project has fully equipped all the district-level data entry operators with computers, equipment, and furniture. The TSA Data Center has been established under the SASP and equipped with newly procured hardware. The Registry Management Information System (MIS) has been developed and tested and is in the process of deployment. The new improved PMT formula has been finalized and is being rolled out.

Key Partners: The Bank team is working closely with the MOHSP, the SASP, 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.
TAJKISTAN: SCALING-UP OF THE PILOT OF NUTRITION INVESTMENTS IN SEVERELY FOOD INSECURE DISTRICTS IN KHATLON - JAPAN SOCIAL DEVELOPMENT FUND GRANT

Key Dates:
Approved: May 15, 2013
Effective: May 7, 2014
Closing: May 7, 2018

Financing in million US Dollars:

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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 finished;
- 3,000 vulnerable households have been identified for provision of seeds and fertilizers;
- 3,000 households received training on the cultivation of agricultural crops
- 1,039 health workers and 300 community volunteers trained;
- Training of trainers on Feeding Infants and Children, 39 doctors from pilot districts in attendance;
- 300 doctors, 700 nurses, and 300 volunteers were trained on the basic rules of breast-feeding and supplementary feeding
- Information materials on proper nutrition have been amended and approved by the Ministry of Health and distribution is ongoing;
- Distribution of micronutrients and folic acid is ongoing;
- Nine 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.
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 complains 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 quality and labor market relevance through such activities 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.
Key Dates:
Approved: June 1, 2015 (signed on February 17, 2016)
Effective: August 9, 2016 (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.
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.
This section will be completed after the project is launched and the first results become available.

Key Partners: The project is implemented by the Ministry of Transport of the Republic of Tajikistan.
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