
POVERTY PARTNERSHIP AGREEMENT

between

the

Government of the Republic of Tajikistan

and the

ASIAN DEVELOPMENT BANK

1 December 2002

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I. INTRODUCTION

1. This Poverty Partnership Agreement (PPA) between the Government of the Republic of Tajikistan and the Asian Development Bank (ADB) lays down their shared vision for reducing poverty in Tajikistan. The Agreement is guided by the objectives and strategic directions embodied in the Government's Poverty Reduction Strategy Paper (2002) and the ADB's Long-Term Strategic Framework (2001) for eliminating poverty in the Asia and the Pacific region. This Agreement defines the long-term vision for the cooperation between the Government of the Republic of Tajikistan and ADB, and delineates the key strategies and focal areas for poverty reduction in the short, medium, and long term. It contains the agreed targets and milestones for poverty reduction and reflects the parties' commitments to their attainment. It also sets out a monitoring and evaluation plan to track performance vis-à-vis targets in a participatory manner. This will allow revision of the PPA to respond to the changing environment during annual reviews.

II. LONG-TERM GOAL AND STRATEGY (2002-2015)

2. Prior to its independence in 1991, Tajikistan was one of the poorest countries of the Soviet Union. However, unlike the less developed countries in Asia and Africa, Tajikistan at the time enjoyed a human development index comparable to middle-income economies. After independence, however, this situation changed. A combination of internal and external factors¹ resulted in an increase in the incidence of poverty. By 1999, a majority of the Tajik population was considered poor. Poverty did not only mean material poverty but it also meant growing inequality, increasing economic and social disparities that particularly disadvantaged women, and a worsening human development situation due to the lack of access to essential services.

3. The underlying causes of poverty in Tajikistan are the: (i) slow development of economic, political, and social infrastructure that support a market-oriented system, (ii) public budgetary constraints that leave little room for increased social expenditures, (iii) weak governance, (iv) hindrances to the establishment and expansion of a vibrant private sector, and (v) lack of access to markets. The country's transition to a market system is a difficult process. The Government has had limited exposure to the functioning of a market economy, and the corresponding administrative, legal and regulatory framework and institutions are still in the process of being developed to: (i) ensure effective market-oriented policies, (ii) raise sufficient revenues through effective fiscal management to implement policies and programs, and (iii) foster an enabling environment for the private sector and civil society.

4. It is to the credit of Government that despite the many challenges, it has improved the safety and security situation following the successful conclusion of the peace process, and introduced macroeconomic, sectoral, and governance reforms that

¹ Tajikistan was adversely affected by a civil conflict that lasted until 1997, severe economic contraction during the first half of the 1990's, the Russian crisis in 1998, and natural calamities.

contributed to positive growth rates in recent years. There are indications that the combined effect of these developments has prevented a further rise in poverty.

5. The Government recognizes that reducing poverty requires comprehensive and long-term measures. Thus, the Government has set poverty reduction as its paramount goal. It will use the Millennium Development Goals (MDG) for 2015 as the key targets for measuring its performance in attaining its goal of reducing poverty. Specifically, by 2015 the Government envisions that poverty will be reduced from 82.6 percent (in 1999) to 58 percent.² Its key human development targets for 2015 include: (i) achieving universal primary education, (ii) reducing infant and maternal mortality rates, (iii) eliminating gender disparity, and (iv) improving access to safe drinking water. Appendix A provides the current status of the country with regard the attainment of the MDG's and Appendix B relates the MDG's to the medium- and long-term commitments of the Government.

6. To achieve these long-term targets, the Government's Poverty Reduction Strategy Paper³ has set out a four-pronged approach for poverty reduction. These are: (i) accelerated, socially fair, labor-intensive, and export-oriented economic growth; (ii) efficient and fair provision of basic social services; (iii) targeted support to the poorest groups of the population; and (iv) efficient governance and improvement in security.

7. ADB supports the Government's goal of reducing poverty, as this too, is the ADB's overarching goal. Likewise, the Government's approaches to poverty reduction reflect the ADB's Long-Term Strategic Framework and its operational priorities for poverty alleviation, which are: (i) sustainable and pro-poor economic growth, (ii) inclusive social development especially for the poorest and most vulnerable groups, and (iii) governance for effective policies and institutions.

III. MEDIUM-TERM STRATEGY (2002-2007)

8. Over the medium-term, the Government and ADB's strategy for poverty reduction will be anchored on the priorities laid out in the Government's Poverty Reduction Strategy Paper and the ADB's comparative strengths and development objectives in Tajikistan. Specifically, both parties will work on further accelerating growth to expand job opportunities particularly for the poor, increase their economic activities and incomes, and improve their overall well-being. The Government and ADB will focus on measures that will: (i) improve productivity in existing economic and social sectors and diversify the economic structure, (ii) address governance issues that hinder private sector development and efficient and effective delivery of social services to the poor, and (iii) rationalize public expenditure allocations to finance and equitably distribute essential social services that are targeted to the poor and vulnerable groups.

² Poverty incidence is defined as the proportion of the population whose consumption per capita per month is equivalent to Tajik Ruble (TR) 20,000 in 1999 (or about Som20). The poverty line was estimated by the State Statistical Agency. In a poverty participatory assessment, which was conducted in 2000 as part of the poverty reduction strategy formulation process, the poverty incidence was estimated at 80 percent.

³ Following the completion of an interim Poverty Reduction Strategy, ADB has provided a Technical Assistance to develop a national Poverty Reduction Strategy Paper through a participatory process in coordination with the World Bank, United Nations Development Programme, International Monetary Fund, and other development partners. The national Poverty Reduction Strategy has been endorsed by the Tajikistan's Parliament last 24 June 2002.

9. *Improving Productivity and Diversification of Economic Structure:* To this end, ADB will focus on: (i) agriculture through (a) investments in productivity-enhancing infrastructure, and (b) policy and institutional reforms that create incentives for factor and product market development, high-value crop production, as well as the increase of upstream and downstream activities of the sector; (ii) expansion of the outreach and depth of microfinance services in the rural areas with special attention on women; (iii) water resource development and rehabilitation that will address the needs of the rural poor farm households in a sustainable manner; (iv) rehabilitation of major road thoroughfares for effective regional linkage, decrease in spoilage of agri-based products, and access to basic social services; (v) tariff reforms, institution building, and rehabilitation of the energy sector that will stabilize power supply and enable firms and service providers to operate their activities continuously; and (vi) regional cooperation that facilitates the flow of goods and services, expands the country's markets and access to technology and outputs, and ensures efficient allocation of shared resources.

10. *Addressing Governance Issues:* Without good governance, efforts at reducing poverty will not be effective. ADB will assist the Government in building its governance capacity by: (i) strengthening the public sector's accountability for good governance; (ii) improving public service delivery through innovative measures that promote decentralization and community participation; (iii) enhancing the public sector-private sector-civil society interface in resource mobilization and in the planning, implementation, and monitoring of projects and policy reforms; (iv) enabling government to reduce the transactions costs affecting the business sector (especially the burgeoning micro- and small-business entrepreneurs) such as the high and variable tax rates, numerous rent-seeking activities, complex regulations and procedures on entry, and lack of an appropriate dispute settlement system; (v) contributing to the legal, judicial, policy and institutional reforms that promote fair and equitable access to the poor; and (vi) eradicating corruption.

11. *Rationalizing Social Sector Expenditure:* The Government faces severe public finance constraints in the foreseeable future that will adversely affect its social sector expenditures. Taking into account these fiscal realities, ADB in coordination with the other international donors will support the Government in ensuring equitable opportunities for the poor to access quality education and health services. Access to education and health services will break intergenerational poverty cycles by building on human capital and strengthening social cohesion. The focus of support in these sectors will be toward ensuring basic education and primary health care services especially for the poor and vulnerable groups through: (i) the efficient allocation, management, and use of scarce public and private resources; (ii) promotion of community-based provision and delivery of these services; (iii) mobilization of domestic resources and active involvement of local governments, private sector, and civil society; and (iv) innovative approaches that enhance the complementation and synergies between education and health.

12. The medium-term strategy of pro-poor growth will be guided by the following themes:

- *Maintaining Macroeconomic Stability.* ADB will support the Government's efforts to improve the macroeconomic environment for promoting growth, providing opportunities for poor people's participation in markets, and facilitating access to social services.

- *Promoting Private Sector Development.* To sustain the momentum of the growth achieved in recent years, the Government and ADB will strive in ensuring that its interventions will consciously ensure private sector participation both in the productive and social sectors.
- *Enhancing Good Governance.* Good governance has substantial direct and indirect linkages to poverty reduction. It is a particular approach to the management of the State and State-society relations that calls for: (i) all organizations and individuals to be accountable; (ii) public participation; (iii) transparent policies, rules, regulations, and laws, and processes for implementing them; and (iv) predictability and continuity of development policies, rules, regulations, and laws that govern the development process.
- *Promoting Equity and Human Development.* The Government and ADB will ensure that the modalities of support for the basic social services will aim at the efficient use of very limited public funds, equitable sharing of the benefits, and broad-based participation and enhancing the role of women and civil society in the development process.
- *Protecting and Managing the Environment.* The ADB will continue to support the Government's initiatives in environmental legislation, institutional strengthening and capacity building on environmental management, addressing key environmental problems on water and land degradation, and incorporating environmental management and sustainability considerations in the construction and rehabilitation of physical infrastructure.

13. Pro-poor growth measures will take into utmost account the fragile situation of the poorest of the poor. Innovative measures will be taken with the goal of expanding the economic opportunities of households belonging to the bottom income group. ADB will also ensure that its assistance will be subjected to a comprehensive assessment of its poverty impact and will be undertaken with Government.

14. As the high level of public external debt will constrain the new external borrowing, the Government and ADB will carefully review and plan every course of action. ADB will assist the Government to maximize the allocation and disbursement of the fund in favor of the poor and vulnerable groups in society. In this regard, the pro-poor growth measures will serve as a guide for the formulation and implementation of the ADB's Country Strategy and Program (CSP). These measures will be reviewed on an annual basis and included in the CSP Update (CSPU) so as to be responsive to the changing environment and taking into primary consideration the well being of the poor.

IV. IMPLEMENTING THE AGREEMENT: SHORT-TERM ACTIONS (2002-2005)

15. ADB will provide investment and sector development loans as well as technical assistance to Tajikistan for agriculture and rural finance sector development; transport development; power rehabilitation and energy; water resource management; customs modernization; and social sector development. Details on ADB's programs are provided in the CSPU (2002).⁴ The scope of lending assistance for 2002-2005 will hinge on the

⁴ Refer to the ADB website: <http://www.adb.org/Documents/CSPs/TAJ>.

external debt burden of the Government. The objectives of the assistance will be as follows:

- Agriculture development and water resource development - Rehabilitate damaged and worn-out irrigation and drainage systems, improve productivity through farming systems management and practices and use of farm machinery, and promote agricultural growth through production, marketing, and institutional reforms particularly in the cotton sector;
- Microfinance – Facilitate the development of an appropriate policy, legal, and regulatory framework and support transformation of microfinance institutions to provide permanent and reliable microfinance services;
- Transport – Improve access through road rehabilitation to markets and social services especially in remote and rural areas;
- Energy - Restructure the power sector and ensure an affordable tariff system that will not disadvantage the poor and vulnerable groups;
- Customs modernization - Improve movement of goods and services across borders and facilitate trade;
- Health, social, and municipal services - Improve gender equality and quality of and access to basic health, education, and potable drinking water services especially for the poor and vulnerable groups in rural areas; and
- Advisory technical assistance such as the legal and judicial reform, capacity building and other innovative poverty reduction measures that enhance the assets and access to jobs and basic services of the poor.

16. Each short-term action will be accompanied by institutional measures that will improve the delivery of the interventions especially for the poor and vulnerable groups. Innovative approaches to poverty reduction targeting, in particular the most impoverished, will be pilot-tested. Community participation will be encouraged in project design, implementation and in the monitoring and evaluation to maximize impact on poverty and sustainability of the measures.

17. To maximize the impact of these measures on poverty, the Government is committed to promote democratization of the society through policy, regulatory, and institutional reforms that will:

- Liberalize agriculture markets, promote farm privatization, remove government controls that serve as disincentive to increased productivity in the sector, and ensure equitable distribution and timely delivery of irrigation water;
- Encourage the outreach and expansion of microfinance services and institutions;
- Rationalize the tariff structure for energy and transport taking into account the needs of the poor, privatize transport services, and improve corporate governance in the power sector;
- Implement public administration reforms that enhance transparency in the activities of the public sector and reduce overlapping responsibilities and functions; and
- Increase efficiency in the use and allocation of social sector funds to ensure improved quality of and access to basic social services.

V. MONITORING AND EVALUATION ARRANGEMENTS

18. The Government will develop a system for monitoring and evaluating the progress in attaining the targets it has set out in its Poverty Reduction Strategy (para. 5). It has recently established the Poverty Reduction Strategy Paper Monitoring Division at the Executive Office of the President. Its task is to monitor the indicators that: (i) measure the achievement of the main poverty reduction targets, (ii) gauge the extent to which specific policy and institutional reforms have been successful, and (iii) assess the process and implementation of these reform measures. The Government will initiate, improve, and institutionalize data collection as well as the methodology for analyzing the impact of policy and institutional reforms and investment projects. The ADB is providing Technical Assistance to the statistical agency to generate social indicators and improve data collection. The ADB and the Government will work together to periodically improve the poverty monitoring and evaluation system.

19. To ensure an appropriate monitoring, review, and evaluation of the policy, investment, and other non-lending measures, the poverty line, poverty incidence, and other nonincome-based poverty indicators will be reviewed each year. In addition, the Government and ADB, in close consultation with other aid agencies and civil society, will monitor progress against the Millennium Development Goals on an annual basis as part of the CSP process. Indicative intermediate targets that impact on attaining the Millennium Development Goals are shown in Appendix B.

20. The Government and ADB will annually prepare a published report on the progress made with implementing this Poverty Partnership Agreement.

Signed in Dushanbe on 01 December 2002.

On behalf of the Republic of Tajikistan


Akil Akilov
 Prime Minister, Republic of Tajikistan

On behalf of the Asian Development Bank


Geert van der Linden
 Director General, ECRD

Appendix A. Progress Toward the Millennium Development Goals and Targets¹

Goals and Targets	Country Status
Goal 1: Eradicate Extreme Poverty and Hunger	
Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day. ²	Poverty incidence ² in 1999 was 82.6%. A qualitative study on poverty was done in 2000 where it was noted that poverty incidence remained unchanged.
Target 2: Halve, between 1990 and 2015, the proportion of people who suffer from hunger.	The proportion of extremely poor ² in the country was 16.9% in 1999. There are indications that despite the high growth rates achieved in the past 3 years, the share of extremely poor to total population may have remained unchanged.
Goal 2: Achieve Universal Primary Education	
Target 3: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.	Net enrolment ratio in primary education is very high, averaging at 93% from 1994 to 2000. But this figure masks disturbing trends. While the number of school age children is rising, the number of placements in schools is declining; the quality of education has also deteriorated. State budget expenditures for education is on a down trend- from 12% of total public expenditures in 1990 to 2.3% by 2000. With scarce public funds, education costs are rising. Combined with poverty, more school children cannot go to schools.
Goal 3: Promote Gender Equality and Empower Women	
Target 4: Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015.	There has been a noticeable decline in school enrolment and attendance among girls after grade 9 and especially in the rural areas.
Goal 4: Reduce Child Mortality	
Target 5: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.	Infant mortality rates (less than one-year old) have declined from 40.6 per thousand live births in 1991 to 36.7 in 2000. ³ However, the welfare of infants and children is deteriorating. About 10,000 babies are born underweight annually. Around 46% of children below 5 years are malnourished and 11% suffer from acute malnutrition. More than 21% of children aged 1-2 years have not been vaccinated.
Goal 5: Improve Maternal Health	
Target 6: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio.	Maternal mortality rates improved from 87.6 per 100,000 births in 1994 to 43.1 in 2000. ³ But there are some disturbing trends. Many pregnant women suffer from various illnesses like anemia, extra genital diseases, etc. that lead to high maternal health risks. Also, the number of pregnant women who sought consultation in primary health centers has decreased.
Goal 6: Combat HIV/AIDS⁴, Malaria, and Other Diseases	
Target 7: Have halted by 2015, and begun to reverse, the spread of HIV/AIDS.	This problem is not a major concern as less than 0.01% of adults aged 15-49 years have contracted HIV in 1999.
Target 8: Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases.	Infectious and parasitic diseases are the second leading causes of deaths in the country ³ . The most disturbing is the continuous up trend of morbidity incidence due to malaria, TB, typhoid, and hepatitis cases.
Goal 7: Ensure Environmental Sustainability	
Target 9: Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources.	The Government has just completed the Poverty Reduction Strategy. Environmental management is one of the key approaches to sustainable poverty reduction.
Target 10: Halve, by 2015, the proportion of people without sustainable access to safe drinking water.	In 2000, only 51.2% of the total households had access to potable drinking water. The proportion is much lower in rural areas where more than half obtain their water from open ditches.
Target 11: By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers.	There are no official records of slum dwellers and is not a major poverty problem in the country although there is the emergence of street children especially in the main urban center, Dushanbe.

¹ The Government of Tajikistan has adopted majority of the Millennium Development Goals (MDGs) as its goals and targets in its Poverty Reduction Strategy. The MDGs are a set of 8 global goals (with 18 targets and 48 indicators to be achieved between 1990 and 2015) that the world leaders agreed upon during the Millennium Summit of the United Nations held in New York last 5-8 September 2000.

The Poverty Reduction Strategy document has been endorsed by the Tajikistan's Parliament last 19 June 2002.

² The poverty incidence is based on the State Statistical Committee's definition of poverty line of TR 20,000 (or about Som 20) per person per month. The \$1 a day poverty line (at 1999 prices Purchasing Power Parity (PPP)) is used in Tajikistan to define the proportion of extremely poor (World Bank, 2000, *Republic of Tajikistan-Poverty Assessment*, footnote 4, p. 17). This \$1 a day PPP (at 1999 prices) is not comparable with the internationally defined \$1 a day that is based on 1985 constant PPP US\$ and which was later updated to 1993 PPP US\$.

³ There are problems on the reliability of the official data.

⁴ HIV/AIDS= human immunodeficiency virus/acquired immunodeficiency syndrome.

Appendix B
Millennium Development Goals and the Republic of Tajikistan's
Poverty Reduction Goals, Targets, Indicators, and Data Sources

Millennium Development Goal		Republic of Tajikistan			
Goal (G)/Target	Time Frame	Goal	Long-Term Targets (2002-2015)	Medium-Term Indicators (2002-2007)*	Data Source/s
G1. Eradicate extreme poverty and hunger <ul style="list-style-type: none"> • Halve the proportion of people whose income/consumption is less than \$1 a day 	1990-2015	Reduce material poverty	<ul style="list-style-type: none"> • Reduce the proportion of poor population from 82.6% in 2000 to 58% by 2015. • Reduce the proportion of extremely poor from 17% in 1999 to 11% by 2015. 	<ul style="list-style-type: none"> • Poverty incidence down to 74% by 2007. • Reduce material poverty through pro-poor growth. Indicators of growth could include the following: <ul style="list-style-type: none"> ○ Annual growth rate increases of real Gross Domestic Product (GDP) to average at 6%. ○ Annual growth rate of Gross Value Added (GVA) of Agriculture is greater than annual population growth rate and proportion of high value cash crops to total GVA of agriculture is rising ○ Positive annual growth rate of export revenues • Unemployment figures are on the decline 	Reference source for poverty data will be the 1999 Living Standard Assessment conducted by the World Bank. State Statistics Committee (SSC) is scheduled to conduct a Household Income and Expenditures Survey by 2005. Qualitative assessment of poverty status (e.g., self-assessment and other poverty indicators like type of dwelling and asset ownership) will be generated from a social survey that is currently being conducted through an ADB TA. The results of the first survey will serve as the benchmark information. It is expected that this survey will be conducted yearly by SSC. Data on GDP, agriculture output, and export revenues can be obtained from SSC and other line agencies. Unemployment indicators will be obtained from the ADB TA-funded social survey. The results of the first survey will serve as the benchmark information; it is expected that this survey will be conducted by SSC on a yearly basis.

Millennium Development Goal		Republic of Tajikistan			
Goal (G)/Target	Time Frame	Goal	Long-Term Targets (2002-2015)	Medium-Term Indicators (2002-2007)*	Data Source/s
G2. Achieve universal primary education • Ensure that children everywhere, boys and girls alike, will be able to complete a full course of primary schooling	1990-2015	Reduce nonincome poverty	<ul style="list-style-type: none"> • Increase primary education coverage from 77.7% (in 2000) to 90.0% • Eliminate gender disparity in primary and secondary education • Decrease infant mortality from 36.7 deaths per 1,000 in 2000 to 25 deaths per 1,000 by 2010 • Reduce maternal mortality rate from 43.1 deaths per 1,000 in 2000 to 35 deaths per 1,000 by 2010. 	<ul style="list-style-type: none"> • Reduce nonincome poverty through access to basic social services. Proxy indicators include: <ul style="list-style-type: none"> ○ Gross enrolment rates for basic education (7-15 years) for both sexes will increase approximate to the 1990 level of 94%. ○ Completion rate of primary and secondary schooling is on the rise. ○ Rate of school absences of school children will decline. ○ Ratio of girls to boys in primary and secondary education will improve. • Proxy variables for health indicators of children will be used. These are- <ul style="list-style-type: none"> ○ Increase in the proportion of children aged 0-5 years old who are immunized against measles and DPT ○ Proportion of malnourished children below 5 years old will decline. Initial estimates show that 46% are malnourished and 11% suffer from acute malnutrition. ○ Proportion of births attended by skilled personnel is increasing. • Percent of adult population with access to reproductive health services and pre-natal care is increasing. 	Data for the long-term targets will be obtained from the concerned Ministries: (i) education data from the Ministry of Education, (ii) infant and maternal mortality rates from the Ministry of Health; and (iii) drinking water from the SSC and other line agencies. Data for the medium-term indicators will be generated by the SSC on a yearly basis. The current social survey funded by the ADB TA will generate the benchmark on education, health, and access to water.
G3. Promote gender equality and empower women • Eliminate gender disparity in primary and secondary education	1990-2015				
G4. Reduce child mortality • Reduce by two thirds the under-five mortality	1990-2015				
G5. Reduce maternal mortality • Reduce by three quarters the maternal mortality ratio	1990-2015				

Millennium Development Goal		Republic of Tajikistan			
Goal (G)/Target	Time Frame	Goal	Long-Term Targets (2002-2015)	Medium-Term Indicators (2002-2007)*	Data Source/s
G7. Ensure environmental sustainability <ul style="list-style-type: none"> Half the proportion of people without sustainable access to safe drinking water 	1990-2015		<ul style="list-style-type: none"> Increase access to safe drinking water from 51.2% to 80%. 	<ul style="list-style-type: none"> Proportion of population with access to an improved water source is increasing. Other proxy indicators for environment-related poverty will include type of fuel used for cooking and heating; for example, the use of wood for cooking and heating will decline. 	

* For indicators without specific targets, the Government and ADB will agree on these targets as more reliable statistical data become available.