

DEVELOPMENT EFFECTIVENESS COUNTRY BRIEF

Tajikistan

Selected Country Indicators

Country Indicators	Comparison year	Most recent year
Gross domestic product per capita	\$170 (1995)	\$360 (FY2006)
Human Development Index rank	–	122/177 (2006)
Population living on less than \$2 a day (%)	81 (1999)	64 (2003)
Primary education net enrollment (%)	99.9	96.7 (2004)
Primary completion rate to grade 5 (% of relevant group age)	94.6 (1999)	91.9 (2004)
Ratio of literate females to males (% , 15–24 years)	100 (1990)	100 (2004)
Ratios of girls to boys in primary and secondary education (%)	–	45,6/54,4
Births attended by skilled health staff (% of total)	71% (2000)	71(2005)
Maternal mortality ratio (per 100,000 live births)	120 (1995)	100 (2006)
Under-5 child mortality (per 1,000 live births)	123 (1995)	118 (2004)
Tuberculosis cases (per 100,000 people)	195 (1990)	277 (2004)
Population with access to an improved water source (%)	–	59 (2004)
Population with access to improved sanitation (%)	–	51 (2005)
Fixed line and mobile phone subscribers (per 1,000 people)	–	44.8 (2003)
Electricity consumption per capita (kilowatt-hours)	–	2181.8 (2000)
Cost required for business start-up (% of households)	–	75.1 (2006)
Time required for business star-up (days)	–	67 (2006)

COUNTRY DEVELOPMENT SETTING

Overview of Country Achievements and Development Challenges

1. **Poverty and Human Development.**

Tajikistan is a small, landlocked country with a per capita income of \$360 per annum. After years of social and political turmoil and economic collapse, peace and stability have been restored, the economy is picking up, and living standards are improving from the dismally low levels experienced during most of the 1990s. Poverty incidence declined from a crushing 81% in 1999 to 64% in 2003, and evidence suggests that it has continued to decline since then. Even though the economy has recently been gaining momentum, Tajikistan faces serious challenges in reducing poverty and achieving the Millennium Development Goals (MDGs). The country's social and economic infrastructure remains in a poor state. Its remoteness from markets, aggravated by poor infrastructure, is a binding constraint to development. State institutions are weak and slow to adapt to new realities. The economy remains heavily dependent on commodity exports and remittances from abroad. The 1,200-kilometer (km) long border with Afghanistan makes Tajikistan an important transit country for drug trade, with related risks such as the spread of HIV/AIDS and corruption.

- ### 2. **Economic Growth and Macroeconomic Policy.**
- The Government, with the support of development partners, was successful in stabilizing macroeconomic indicators, transforming the economic system, and reversing the post-Soviet system

economic collapse. The economy grew at an impressive 9% per annum during 2001–2006. Inflation was maintained at acceptable levels, the exchange rate was stabilized, and the country's fiscal system was placed on sound footing. External trade has returned to normal levels and confidence in the banking system, which had plummeted during the civil war and the Russian currency crisis, has begun to improve. The restoration of political stability and internal order, as well as decisive economic reforms, played a key role in bringing about these achievements. Growing remittances from Tajik migrants—accounting for nearly 40% of gross domestic product (GDP) in 2006—supported domestic demand and largely boosted growth. However, the macroeconomic situation remains fragile, as evidenced by the high level of external borrowing (expected to rise to 57% of GDP by 2009) and the recent acceleration of inflation.

3. **Priorities of the Development Agenda.**

The Government recently finalized a 10-year national development strategy (NDS) and a 3-year poverty reduction strategy (PRS), showing a shift in gears from short-term crisis management to long-term development planning. The NDS provides a set of priorities for international assistance towards the MDGs. In its economic agenda, the Government puts a marked emphasis on private sector development, agrarian reforms, foreign direct investments, productivity gains, and

regional cooperation and integration. The total cost of the PRS is estimated at about \$5 billion, of which 57% is expected to come from foreign direct investments and domestic private sources. Nearly 45% of this financing has been confirmed to date.

To create an environment favorable to the private sector and foreign investors, the Government is in the process of formulating a Private Sector Development Strategy and a comprehensive Public Sector Governance Reform.

ADB'S CONTRIBUTION TO DEVELOPMENT RESULTS

Volume and Performance of ADB Operations

- Tajikistan joined ADB in 1998 following the cessation of the civil conflict. As of 30 June 2007, cumulative net lending to Tajikistan was \$304 million, comprising 20 investment loans and 3 Asian Development Fund (ADF) IX Grants

(totaling \$15.3 million). ADB assistance has been focused on rural development and on the transport, energy, and social sectors (figures 1 and 2). In addition, a total of 53 technical assistance (TA) projects totaling \$30 million, and 5 Japan Fund for Poverty Reduction (JFPR) grant projects amounting to \$9.7 million, were approved.

Figure 1

Asian Development Fund Loans and Grants Approved, 1998–2007 (\$ million)

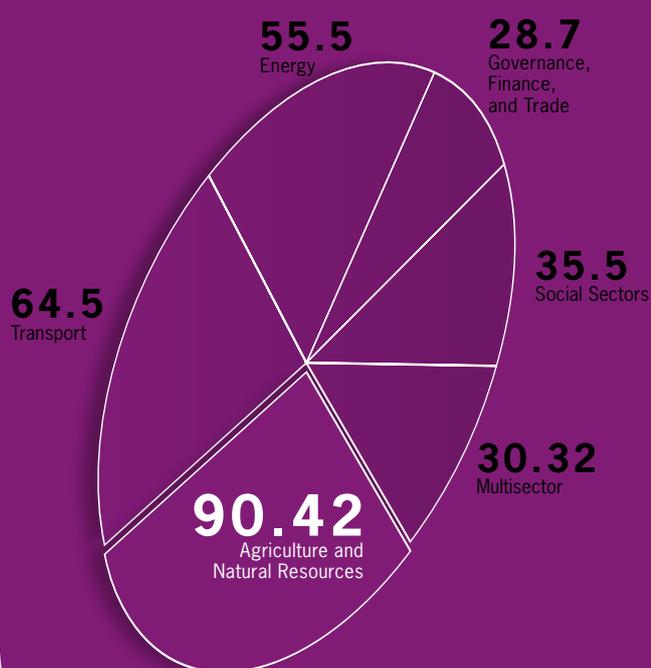


Figure 2

Asian Development Fund Loans and Grants Approved, 1998–2007 (number of projects)

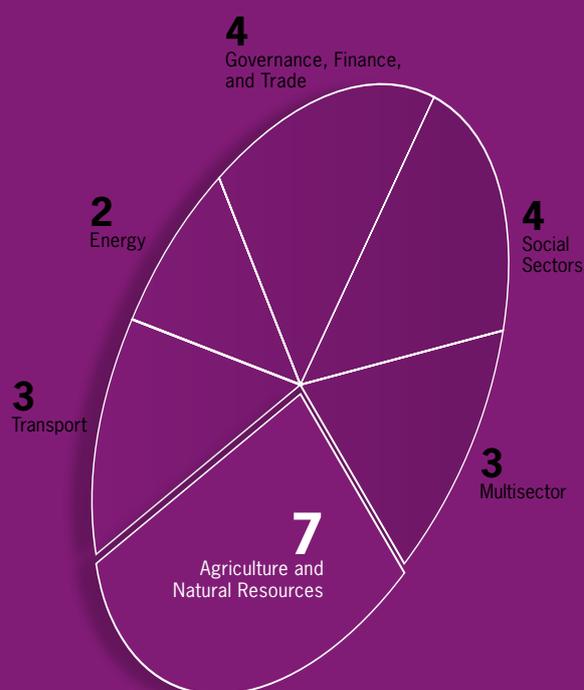


Figure 3

Annual Asian Development Fund Disbursements, 1999–2006 (\$ million)

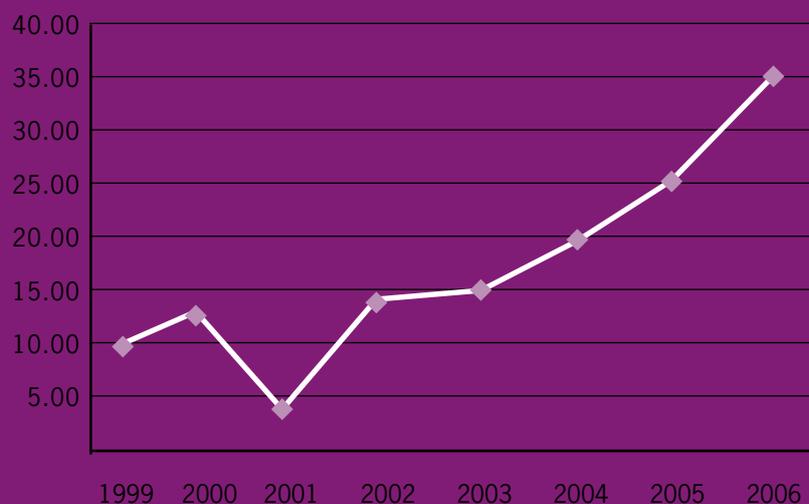


Figure 4

Project Completion Report Ratings, 2000–2005



5. The average disbursement ratio during 2004–2006 stood at 16.7% compared to 10.7% in 2001–2003 (figure 3). Disbursement and contract award ratios have consistently improved with the maturity of the portfolio and capacities of key counterpart agencies. Strengthening of ADB’s resident mission in Tajikistan also contributed to these positive trends.
6. **Project Implementation Performance and Success Rate.** Of the 20 loans provided to Tajikistan, eight have been closed. Of the 5 project completion reports undertaken between 2000 and 2005, 1 was rated highly successful, 3 successful, and 1 less than successful (figure 4).

ADB Social Sector Projects	Key Achievements
Social Sector Rehabilitation Project	<ul style="list-style-type: none"> • 117 schools and 190 health care facilities rehabilitated • Health care equipment provided and generic drugs and consumables provided to 190 rehabilitated health care facilities • 2.3 million copies of 27 titles printed for secondary school grades 5 to 9 • 63,017 teacher trainers and teaching staff, 256 social protection staff, 237 family doctors and nurses, and 192 local government public servants trained through cascading training methods
Education Sector Reform Project	<ul style="list-style-type: none"> • 600 education managers trained in policy and planning, pedagogical renewal, education management information system, and financial management • 76 schools rehabilitated and provided with school furniture, equipment, learning materials, and visual aids • Increase in net enrollment in project districts estimated at 10–20% • Improved quality of school inputs; new curriculum developed for Tajik language and physics in grades 5–11
School Improvement Program (JFPR)	<ul style="list-style-type: none"> • School directors, management staff and community leaders trained in decentralized primary and secondary education • 296 Parent-Teacher Associations established; parents, teachers, and community satisfaction reported to improve by 25% • Mechanisms of school improvement grant established, based on school proposals to improve access, attendance, and completion
Health Sector Reform Project	<ul style="list-style-type: none"> • National plans and strategies developed with priority given to equitable access to and use of basic health services • Strengthening of the capacity of ministry of health, and regional and district authorities in planning and managing service delivery • Republican Medicine and Procurement Center established • Two regional drug warehouses constructed • Drug quality control mechanism set up and equipment provided • Methodology on per capita financing developed and implemented in pilot districts • 600 doctors and nurses trained on family group practice • 60 health facilities rehabilitated and provided with equipment and medical consumables
Community Participation and Public Information Campaign for Health Improvement Project (JFPR)	<ul style="list-style-type: none"> • National Strategy for Public Information and Community Participation for Health Improvement developed

Central Asia South Asia Regional Electricity Market

Tajikistan already has an exportable surplus of electricity during summer. With additional hydropower generation capacity, this surplus is bound to increase and, eventually, Tajikistan will have year-round surplus electricity for export. Pakistan and Afghanistan, with significant electricity shortages, are potential export markets in the medium-term.

With the assistance of ADB and other development partners, the concept of Central Asia-South Asia Regional Electricity Market (CASAREM) has been

developed. CASAREM in its initial stage would include the establishment of a transmission system and corresponding trading arrangements for exporting approximately 1,000 MW to Pakistan via Afghanistan. As a first investment in CASAREM, ADB approved in 2006 the Regional Power Transmission Interconnection Project (Tajikistan and Afghanistan) to build a 220-kilovolt transmission line by 2009. A power purchase agreement to support initial trade under CASAREM is currently under negotiation with support from ADB.

Highlights of ADB Results

7. **Social Sectors.** Following the independence gained in 1991, Tajikistan initiated a series of reforms aimed at accelerating the move from a centrally-planned to a market-based economy. The cessation of economic transfer from the former Soviet Union, the civil war, and the subsequent political instability that lasted until 1997 resulted in a prolonged economic stagnation and a severe deterioration of social outcomes. The aftermath of the civil war and economic depression saw more than 83% of the Tajik population below the poverty line.
8. ADB responded to this postconflict situation by providing emergency-type assistance through social sector rehabilitation projects, typically aimed at restoring the physical infrastructure. In parallel, ADB supported gradual sector reforms by encouraging participatory policy development processes. The table on page 6 summarizes the key achievements of ADB projects in the social sectors.
9. **Energy Sector.** With about 40,000 megawatts (MW), Tajikistan possesses an important hydroelectric potential of which only 10% is exploited. The power sector accounts for about 5% of GDP and is considered a driver of export-led growth and economic diversification (see box on page 6). The sector has long suffered from a lack of investment and poor maintenance of infrastructures, which causes high network losses and poor system reliability.
10. Major institutional, pricing, and commercial reforms are still needed in the energy sector, and ADB is supporting these reforms. Under an energy sector action plan, gas tariffs have been brought in line with cost recovery levels. Electricity tariffs have increased but remain substantially below the financial viability level. ADB, through a TA, also helped prepare a long-term plan for the privatization of the power utility (Barki Tojik), and assisted in introducing principles of corporate governance and efficiency within the utility. Key results of ADB investment loans in the energy sector include the Baipaza landslide stabilization project under an emergency assistance loan (see box) and power supply rehabilitation under the Power Rehabilitation Project (see table on next page).
11. **Road.** With a combined length of about 26,000 km, consisting of 4,700 km of national roads and 21,300 local roads, Tajikistan's road network is the most important component of domestic transport. ADB has been intensively involved in supporting the road sector, both in terms of policy dialogue and investments, since the beginning of its operations in the country in 1998. Road

Emergency Baipaza Landslide Stabilization Project

In March 2002, an earthquake caused large volume of earth and rocks to slide down the mountainous banks of Vakhsh River downstream of the Baipaza Hydropower Station. The landslide disrupted the station's operations and caused a risk of blockage in the Vakhsh River, which generates nearly 80% of Tajikistan electricity production. The emergency assistance provided by ADB helped the Government carry out slope stabilization works, improve disaster preparedness, and study long-term solutions to natural risks. The project restored the initial level of reliability of power and irrigation water supplies by clearing the riverbed, allowing a water flow of more than 1,600 cubic meters per second (m³/sec), constructing 48.5 km of access road, and improving stability through major earthworks (0.73 million m³ evacuated and 1.6 km of slope drainage completed).

ADB Power Project	Key Achievements
Power Rehabilitation Project	<ul style="list-style-type: none"> • Rehabilitation and improvement of power-supply in poor war-damaged areas of Khatlon region • Rehabilitation and stabilization of 220 kilowatt (kW) Switchyard foundations in Nurek Hydropower Plant (HPP) • Installation works for two 200 MW transformers and related 220 kW and 110 kW circuit breakers and current transformer, as well as control and protection panels, 10 kW cable connections to the transformer at Novaya substation • Training on geo-radar equipment

ADB Road Projects	Key Achievements
Road Rehabilitation Project	<ul style="list-style-type: none"> • Rehabilitation of 103.5 kilometers (km) of the most deteriorated section of the road Dushanbe–Kurgan Tyube–Dangara Kulyab; • Improvement of around 90 km of rural roads • Equipment provided for road maintenance, laboratory, field material testing • Overall traffic levels on Dushanbe–Kulyab road doubled between 2002 and 2005 • Enhanced income in Khatlon region due to employment opportunities, reduction of transport costs, improved all-weather road access to markets
Dushanbe–Kyrgyz Border Road Rehabilitation Project (Phase I and II)	<ul style="list-style-type: none"> • Rehabilitation of the road linking Dushanbe to Darband in the Rasht valley and onwards to the Kyrgyz Republic; • First phase: rehabilitation of about 140 km of the two-lane highway from Dushanbe to Nurobod, and of 77 km of rural roads in the project area • Second phase: rehabilitation of 77 km of the central section and 12 km of the border section of Dushanbe–Kyrgyz Border road, as well as 60 km of rural roads

ADB Agriculture Projects	Key Achievements
Emergency Restoration of Yavan Water Conveyance System Project	<ul style="list-style-type: none"> • Irrigation water supply system provided to 11,724 hectares of land damaged by the earthquake and the consequent flooding • Access to potable water improved for 56,000 people • 4.2 kilometer (km) Loikasai bypass and intake structures constructed • 4.8 km long bypass canal remodeled with capacity increased from 4 cubic meter/sec to 23 cubic meter/sec
Agriculture Rehabilitation Project	<ul style="list-style-type: none"> • Enhanced crop yields through improved irrigation and drainage as a result of infrastructure improvements • Improved living conditions of farming communities in the project area • Management of irrigation, drainage, and potable water supply transferred to the beneficiaries
Irrigation Rehabilitation Project	<ul style="list-style-type: none"> • Policy reforms on cost recovery for operation and maintenance • 250 km of main irrigation canals, 510 km of secondary canals, 425 km of collector drains, 9 pump stations and associated facilities, and 9 headworks under rehabilitation • Easiest access to safe drinking water expected to benefit over 50,000 people • Improved agriculture technologies and training services to be available to more than 2,500 farmers (of which 25% are women), and expected to result in increased farm productivity and agricultural incomes

projects are considered critical to boost regional cooperation, especially by rehabilitating the corridors connecting Afghanistan and Tajikistan to the People's Republic of China. Major achievements of ADB projects in the subsector are summarized in the table on the previous page.

12. **Agriculture.** The agriculture sector contributes 22% of Tajikistan's GDP and employs 52% of the total workforce. Progress in reforming the sector has been slow and the traditional farm structures remain characterized by high inefficiencies. The Government of Tajikistan requested ADB assistance to enhance productivity of the cotton subsector, improve rural potable water supply, and promote rural development, as illustrated in the table on the previous page.

ADB'S AGENDA FOR ENHANCING PARTNERSHIPS AND AID EFFECTIVENESS

Current ADB Portfolio and Assistance Pipeline

13. The proposed 2007–2010 lending and grant program includes three programs and six projects totaling \$277.5 million (figure 5). Three regional projects are tentative, pending confirmation of ADF allocation from the subregional window. The nonlending program for 2008–2009 comprises eight TA projects for a total of \$4.7 million (figure 6). ADB's current assistance portfolio consists of 12 ongoing loans for a net amount of about \$220 million; all loans under implementation are rated as satisfactory (figure 7).

other development partners, possibly including the World Bank, the United Kingdom Department for International Development (DfID), the Swiss Agency for Development and Cooperation (SDC), and United Nations agencies. The CPS is expected to be managed through a results-based framework, drawing

Ownership, Alignment, and Managing for Results in ADB Operations

14. **Preparations for the Result-Based Country Partnership Strategy.** The next Country Partnership Strategy (CPS) for Tajikistan is due in 2008. ADB is planning to develop a joint country strategy with

Strengthening Results Management in Support of Poverty Reduction in Tajikistan

The TA is a flagship project of ADB in Tajikistan. It aims to improve the results management capacity of central parts of the Government, specifically the President's office, the Ministry of Economic Development and Trade, and the Ministry of Finance. At the end of the TA, the Government and development partners will be able to monitor the implementation of the Poverty Reduction Strategy (PRS) through a results and monitoring framework. Results management systems and procedures will be established in the concerned government agencies. This will make the PRS a powerful tool for planning overall development assistance to Tajikistan, enhancing country leadership in donor coordination, as advocated in the Paris Declaration on Aid Effectiveness.

Figure 5

Projected Asian Development Fund Approvals, 2007–2010 (\$ million)

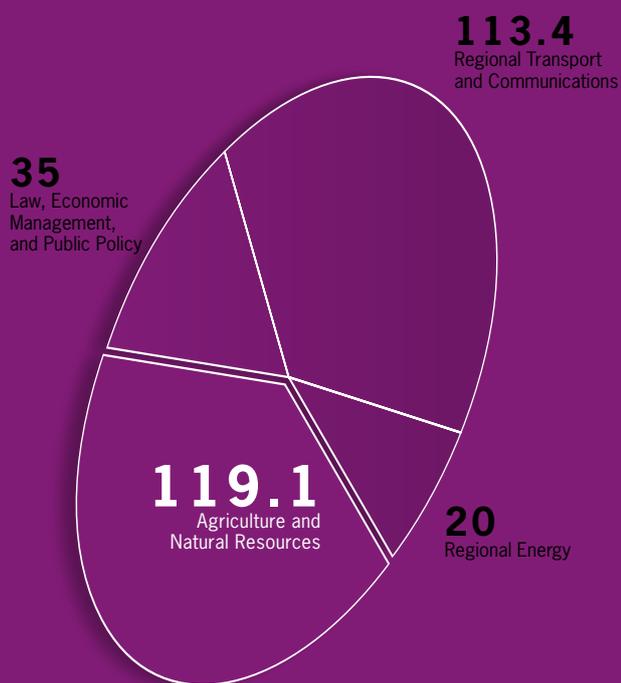


Figure 6

Projected Nonlending Assistance, 2008–2009 (\$ million)

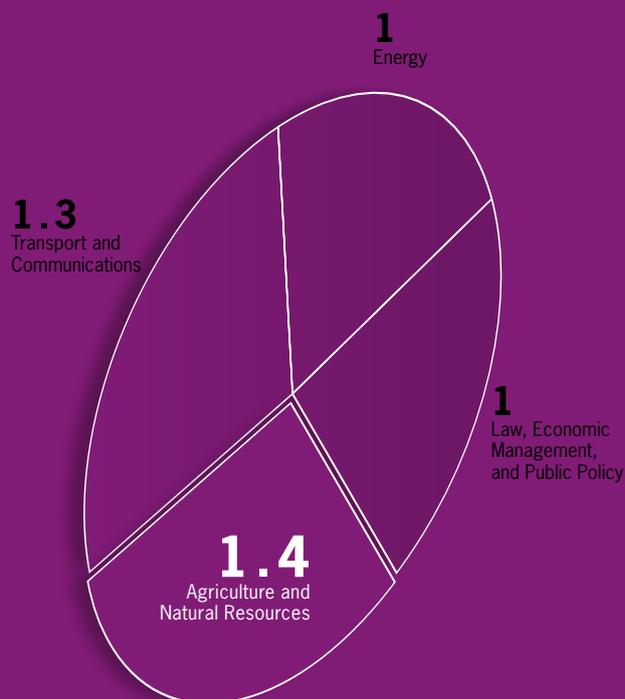
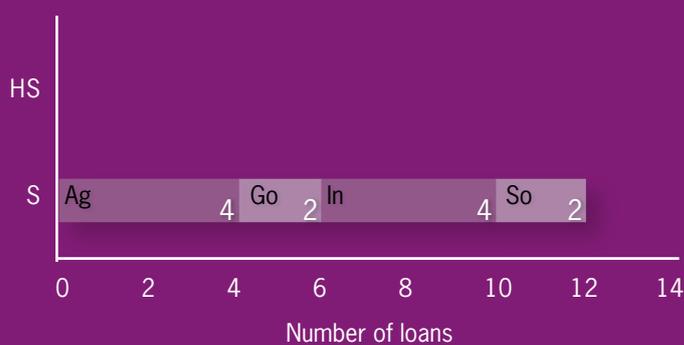


Figure 7

Project Performance Report Ratings (current)



Ag Agriculture, Environment, and Natural Resources
 Go Governance, Finance, and Trade
 In Infrastructure
 So Social Sectors

HS = highly satisfactory, S = satisfactory.

from an ongoing ADB advisory TA on Strengthening Result Management in Support of Poverty Reduction (see box on page 9) and anchored in Tajikistan's national development strategies. It will remain strongly embedded in the country's development agenda, keeping its focus on (i) the transport, trade facilitation, and energy priorities of the Central Asia Regional Economic Cooperation (CAREC) program; (ii) agricultural development through support to the implementation of the Roadmap for Agriculture reforms, essentially in relation to the cotton sector development and the crop diversification strategy; and (iii) investments in the social sector, with an expected shift from project-based interventions to more programmatic and sector-wide approaches.

15. **Use of Country Systems.** Most ADB assistance for Tajikistan, both lending and nonlending, has been channeled through the republican budget and integrated into development priorities of the country, as set out in the national development strategies. While country systems for financial management and procurement have to be strengthened to be widely adopted, ADB encourages the use of the National Procurement Law under its national competitive bidding procedures.

ADB's Role in Coordination and Harmonization Initiatives at the Country Level

16. **Donor Coordination and Harmonization at the Country Level.** A Donor Coordination Council was set up in 2005. ADB is a core member of this group, providing venue and secretariat facility to the council. The council has contributed to coordinated and joint analytical work, particularly in three major areas: (i) the preparation of the Roadmap for Agriculture reforms (the "Plan of measures for cotton debt resolution in the Republic of Tajikistan for 2007-2009," adopted by Government decree in March 2007); (ii) assistance to the formulation of the PRS and the NDS; and (iii) preparation of the Development Forum held in June 2007. Through its nonlending program, ADB, together with the Organization of the Petroleum Exporting Countries Fund for International Development and the Islamic Development Bank (IsDB), is currently assisting the Government in formulating institutional, pricing, and commercial reforms in the energy sector. Another important area of joint analytic work involving ADB, DfID, the European Commission, and the World Bank, is the formulation of a Private Sector Development Strategy.
17. At the operations level, ADB typically works with other development partners to plan and coordinate operations, carry out joint project reviews, and facilitate sector policy dialogue. Key partners include the World Bank, the European Bank for Rehabilitation and Development, and IsDB in the infrastructure sector, and the World Bank, United States Agency for International Development, DfID, SDC, Canadian International Development Agency, and the European Commission in rural development.

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