



Country Partnership Strategy

April 2010

Tajikistan
2010–2014

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 12 April 2010)

Currency Unit	–	somoni (TJS)
TJS1.00	=	\$0.2283
\$1.00	=	TJS4.36

ABBREVIATIONS

ADB	–	Asian Development Bank
CAREC	–	Central Asia Regional Economic Cooperation
CPS	–	country partnership strategy
GDP	–	gross domestic product
IMF	–	International Monetary Fund
JCPS	–	joint country partnership strategy
MDG	–	Millennium Development Goal
NBT	–	National Bank of Tajikistan
NDS	–	National Development Strategy
PPP	–	public–private partnership
PRC	–	People's Republic of China
PRGF	–	Poverty Reduction and Growth Facility
PRS	–	Poverty Reduction Strategy
TA	–	technical assistance

NOTE

In this report, "\$" refers to US dollars.

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I. DEVELOPMENT TRENDS AND ISSUES

A. Country Background

1. Land and People

1. **Geography.** Tajikistan is a small landlocked country with a population of 7.3 million. Its mountainous terrain, poor transport infrastructure, and general remoteness are natural barriers to investment and external trade. The country is located 3,000 kilometers from the nearest deep sea port. Soil degradation, deforestation, and water pollution, which started during the Soviet era, now affect the quality of its glaciers, the country's primary source of potable water, water for irrigation, and electricity generation. This may soon result in serious national and regional environmental problems.

2. **Poverty incidence.** Tajikistan is the poorest of the former Soviet Union republics. Its income per capita increased from \$130 in 2000 to \$550 in 2008.¹ About 53% of the population (rising to 70% in isolated rural and mountainous areas) earns only \$41 a month.² Income disparities remain large—the Gini coefficient is 0.51—with major differences by region. Food security is low, with variations by location and season.³

3. **Unemployment.** Unemployment is almost 40%. Migration is high. Almost 85% of migrants go to the Russian Federation. An estimated 40% of all households (71% of households in the lowest quintile) receive funds from family members working abroad. The global financial crisis in 2009 cut remittances and hit many families hard, especially the poorest. As a result, poverty rates are likely to increase in 2010. Job creation and fiscal stimulus measures are difficult under current macroeconomic conditions. Most safety net programs are underfunded.

4. **Human development and public services.** Tajikistan is likely to achieve only a few of the Millennium Development Goals (MDGs).⁴ Population growth, low public spending, and the civil war disrupted the quality and efficiency of most public services. School enrollment rates are low, and infant and child mortality high. Safety nets for vulnerable groups are weak, including those targeting the aged, women, children, and the unemployed. Tajikistan has a strong patriarchal tradition. Men play a dominant role within the family and society. Cultural stereotypes limit women's opportunities, often confining them to a maternal role. Women are six times less likely to be employed than men, and women's earnings are barely half those of men.

2. Institutions and Governance

5. **Accountability.** Many public institutions are inefficient and not transparent. Most lack sound internal controls and cash management systems. Budget execution is poor. The systems, procedures, and capacity to fight corruption are also weak. Legal and regulatory frameworks remain underdeveloped.⁵ Such shortcomings limit investment and job creation opportunities. The government has been attempting to deal with these deficiencies. In March 2006, it adopted a new public administration strategy targeting the restructuring of various institutions, the civil service, and many local administrations. A number of actions have already been undertaken, including the reorganization of public entities and institutions. A new public administration

¹ Gross national income per capita, *World Bank Atlas* method.

² Projections based on World Bank. 2008. *Tajikistan Living Standards Measurement Survey, 2008*. Washington, DC.

³ Table B1.c shows the main poverty and social indicators (Appendix 2)

⁴ Progress towards MDG targets is shown in Table B1.a (Appendix 2).

⁵ World Bank. 1996-2008. *Worldwide Governance Indicators*. Washington, DC. Tajikistan scores poorly in other major governance surveys, such the European Bank for Reconstruction and Development's Transition Indicators, the World Economic Forum's Global Competitiveness Index, and Transparency International's Corruption Perceptions Index.

system was developed for the country and approved by Presidential Decree 541 in September 2008. An action plan for its implementation is being refined, including supporting legislation. A national anti-corruption strategy was adopted in January 2008 and is being carried out by the State Committee on Financial Control and Fighting Corruption. A medium-term expenditure framework, with stronger internal financial controls, has been adopted and an independent external audit function has been created. A new procurement law and related regulations were enacted in 2006.

B. Economic Assessment and Outlook

6. **Macroeconomic performance.** Macroeconomic performance in recent years has included a high gross domestic product (GDP) growth of 8% annually, declining inflation, fiscal discipline, and a manageable external debt. Growth was fuelled mainly by high world prices for aluminum and cotton—Tajikistan’s principal exports—and by remittances, which rose from \$82 million (5% of GDP) in 2003 to \$2.6 billion (50% of GDP) in 2008.

7. The macroeconomic picture changed in 2007. The government lost considerable credibility after revealing that most of the country’s foreign exchange reserves had been either pledged, or could be called on to cover guarantees made by the National Bank of Tajikistan (NBT), the country’s central bank, to a private nonbank financial institution—ostensibly for cotton financing.⁶ Moreover, the NBT issued domestic credits equivalent to 8% of GDP to the same institution, almost tripling the base money supply. Meanwhile, increases in global food and fuel prices, alongside a lax monetary policy, pushed year-on-year inflation to almost 20% by end-2007. In addition, the 2007–2008 winter, the coldest in over 40 years, damaged crops and livestock pushed food prices even higher although inflation slowed during the second half of the year to under 12%. The current account deficit rose sharply to 11% of GDP in 2007 although it subsequently narrowed to less than 9% by end-2008.

8. Stricter expenditure controls and better than expected revenue collection meant that the overall fiscal balance improved to a surplus of 1.3% in 2008, up from a deficit of more than 6% of GDP in 2007. Similarly, reduced public borrowing, debt relief, and rapid GDP growth helped strengthen debt sustainability indicators: the ratio of nominal external debt to GDP fell to 26.7% by end-2008 from 38.9% in 2006.

9. Since early 2009, the global economic and financial crisis has hit the economy. First, reduced demand for migrant labor in the Russian Federation meant that remittances fell by as much as 35% (about \$800 million), equivalent to 15% of GDP. This cut private consumption, shrank construction activity, and, given the very low level of international reserves, reduced imports. Second, more than 460,000 labor migrants returned to Tajikistan, placing new demands on public services and pressuring the country’s social fabric. Third, weakening global demand and falling prices lowered the value of aluminum and cotton, which accounted for over 80% of exports in recent years. Fourth, while weak international links have limited the direct impact of the crisis on Tajikistan’s financial sector, its banking system is under stress from potentially nonperforming cotton-related debt, which in mid-2008 amounted to 22% of total bank capital. The 28% depreciation of the somoni in 2009, and the economic slowdown contributed to an increase in nonperforming debts, limiting the ability of financial institutions to extend credit. Finally, foreign direct investment, although not substantial, is likely to decline (to about \$100

⁶ The declaration of misreporting by the International Monetary Fund (IMF) and Tajikistan’s breach of ADB’s negative pledge clause were conveyed to the ADB Board of Directors through a 26 May 2009 information paper. The paper requested to waive the breach of the negative pledge covenant. The request was subsequently approved. Meanwhile, remedial measures for improved governance at the NBT have been put in place. These were prior actions for the IMF’s Poverty Reduction and Growth Facility (PRGF) approved in April 2009, and were monitored during the PRGF review in September 2009.

million in 2009), possibly affecting some large infrastructure projects. This will put pressure on the balance of payments, reserves, exchange rate and the current account.

10. **Speed of transformation.** Tajikistan's narrow economic base and high dependence on a few commodities and on remittances make it particularly vulnerable to exogenous shocks. The economy is diversifying but the process is slow. Nonetheless, the share of aluminum and cotton has fallen and that of nontraditional products is rising. Agriculture's share of GDP fell to 22% in 2007 (from 27% in 2000), while construction grew rapidly to 8%, driven by private investment and large public infrastructure projects. Industry, concentrated mainly in aluminum and hydroelectric power generation, accounted for about 27% of GDP.

11. **Business environment.** In the World Bank's *Doing Business 2010* report, which ranks countries based on their ease of doing business, Tajikistan ranks 152 out of 183 countries, 12 places higher than in 2009 but significantly lower than neighboring Kazakhstan (63) and the Kyrgyz Republic (41). While the private sector's share of GDP has increased slightly to 50% in recent years, its role is small by international and regional standards. The main obstacle is the poor investment climate resulting from inefficient application of legal and regulatory procedures for business entry and exit and a weak legal framework for protection of investors. Nevertheless, recent growth in catering, construction, and retail trade has occurred despite these and other hurdles. Longer-term constraints include the economy's small size, its narrow industrial base, and limited physical access to external markets. Infrastructure and manufacturing are dominated by large state-owned enterprises, such as Barki Tajik (electricity), Tajikgas, and TALCO (aluminum), whose reform and restructuring have proceeded very slowly.

12. A strategic framework to improve the business environment, especially for small and medium-sized enterprises, was approved in 2007. Reforms now underway concentrate on (i) simplifying the business registration process, (ii) increasing the efficiency of customs, and (iii) streamlining the business license, inspections, and permits regime. The State Committee on Investment and State Property Management is tasked with investment promotion. The Investment Council chaired by the President provides a forum for dialogue with investors. Initial efforts are being made to corporatize, and ultimately to sell, certain state-owned enterprises.

13. **Regional cooperation.** Tajikistan is a strong advocate of regional cooperation, and one of the most active participants in the energy, transport, and trade facilitation activities under the Central Asia Regional Economic Cooperation (CAREC) program. The Russian Federation remains its most important trading and investment partner. About 60% of gross inflows are from the Russian Federation (driven mainly by the Sangtuda I hydroelectric power station). The People's Republic of China (PRC) is also rapidly becoming a source of investment, trade and bilateral financing.⁷ Kazakhstan is also another significant partner. In 2008, Tajikistan and Afghanistan signed a power purchase agreement within the framework of an Asian Development Bank (ADB)-financed regional energy project enabling Tajikistan to export surplus electricity during the summer months and a transmission line is now being built.

14. **External assistance.** External assistance plays a major role in development expenditure financing and increased from about \$100 million in 1997 to \$300 million in 2009. Initially, this assistance was driven by humanitarian relief, but it is now directed mainly at economic and social development. The number of bilateral development partners has also grown. The PRC, Iran, Kazakhstan, the Russia Federation, and Saudi Arabia are now important partners. However, the level of financial resources available—\$36 official development assistance per capita—falls short of what is needed to achieve the MDGs and improve longer-

⁷ For example, \$600 million in 2006 for two high-voltage electricity lines connecting the north and south of the country and rehabilitation of a road linking Tajikistan and Uzbekistan; and a total of \$36.0 million for the period 2007-2009 for construction of road facilities, i.e., tunnels, and humanitarian aid.

term growth prospects. Against this background, in April 2009 the International Monetary Fund (IMF) approved a new 3-year \$116 million arrangement under its Poverty Reduction and Growth Facility (PRGF)—of which \$38.7 million was released immediately. The remaining financing needs for 2009 were met by ADB (\$40 million), the World Bank (\$20 million), and the European Union (\$24 million).

15. Short-term economic performance deteriorated appreciably in 2009. GDP growth was only 3.4%, down from almost 8% in 2008. Revenues were 15% lower than planned and the current account deficit for 2009 was 9.7% of GDP, up from less than 9% in 2008. The balance of payments financing gap reached \$155 million in 2009 although the gap is expected to narrow to \$45 million in 2010. The budget deficit for 2010 is estimated at 1% of nominal GDP.

16. **Challenges.** The principal challenges in the short to medium term include (i) restoring macroeconomic stability and managing external debt sustainably; (ii) accelerating reforms, including those aimed at private sector development and governance; (iii) improving physical transport infrastructure and energy security; and (vi) expanding regional cooperation.

C. Highlights of Previous ADB Country Strategy

17. **Focus on rural development and regional cooperation.** The strategic focus under the 2004–2008 strategy was rural development and regional cooperation. By end-2009, ADB had extended \$566.6 million in financing—\$372.5 million in loans, \$160.4 million in grants, and \$33.7 million in technical assistance (TA). Three sectors, comprising agriculture, rural development, and transport, accounted for over 80% of the assistance.

18. **Satisfactory portfolio performance.** The current portfolio contains 10 loans and 9 grants. ADB has paid special attention to implementation and as a result all projects are rated *satisfactory*. Cumulative disbursements amount to \$229.1 million. Meanwhile, the annual net transfer of resources (i.e., grant or loan disbursements less principal repayments and interest) increased from \$19 million in 2004 to \$59.9 million in 2009. The annual average net transfer during 2005–2009 was \$40.6 million, compared with \$10.6 million during 1999–2003. Cofinancing during 2000–2009 reached \$18.6 million.

19. **Lessons.** The Country Strategy and Program Final Review, 2004–2008 indicated that energy and transport infrastructure networks improved as a result of ADB assistance. Agriculture, natural resources, and rural infrastructure also benefited. CAREC became a flagship activity during the period. The key lessons were: (i) the importance of a shared strategic vision and, wherever possible, an agreed approach on policy and sector issues, and (ii) the need for much narrower sector coverage to ensure critical mass and impact. ADB had not been selective enough and had supported too many small projects with fragmented procurement packages. The report also called for better results monitoring and reporting.⁸

II. THE COUNTRY STRATEGY

A. Government National Strategy

20. **National development and poverty reduction strategies.** Tajikistan's development goals were articulated in its first Poverty Reduction Strategy (PRS-I), 2002–2006⁹. In 2007, the government issued a new 10-year National Development Strategy (NDS) for 2006–2015. This builds on PRS-I and targets three main goals: (i) promotion of sustainable economic growth, (ii) improved public administration, and (iii) development of human resources. PRS-II covered

⁸ Country Strategy and Program Final Review, 2004–2008 (Appendix 2).

⁹ Government of the Republic of Tajikistan. 2002-2006. *Poverty Reduction Strategy (PRS-I)*. Dushanbe.

2007–2009,¹⁰ and a third (PRS-III), 2010–2012,¹¹ was approved in February 2010. It focuses on three pillars:

- (i) **Functional pillar.** Targets economic growth and poverty reduction through (a) macroeconomic stability, (b) improved investment climate and reforms, (c) private sector development, and (d) regional cooperation and integration.
- (ii) **Production pillar.** Focuses on energy security, efficiency and trade, transport infrastructure, agro-industry, logistics and trade. On energy, the government emphasizes two transactions (a) the Central Asia–South Asia Regional Electricity Market Project, a high-voltage power transmission line from Tajikistan to Pakistan via Afghanistan; and (b) a new 3,600 megawatt hydroelectric power station (Rogun). The World Bank is carrying out feasibility studies on both initiatives.
- (iii) **Social pillar.** Aims to broaden access to basic social services through the development of the health care system, education, science, water supply, sanitation, housing, gender equality, and ecological stability.

21. **Development partners and aid effectiveness.** A recent study on aid effectiveness in Tajikistan concluded there was scope for better coordination.¹² Some activities are duplicated, and others supply-driven, not well aligned with country priorities, or unpredictable. The study calls for more joint planning, monitoring and evaluations. The government wants more strategic focus, alignment with its own strategic priorities, and cofinancing.¹³

B. ADB Country Strategy

1. Approach and Criteria

22. **Criteria.** The new country partnership strategy (CPS) is based on several guiding principles (i) close alignment with the government's priorities, (ii) compatibility with ADB's Strategy 2020,¹⁴ (iii) operational track record, (iv) size of the resource envelope, and (v) strategic choices made by other partners. Other principles include the need for selectivity, critical mass and continuity in chosen sectors; flexibility; a combination of finance and knowledge products; and the blending of public and private sector assistance. The resulting CPS responds to the objectives of the government's NDS and ADB's Strategy 2020.¹⁵ The CPS sets out a roadmap to anchor phased physical and non-physical investments to improve connectivity, energy security and private sector development. Regional cooperation will be a binding theme.

2. Strategic Framework and Operational Priorities

23. **Sectors and themes.** ADB will work on energy, transport, and the reform agenda. Crosscutting themes include regional cooperation, capacity building and governance, especially public financial management, procurement, and anticorruption activities, climate change and the environment, and gender mainstreaming. Energy and transport operations will be in areas of the country that facilitate intra- and inter-regional connectivity and trade. They will be consistent with CAREC's regional strategies. ADB's continued involvement in these two sectors will build on its

¹⁰ Government of the Republic of Tajikistan. 2007-2009. *Poverty Reduction Strategy (PRS-II)*. Dushanbe.

¹¹ Government of the Republic of Tajikistan. 2010-2012. *Poverty Reduction Strategy (PRS-III)*. Dushanbe.

¹² Wolfenson Center for Development, Brookings Institution. 2008. *Tajikistan: Aid Effectiveness Study*, Washington DC.

¹³ Table B1.e shows a development coordination matrix (Appendix 2).

¹⁴ ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank*. 2008-2020. Manila

¹⁵ Table B1.4 shows the CPS formulation (Appendix 2).

established track record in Tajikistan, exploiting its comparative advantage and strengths. Expected results will include: (i) an improved road network, efficiently operated and maintained, that facilitates greater regional communications, trade, and transport; and (ii) clean and renewable energy through an expanded, more efficient and reliable power generation and transmission system, with fewer losses and the potential to increase exports. The proposed explicit focus on private sector development reforms will improve the environment for domestic and foreign investment, increase public–private partnerships (PPPs) in infrastructure development and service delivery, and lead to a more enterprise-friendly business climate. The CPS and sector results will be monitored twice a year, based on the results framework (Appendix 1).

24. **Energy.** This is a top priority. In Tajikistan, especially in the rural areas, the lack of adequate energy supply has been a serious obstacle for development. Tajikistan faces electricity shortages in winter but generates surpluses in the summer. Winter supplies are unreliable; the problem is further compounded by high domestic system losses, poor financial management, and an unsustainable tariff regime. Tajikistan has the potential to develop and export hydro-based energy. Its natural markets for summer surpluses are in Central Asia although Afghanistan and Pakistan also have significant energy deficits. Less than 10% of Tajikistan's hydropower potential is exploited. Gas reserves are estimated at 850 billion cubic meters and coal deposits at 4 billion tons. Developing these will require several billion dollars and strong private sector investors. ADB supports clean and environmentally sustainable energy operations, the modernization of transmission and distribution facilities and sector reforms. ADB is the largest multilateral development partner in Tajikistan's energy sector. Since 1998, four operations have been approved totaling \$115.6 million: \$34 million for the Power Rehabilitation Project (2000), \$5.3 million for the Emergency Baipaza Landslide Stabilization Project (2002), \$21.5 million for the Tajikistan–Afghanistan Power Transmission Interconnection Project (2006) and \$54.8 million for the Nurek 500 kV Switchyard Reconstruction Project (2008). In addition, 10 TA grants totaling almost \$8 million have been provided for project preparation, institution building and policy advisory activities, including for: (i) improvements in Barki Tajik's institutional structure, operational efficiency, and financial performance; and (ii) development of regional energy trade with Afghanistan and other countries in Central and South Asia.

25. Activities over the next five years will include: (i) rehabilitation of existing hydro-plants and transmission lines; (ii) construction of new, clean, and renewable energy plants; (iii) promotion of private sector participation, including PPPs; and (iv) support for institutional and tariff reforms. ADB is working with Barki Tajik to improve its performance, including increasing cash collections and maintenance and cutting technical losses. The reform agenda includes better and more predictable legal and regulatory frameworks, a revised tariff regime, better governance, and more private sector participation. The ADB strategy targets public and private sector investments, mixes physical investment with capacity and reforms, and is sequenced. It also promotes regional cooperation in the framework of the CAREC program.

26. **Transport.** External trade accounts for almost two-thirds of GDP. Trade requires a good transport system and efficient border points. Tajikistan's extensive network of roads, railways, and airports was built during the former Soviet Union times, but inadequate maintenance, the civil war, and natural disasters have left it in a bad state of repair. Roads are the dominant mode, carrying 90% of passenger and 68% of cargo traffic. Links to the PRC and South Asia are underdeveloped. The country's inaccessibility and topography lead to very high transport costs.

27. Tajikistan's transport strategy emphasizes the rehabilitation and expansion of the existing road network. The strategy calls for more attention to maintenance, asset management and

private sector involvement.¹⁶ The CAREC Transport and Trade Facilitation Strategy¹⁷ (2007) and its action plan (2008) are aligned with the national strategy. ADB is the largest multilateral development partner in Tajikistan's transport sector. Since 1998, four operations have been approved totaling \$138.4 million: \$20 million for the Road Rehabilitation Project (2000), \$45 million in two loans for Dushanbe–Kyrgyz Border Road Rehabilitation Project (2003 and 2005), and \$53.4 million for the CAREC Regional Road Corridor Improvement Project (2007), together with a supplementary financing in 2009 for \$20 million. In addition, 11 TA grants totaling almost \$7 million have been provided for project preparation and implementation, institution building and policy advisory activities, for: (i) the Transport Sector Master Plan; (ii) community-based rural roads; (iii) strengthening implementation of road maintenance; and (iv) regional railway improvement. ADB's future support will focus on domestic and regional road links, especially with the PRC, the Kyrgyz Republic, and Uzbekistan. The outcomes will be (i) an improved road network, more efficiently operated and maintained; and (ii) easier cross-border transit arrangements, including fewer trade barriers. Physical infrastructure will be combined with better border points based on the "single window" concept, backed whenever possible by cross-border agreements and improved institutional effectiveness.

28. Private sector and public services. There is an urgent need to develop the private sector and revamp national and local public resource management. Tajikistan's poor investment climate affects both domestic and foreign investment. To address this problem, the government is implementing measures to shorten the time it takes to open or close a business, improve access to credit and property registration, clarify and simplify the legal and regulatory frameworks, and reduce trade barriers. The government has also adopted initiatives like the "single-window" approach, which unifies and simplifies export and import procedures to encourage trade. However, the risks are still significant for investors. ADB will support public management reforms and improvements to the business and investment climate. Greater government efficiency will mean better social services delivery and more private sector investment and financial intermediation. Improving Tajikistan's ranking in the World Bank's *Doing Business* report is a key target.

29. To support private sector development, Tajikistan is working to improve energy, transport, and water infrastructure, mostly through the externally financed public investment program. Most of these projects are for infrastructure and they will have implications for the expenditure side of the budget, as spending on maintenance will grow in future. The participation of the private sector in developing and maintaining infrastructure can help to restrict infrastructure expenditures and the budget deficit, as well as to promote the private sector. Tajikistan has great potential to supply the region with energy and transport. PPPs can help to develop the private sector. The government is also encouraging PPPs through its "200 Days of Reform" program, which aims to support private sector development.

30. Agriculture and social services. ADB will move out of agriculture and social services. These sectors are important, but other agencies, particularly the World Bank, will work on them. ADB's financial envelope is limited to the Asian Development Fund and is relatively small. ADB and the government have agreed that ADB should be selective and build critical mass in a few areas.¹⁸

¹⁶ Road safety, public transport, and nonmotorized transport will be also considered in road investment projects, as well as integration of rail, road and other modes.

¹⁷ ADB. 2007. *CAREC Transport and Trade Facilitation Strategy*. Manila.

¹⁸ Table B1.e shows a matrix of activities in these sectors by development partners (Appendix 2).

3. Addressing Thematic Concerns

31. **Regional cooperation.** Tajikistan is a strong advocate of regional cooperation and integration. Its participation in CAREC underpins the energy, transport, and trade facilitation programs. ADB assistance will focus in these areas.

32. **Governance.** Strengthening accountability, improving transparency, and reducing corruption are crucial to improving Tajikistan's credibility among investors and partner agencies. Tajikistan needs to raise the bar in each of these areas. ADB will support the authorities to draft and execute specific action plans. A national governance risk assessment has been carried out, as have assessments on energy, transport, public financial management, procurement, and anticorruption activities.

33. **Environment and climate change.** Tajikistan is one of nine countries and two regions selected to participate in the Pilot Program for Climate Resilience (PPCR) which is part of the Strategic Climate Fund, a multi-donor trust fund within the Climate Investment Funds. The program aims to provide incentives for scaled-up action and transformational change in integrating consideration of climate resilience in national development planning consistent with poverty reduction and sustainable development goals. ADB, along with the World Bank and other development partners, will help develop adaptation and mitigation measures. Investment priorities include alternative energy, energy efficiency, renewable energy, flood mitigation measures, and construction of reservoirs for small- and medium-sized hydropower schemes. Some donors are looking at reforestation and extending cultivated areas. Tajikistan is included in a regional climate change TA program for countries covered by the ADB Central and West Asia Department¹⁹ focused on building capacity and creating awareness.²⁰

34. **Gender.** Women and children are among the most vulnerable segments of the population. During the CPS period, ADB will actively explore opportunities for gender mainstreaming, such as creating income-generating opportunities for women and enhancing equal access to basic services. There is a need to improve the access to credit for poor women, especially poor households headed by women. An ongoing regional TA²¹ is addressing some of these issues. Another regional TA exclusively designed for capacity building and gender mainstreaming initiatives is under preparation for 2010. It is recognized that the strategic focus on transport and energy limits gender-mainstreaming opportunities. Nevertheless, ADB will pursue this agenda during the CPS period. As a minimum target, the majority of ADB-financed projects will be backed by detailed social analyses and include gender aspects.

III. STRATEGY IMPLEMENTATION

A. Indicative Resource Parameters

35. **Financing volume.** Public sector operations during 2010–2012 are expected to reach \$252 million, nearly \$84 million annually. This is about 35% higher than in the previous CPS period. This is subject to Tajikistan's rating in the country performance assessment. TA grants will average \$1.7 million annually. Financing for Tajikistan is at present in the form of grants, but this may change subject to debt sustainability conditions. An improvement in debt sustainability would allow the country to receive loans, or a mix of loans and grants. Private sector operations are more difficult to estimate although special efforts will be made to expand business. ADB will also seek cofinancing from other partners.

¹⁹ ADB. 2009. *Technical Assistance for Enabling Climate Change Interventions in Central and West Asia*. Manila.

²⁰ Environmental indicators are shown in Table B1.d (Appendix 2).

²¹ ADB. 2006. *Technical Assistance for Promoting Rural Women's Entrepreneurship in Transition Economies*. Manila.

36. **Cost-sharing arrangements.** A cost sharing ratio of up to 99% is proposed for projects and TA projects. The financing plans of individual transactions will vary according to specific circumstances. Up to 100% of recurrent costs will be eligible for ADB cover, taking into account sustainability considerations. Finally, the costs of land acquisition and rights of way, as well as taxes and duties, will be eligible for ADB financing.²²

B. Program Overview

37. **Public sector.** Four project grants and one program grant are envisaged during 2010–2012: two energy projects, one transport project and two reform interventions. The program will also comprise three TA projects annually (Tables 1 and 2). The program will be adjusted as needed through a rolling country operations business plan.²³

Table 1: Planned Investment Program, 2010–2012
(\$ million)

Sector	2010	2011	2012	Total
Energy	116.0		26.0	142.0 (56%)
Transport		51.0		51.0 (20%)
Reforms:				59.0 (24%)
Investment climate	34.0			
Access to finance			25.0	
Total	150.0	51.0	51.0	252.0 (100%)

Source: ADB staff estimates.

Table 2: Planned Technical Assistance Program, 2010–2012
(\$ million)

Sector	2010	2011	2012	Total
Energy	0.50	0.50	0.50	1.50 (30%)
Transport		0.50	0.50	1.00 (20%)
Reforms	0.80	0.50	0.50	1.80 (35%)
Climate change	0.78			0.78 (15%)
Total	2.08	1.50	1.50	5.08 (100%)

Source: ADB staff estimates.

38. **Private sector.** Private sector operations will focus on oil, gas, transport, cement, telecommunications, water and other natural resources, and environmental improvement. Private sector engagement in the finance sector may include credit lines through financial intermediaries. ADB will also emphasize trade finance and microfinance. The public and private sector teams in ADB will work closely together throughout the CPS period.

39. **Coordination.** In November 2009, 12 development partners²⁴ completed a broad-based Joint Country Partnership Strategy (JCPS): 2010–2012. This commits them to a single common strategic framework and to measures to (i) strengthen mutual accountability; (ii) improve the predictability of assistance; (iii) reduce transaction costs; (iv) move toward programmatic, and in selected cases sector-wide, approaches; and (v) encourage a rational division of labor. The JCPS will also strengthen the government's capacity to plan, manage, monitor results, and evaluate the impact of development assistance. Key partners include the Asian Development Bank, Aga Khan Fund for Economic Development, Department for International Development of

²² Table B3 shows country cost-sharing arrangements and eligible expenditure financing parameters (Appendix 2).

²³ More details can be found in Table C1, country operations business plan (Appendix 2).

²⁴ Aga Khan Foundation, Asian Development Bank, European Bank for Reconstruction and Development, European Union, Germany, Organization for Security and Co-operation in Europe, Swedish International Development Cooperation Agency, Swiss Development Cooperation, Department for International Development of the United Kingdom, United Nations, United States Agency for International Development, and World Bank Group

the United Kingdom, European Union, European Bank for Reconstruction and Development, Germany, Islamic Development Bank, Japan International Cooperation Agency, Kuwait Fund, OPEC Fund for International Development, the PRC, Saudi Fund, Swiss Development Cooperation, United Nations, United States Agency for International Development, and World Bank. Cofinancing opportunities will be sought with these and other agencies, as well as with the private sector.

40. External funding and coordination among donors and the government is undertaken through the Donors Coordination Council, which has several working groups that deal with sectoral policy and issues. ADB plays a leading role in the energy and transport working groups, as well as in coordinating the implementation of the JCPS.

IV. RESULTS MANAGEMENT

A. Monitoring

41. The NDS and PRS emphasize the need to achieve results through defined benchmarks and targets. The government has established a high-level National Development Council to manage, monitor, record, and report on results. Key ministries and agencies have either established separate PRS monitoring units or will use to existing ones for monitoring.

42. Most indicators included in PRS are difficult to measure. The majority also lack baseline data. A lesson learned from past strategies is to have fewer, more realistic, and measurable indicators. Another lesson is to focus on realistic targets. To improve the capacity of the government to mainstream a results-based approach to policy formulation, resource allocation, and program implementation, ADB provided a TA project,²⁵ which has just been completed. The design and monitoring frameworks for investment projects and TA programs will be closely monitored. ADB will improve its arrangements for regular results monitoring. The resident mission will take the lead on this. A new headquarters–resident mission joint venture approach is already supporting this work. The CPS and sector results will be monitored twice a year, based on the results framework (Appendix 1).

B. Risks

43. The CPS faces several risks associated with: (i) the impact of the global crisis on the country's already weak macroeconomic situation, (ii) excessive external borrowing, (iii) trade disruptions with neighboring countries, and (iv) waning political commitment to reform. There is also the risk of weak public administrative and managerial capacity.

44. The CPS includes specific measures designed to mitigate these risks, including short-term responses to maintain macroeconomic stability, effective external debt management based on the government's agreement with the IMF under the PRGF, promotion of regional trade and investment under the CAREC program, and continued policy dialogue and capacity building for improved governance and reforms. In line with ADB's governance and anticorruption action plan, risk assessments and risk management plans were prepared for the country, road and energy sectors, public financial management, procurement, and anticorruption activities.²⁶

²⁵ ADB. 2006. *Technical Assistance to the Republic of Tajikistan for Strengthening Results Management in Support of Poverty Reduction*. Manila.

²⁶ A risk management plan is shown in Table A7 (Appendix 2).

COUNTRY PARTNERSHIP STRATEGY RESULTS FRAMEWORK

Country Development Goals			
1. Increase the country's energy generation potential. 2. Improve the quality of internal and external transportation links. 3. Support private sector development and facilitate access to finance.			
Sectors Selected by ADB			
Government Sector Objectives	Sector Outcomes that ADB Contributes to and Indicators	ADB Areas of Intervention	ADB Indicative 5-Year Resource Allocation and Thematic Priorities
1. Energy (Strategy 2020 Core Area 1: Infrastructure)			
Increase harvesting of energy potential to alleviate electricity shortages and increase electricity exports Increase average daily availability of electricity from 18 hours in 2009 to 24 hours by 2014 Reduce sector-wide deficit from 20.5% in 2009 to 0% (breakeven) by 2014	Outcomes Reduction in winter energy deficit Sustainable financial performance in electric sector Regional trade in electricity on commercial basis Increased private sector participation Indicators Tariffs increased to cover costs by 2011 Collections to reach 90% of billings by 2012 Reduction in winter deficit from 3TWhs to 1TWhs by 2013 Annual summer electricity exports reach 2.5TWh by 2012 Annual winter electricity imports reach 2TWh by 2012 Construction of 200 megawatt coal-fired power plant by 2014 Energy efficiency improves by 10% (reduction in energy intensity) Institutional and capacity strengthening of the public agency in charge of energy restructured by 2014	Electrical power generation, transmission and distribution, retail competition, distribution loss reduction	\$197 million for the sector, representing 55% of total CPS envelope of \$362 million (investment and TAs projects) for the period 2010–2014). Out of the \$197 million: RCI – 100% GEN – 10% PSD – 10% Note: The percentages for the thematic contribution (in terms of amount) do not necessarily add up.
2. Transport and ICT (Strategy 2020 Core Area 1: Infrastructure)			
Growth in freight turnover by 6.5% per year Growth in passenger turnover by 2.5% per year	Outcome Transport infrastructure improved Sufficient road maintenance funding Road maintenance works outsourced	Expressways, national roads, provincial roads, district roads, road services, road safety, road maintenance, road transport policies and reforms	\$103 million for the sector, representing 28% of total CPS envelope of \$362 million (investment and TA projects) for the period 2010–2014). Out of the

	<p>Competition in road operations and maintenance increased</p> <p>Cross border barriers reduced Competent PIU staff retained for facilitating project implementation</p> <p>Indicators Dushanbe–Kyrgyz Border Road rehabilitated by 2013</p> <p>Increased annual expenditure on road maintenance by the same rate as overall annual national budget by 2012</p> <p>Community-based maintenance of rural roads strengthened</p> <p>At least four road maintenance contracts with the private sector will be entered into by 2011</p>		<p>\$103 million:</p> <p>RCI – 100%</p> <p>GEN – 10%</p> <p>PSD – 10%</p> <p>Note: The percentages for the thematic contribution (in terms of amount) do not necessarily add up.</p>
3. Private Sector Development ^a			
<p>Increase the contribution of the private sector to GDP from 48% to 55% by 2012</p> <p>Increase the volume of gross private investment attracted (with the exception of investments in the primary sector) by 10% per year</p>	<p>Outcome Institutional reforms for private sector development implemented</p> <p>Overall investment and business risks and costs reduced</p> <p>Lowered entry barriers for investors and entrepreneurs</p> <p>Investments in infrastructure projects being carried out under PPP framework</p> <p>Indicators Improvement in rating from in the World Bank's <i>Doing Business</i> report</p> <p>Increase in both foreign direct investment and the number of new businesses registered.</p> <p>Number of new and amended laws approved</p>	<p>Policy reforms, private sector investments, PPPs</p>	<p>\$62 million for the sector, representing 17% of total CPS envelope of \$362million (investment and TA projects) for the period 2010–2014). Out of the \$362 million:</p> <p>PSD – 100%</p>

CPS = country strategy and program, GEN = gender equity, kV = kilovolt, PIU = project implementation unit, PPP = public–private partnership, PSD = private sector development, RCI = regional cooperation and integration, TWhs = terawatts per hour.

^a Private sector development is not a sector, but it has been included because of the importance it has for successful implementation of the CPS. However, its inclusion implies a double counting since PSD cuts across all sectors.

Source: ADB staff estimates.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/CPS/?id=TAJ-2010>

A. Core Knowledge Products

1. Economic Analysis
2. Poverty Analysis
3. Gender Analysis
4. Environmental Assessment
5. Private Sector Assessment
6. Summary Sector Assessments
7. Risk Management Plan

B. Key Supporting Documents

1. Country and Portfolio Indicators
 - a. Progress toward the Millennium Development Goals and Targets
 - b. Country Economic Indicators
 - c. Country Poverty and Social Indicators
 - d. Country Environment Indicators
 - e. Development Coordination Matrix
 - f. Portfolio Indicators—Portfolio Amounts and Ratings
 - g. Portfolio Indicators—Disbursements and Net Transfers of Resources
 - h. Project Success Rates
 - i. Portfolio Implementation Status
2. Country Performance Assessment Ratings
3. Country Cost-Sharing Arrangements and Eligible Expenditure Financing Parameters
4. Country Partnership Strategy Formulation
5. Country Strategy and Program Final Review, 2004–2008
6. Country Operations Business Plan, 2010–2012

C. Other Reference Documents

1. Joint Country Partnership Strategy: 2010–2012
2. Joint Country Portfolio Performance Review
3. Regional Cooperation and Integration Assessment