

**MANAGEMENT RESPONSE ON THE PROGRAM PERFORMANCE AUDIT REPORT
ON THE POSTCONFLICT INFRASTRUCTURE PROGRAM IN TAJIKISTAN
(Loan 1651-TAJ[SF])**

On 25 February 2005, the Director General, Operations Evaluation Department, received the following response from the Managing Director General on behalf of Management:

1. Management takes note of the key issues and lessons identified in the Program Performance Audit Report (PPAR) and will take them into account in the design of similar interventions in the future.
2. ADB policy on disaster and emergency assistance, as approved in May 2004, provides the framework for the prompt restoration of services. Under this policy, emergency assistance loans will not attempt to address medium- to long-term economic rehabilitation investments or sectoral or institutional problems unrelated to the emergency and, by implication, will not include conditionalities linked to macroeconomic policies.
3. On the energy sector, progress has been made in analyzing affordability of service and tariff issues. Other key energy sector issues included in Appendix 3 of the PPAR are acknowledged and are being addressed. It is now well recognized by ADB and other multilateral financing institutions that the power sector in Tajikistan has not yet developed sufficiently to enable market-based services. The recommendation on the gradual increase in electricity and gas tariffs to cost-recovery level along with a transparent subsidy program for the poor is now being used in the policy dialogue with the Government. Steps will also be taken to gather relevant energy sector data to monitor the standards of service, particularly reliability of supply.
4. On the transport sector, strategic analysis of future investment choices and the issue of Government's commitment to reforms and mechanisms to secure funding for maintaining existing assets are regular features of policy dialogue with the Government. ADB's focus has been on rehabilitating roads forming part of key national and internal transport corridors and strengthening regional cooperation through Central Asia Regional Economic Cooperation (CAREC) program.