Tajikistan
Responding to the Changing Development Conditions
Country Assistance Program Evaluation
August 2014

Tajikistan
Responding to the Changing Development Conditions

This document is being disclosed to the public in accordance with ADB's Public Communications Policy 2011.

Reference Number: CAP:TAJ 2014-07
Independent Evaluation: CE-30
(i) In this report, “$” refers to US dollars.

<table>
<thead>
<tr>
<th>Director General</th>
<th>V. Thomas, Independent Evaluation Department (IED)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Director</td>
<td>B. Finlayson, Independent Evaluation Division 2, IED</td>
</tr>
<tr>
<td>Team leader</td>
<td>T. Yokota, Senior Evaluation Specialist, IED</td>
</tr>
<tr>
<td>Team members</td>
<td>K. Hughes, Senior Evaluation Specialist, IED</td>
</tr>
<tr>
<td></td>
<td>R. Sabirova, Evaluation Specialist, IED</td>
</tr>
<tr>
<td></td>
<td>J. Dimayuga, Senior Evaluation Officer, IED</td>
</tr>
<tr>
<td></td>
<td>E. Li-Mancenido, Associate Evaluation Analyst, IED</td>
</tr>
</tbody>
</table>

The guidelines formally adopted by the Independent Evaluation Department on avoiding conflict of interest in its independent evaluations were observed in the preparation of this report. To the knowledge of the management of the Independent Evaluation Department, there were no conflicts of interest of the persons preparing, reviewing, or approving this report.

In preparing any evaluation report, or by making any designation of or reference to a particular territory or geographic area in this document, the Independent Evaluation Department does not intend to make any judgment as to the legal or other status of any territory or area.
Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
</tr>
<tr>
<td>ADF</td>
<td>Asian Development Fund</td>
</tr>
<tr>
<td>BCP</td>
<td>border crossing point</td>
</tr>
<tr>
<td>CAPE</td>
<td>country assistance program evaluation</td>
</tr>
<tr>
<td>CAPS</td>
<td>Central Asia Power System</td>
</tr>
<tr>
<td>CAREC</td>
<td>Central Asia Regional Economic Cooperation</td>
</tr>
<tr>
<td>COBP</td>
<td>country operations business plan</td>
</tr>
<tr>
<td>CPS</td>
<td>country partnership strategy</td>
</tr>
<tr>
<td>CSP</td>
<td>country strategy and program</td>
</tr>
<tr>
<td>DCC</td>
<td>development coordination council</td>
</tr>
<tr>
<td>ERIOS</td>
<td>economic report and interim operational strategy</td>
</tr>
<tr>
<td>FIGI</td>
<td>framework for inclusive growth indicators</td>
</tr>
<tr>
<td>GDP</td>
<td>gross domestic product</td>
</tr>
<tr>
<td>GWh</td>
<td>gigawatt-hour</td>
</tr>
<tr>
<td>IED</td>
<td>Independent Evaluation Department</td>
</tr>
<tr>
<td>JFPR</td>
<td>Japan Fund for Poverty Reduction</td>
</tr>
<tr>
<td>KV</td>
<td>kilovolt</td>
</tr>
<tr>
<td>MDG</td>
<td>Millennium Development Goal</td>
</tr>
<tr>
<td>MFI</td>
<td>microfinance institution</td>
</tr>
<tr>
<td>MOT</td>
<td>Ministry of Transport</td>
</tr>
<tr>
<td>MW</td>
<td>megawatt</td>
</tr>
<tr>
<td>NDS</td>
<td>national development strategy</td>
</tr>
<tr>
<td>O&amp;M</td>
<td>operation and maintenance</td>
</tr>
<tr>
<td>PIU</td>
<td>project implementation unit</td>
</tr>
<tr>
<td>PRC</td>
<td>People's Republic of China</td>
</tr>
<tr>
<td>PRSP</td>
<td>poverty reduction strategy paper</td>
</tr>
<tr>
<td>RRP</td>
<td>report and recommendation of the President</td>
</tr>
<tr>
<td>SPCR</td>
<td>strategic program for climate resilience</td>
</tr>
<tr>
<td>TA</td>
<td>technical assistance</td>
</tr>
<tr>
<td>TWh</td>
<td>terawatt-hour</td>
</tr>
</tbody>
</table>
Contents

Acknowledgements vii
Executive Summary ix
Management Response xix
Chairs Summary: Development Effectiveness Committee xxiii

Chapter 1: Introduction 1
A. Objectives 1
B. Scope and Coverage 1
C. Evaluation Methodology and Limitations 2

Chapter 2: Country Context and Government Strategies and Plans 4
A. Analysis of the Country Context and Major Constraints 4
B. Government Development Strategies and Plans 9

Chapter 3: ADB’s Country Partnership Strategy and Program 12
A. Country Strategies over the Country Assistance Program Evaluation Period 12
B. ADB’s Operational Program 14

Chapter 4: ADB’s Role and Donor Coordination 17
A. International Support 17
B. Donor Coordination 20

Chapter 5: ADB’s Development Contribution and Challenges 22
A. Economic Growth and Poverty Reduction 22
B. Transition to Market Economy 27
C. ADB’s Challenges 32

Chapter 6: Performance of ADB Program 43
A. Strategic Positioning 43
B. Program Relevance 44
C. Effectiveness 46
D. Efficiency 47
E. Sustainability 48
F. Development Impact 49
G. ADB and Borrower Performance 54
H. Overall Assessment 55

Chapter 7: Issues, Lessons, and Recommendations 57
A. Fostering Inclusive Economic Growth: Selectivity, Integrity, and Continuity 57
B. Strengthening Governance and Building Tajikistan’s Market Economy 58
C. Addressing Regional Cooperation Risks 59
D. Preparing for Climate Change 60
E. Sustaining Progress 61

Appendix
List of Linked Documents 63
This country assistance program evaluation (CAPE) report for Tajikistan was prepared in 2014 by a team led by Toshiyuki Yokota, Senior Evaluation Specialist, Division 2, Independent Evaluation Department (IED), under the overall guidance of IED Director General, Vinod Thomas and IED Division 2 Director, Bob Finlayson.

The CAPE report integrates the findings of sector assessments on agriculture and rural development, capacity development for public sector management, energy, social sector, disaster management, and transport by the team leader. These sector assessments were conducted in 2013–2014 by IED staff: Karl Hughes (agriculture and rural development), Ma. Juana Dimayuga (portfolio review, transport and trade facilitation), Raikhan Sabirova (education and health), and the team leader (energy, disaster and risk management operations, public sector management, and trade facilitation) with support from Ma. Patricia Lim and Lucille Ocenar. Elizabeth Li-Mancenido coordinated the various evaluation missions with the resident mission, and provided assistance in research and data gathering. The contribution of Hemamala Hettige, Senior Advisor, in supervising the evaluation approach paper and the initial work for the CAPE during her term as Director of IED Division 2, is gratefully acknowledged. External and internal peer reviewers were David Green, Henrike Feig, Tomoo Ueda, and Vankina Tulasidhar, and their comments contributed to strengthening this report.

A team of international consultants joined missions to Tajikistan and assisted in preparing sector background papers and preliminary sector assessments. These include Anand Subbiah (energy), Brahm Prakash (macroeconomics, and education and health), Gita Gopal (capacity development, gender, governance, and public sector management), Peter Darjes (transport and trade facilitation), Stephen Houston (disaster and risk management operations), and Steven Tabor (macroeconomics and sector assessment review). Romella Denopol supported the portfolio review and economic and social data analysis in Manila; Azizakhon Kataeva (gender, public sector management, and education and health), Farid Sohibnazarov (transport), Jamshed Jasanov (energy, disaster and risk management operations, and trade facilitation), and Turakol Murodov (agriculture and rural development) provided the in-country consultancy support.

We gratefully acknowledge the support from the Central and West Asia Department for this evaluation, particularly the Tajikistan Resident Mission, and the comments received on a draft of this report, provided by relevant departments and offices of the Asian Development Bank. We highly appreciate the valuable time given by the following government representatives and offices to meet and discuss relevant issues with the CAPE team: ADB Governor of Tajikistan/First Deputy Prime Minister (representing the Office of the President in Tajikistan), Parliament of Tajikistan, as well as other agencies namely Ministry of Economic Development and Trade, State Committee on Investment and State Property Management, Ministry of Agriculture, Ministry of Education, Ministry of Energy and Water Resources, Ministry of Finance, Ministry of Health, Ministry of Labor, Migration and Employment, Ministry of Transport, National Bank, Agency of Statistics, Agency on Land Reclamation and Irrigation, Committee of Environment Protection, Customs Committee, the National Hydrometeorological Service, and Barki Tojik. We would also like to acknowledge the contribution of innumerable government, nongovernment, and civil society stakeholders within and
outside Dushanbe who met with us to discuss ADB support for their country. Their feedback was very important in preparing the CAPE report.

Many development partners and international organization representatives took the time to meet with us, and we are grateful to them, in particular, United Kingdom Department for International Development, European Bank for Reconstruction and Development, Delegation of the European Union to Tajikistan, Food and Agriculture Organization, Deutsche Gesellschaft für Internationale Zusammenarbeit, Japan International Cooperation Agency, Swiss Cooperation Office in Tajikistan, United Nations Development Programme, United Nations International Children’s Emergency Fund, United States Agency for International Development, World Health Organization, and the World Bank for their gracious cooperation.

IED retains full responsibility for this report.
This country assistance program evaluation (CAPE) report by the Independent Evaluation Department of the Asian Development Bank (ADB) provides the first independent assessment of ADB’s country strategies and program in Tajikistan during August 1998–October 2013. Tajikistan is landlocked, and more than 90% of its rugged terrain is covered by mountains. This and its poor roads and harsh climate make Tajikistan one of the most isolated countries in the Central Asia region. Tajikistan’s population in 2012 was about 8 million, and three-quarters of its people live in rural areas.

Tajikistan declared its independence from the former Soviet Union in 1991, and this event was soon followed by a civil war. The conflict during 1992–1997 between the government and the United Tajik Opposition displaced about 600,000 people within the country and forced hundreds of thousands of others to seek refuge in neighboring countries. Almost 50,000 skilled workers emigrated. Large parts of the country’s economic and social infrastructure were extensively damaged. Subsidies from the former Soviet Union that had provided more than half of the government’s budget came to an end in 1991. The loss of these subsidies and the markets to which it had once had access in the former Soviet Union led to a collapse in Tajikistan’s key agriculture and industry sectors, which lacked the resources and opportunities to make the transition from central planning to a market economy. By 1997, Tajikistan’s gross domestic product (GDP) had fallen to 60% of its level in 1992.

Official development assistance to Tajikistan has increased steadily since 1997, when peace was restored. The country’s ability to absorb external financing has also improved. Development support during 1992–2011 totaled $5.2 billion, of which 18% was provided by the People’s Republic of China, 17% by ADB, 14% by the United States, and 11% by the World Bank. In terms of sector coverage, 19% of this support went to transport; 16% to energy; 15% to education, health, and water supply and sanitation; and 9% to agriculture. About 22% was cross-sectoral.

Tajikistan’s economy rebounded strongly after the civil war, with average GDP growth at 7.9% per year during 1998–2007. This recovery was led by strong growth in service sector activity, increased production and exports of aluminum and cotton, and a surge in construction. Remittances from migrants, mostly working in the Russian Federation, have contributed significantly to economic growth since 2000. In the late 2000s, Tajikistan’s terms of trade severely worsened when world prices of its main exports—cotton and aluminum—declined and prices of imported food and fuel rose. The deterioration in the terms of trade was aggravated by the global financial and economic crisis that hit the country’s trading partners in late 2008. Tajikistan’s economic downturn was short-lived, however. Through a combination of currency devaluation, generous budget support from development partners, expansionary fiscal policy, and growth in remittances, growth rebounded to 6.5% in 2010, 7.4% in 2011, and 4.0% in 2012.

Through both the macroeconomic downturn and the recovery, Tajikistan has recorded major gains in poverty reduction. During 2005–2009, the portion of its
population earning less than $2 per day in purchasing power parity terms fell from 83.7% to below 27.7%. Several key social indicators, including primary and secondary school enrollment rates, have also improved. Despite this, the domestic unemployment rate has remained at almost 40%, and the country is unlikely to meet many of the Millennium Development Goals by 2015. This mixed performance is largely due to a dramatic expansion in foreign remittances. Tajikistan depends on these remittances more than any other country in the world. They grew from about $146.0 million in 2003, or 9% of GDP, to $3.1 billion in 2011—a record 47% of GDP. While estimates vary, 1 million–2 million of Tajikistan’s 8 million people are believed to be working abroad, primarily in the Russia Federation and Kazakhstan, both countries where they enjoy visa-free entry since 2010. One-third of all households have at least one member working in another country. The remittances these workers provide have had a powerful positive impact on the growth of the economy and domestic consumption and the reduction of poverty. On the downside, the costs include domestic skill shortages, the abandonment of families, and a rising burden on the women left behind to cultivate fields and meet other household obligations.

Women in Tajikistan suffer from discrimination at many levels. Their access to such resources as property and land ownership and finance is restricted. So are their access to public education and health care and their rights of political participation. The gender wage gap is high, especially in agriculture, where women make up the majority of the work force but earn much less than men. Four of the six MDGs classified by United Nations Development Programme as unlikely to be achieved relate to gender. In addition, 15% of children are malnourished; maternal, child, and infant mortality rates are well above regional averages; and about one-third of the population does not have access to improved water sources. Social conditions remain poor, and Tajikistan ranked 125th of 187 countries on the Human Development Index in 2013.

Tajikistan’s geological and topographical characteristics make it a disaster-prone country. Natural hazards include earthquakes, landslides, rockslides, avalanches, floods, mudflows, drought, and extreme temperatures. Land degradation, deforestation, and overgrazing of pasturelands contribute to the frequency and severity of natural disasters. During 1997–2012, Tajikistan suffered more than 43,940 natural disasters, resulting in 8,040 deaths and economic losses averaging $571.0 million. Tajikistan is also among the countries put most at risk by the effects of global climate change. The rapid shrinking of its glaciers threatens long-term hydropower development prospects, increases the severity of natural disasters, and undermines agricultural sustainability. As global warming increases, droughts are likely to become a more serious problem and reduce agriculture production and the viability of hydropower operations.

Country Strategies and Program

ADB’s program to Tajikistan began after the preparation of an economic report and interim operational strategy that was agreed in November 1998. In the same year, Tajikistan joined the Central Asia Regional Economic Cooperation (CAREC) Program. Since then, ADB has approved two country strategies, several updates, and a country operation business plan. ADB’s initial support targeted post-conflict and natural disaster rehabilitation. Later programs diversified and paid more attention to economic growth and regional issues. The key objectives of ADB’s strategies for Tajikistan throughout the evaluation period were (i) promoting economic growth through improved disaster management, rural development, and rehabilitation of infrastructure; (ii) enhancing regional cooperation by bolstering the energy and
transport sectors and trade; and (iii) supporting the transition from a centrally planned economy to a market economy by creating a more conducive environment for private sector development.

During August 1998–October 2013, ADB approved 38 projects and programs worth about $1,035 million. About 95% of the initiatives approved were funded by the Asian Development Fund (ADF), and almost 61% of the funds were provided on a grant basis. Around 40% of the funds have been disbursed. Tajikistan’s performance-based allocation from the ADF ranged from $20 million to $53 million a year under ADF VII–XI. Nearly 42% of the total was allocated to the transport sector, followed by energy (24%), agriculture (9%), and public sector management (8%). Policy advice and capacity building formed an important component of ADB’s assistance program. These initiatives were supported by 69 technical assistance projects worth a total of $46.4 million.

The 2013 annual evaluation review of ADB’s Independent Evaluation Department found that ADB’s best-performing country portfolios during 1990–2010 were in the People’s Republic of China, Tajikistan, and Viet Nam. Loan projects in Tajikistan had an average implementation period of 4.7 years and an average delay of 1 year, better than ADB’s overall average delay of close to 2 years. Only 4 of 32 projects in Tajikistan were completed with delays of more than 2 years. As of the end of October 2013, 82.4% of ADB’s undertakings in Tajikistan had been rated successful in completion reports, compared with the average rates of 56.8% in Central West Asia and 64.2% for ADB overall.

**ADB’s Development Contribution and Challenges**

**Economic growth and inclusion.** Economic growth in Tajikistan has contributed to good progress in poverty reduction. ADB has supported economic growth by facilitating investment in physical and non-physical assets. In transport, one of ADB’s main contributions has been the development of about 430 kilometers of key corridors and about 620 kilometers of rural transport networks that improved access to social services and to domestic and regional markets. These road projects improved the incomes of the people living in their areas of influence. The CAPE’s beneficiary survey of persons affected by bridge rehabilitation funded by the Japan Fund for Poverty Reduction (JFPR) found that the projects reduced travel time by about 87% and travel costs by 75%, and that 80% of the respondents indicated that their income had increased as a result, although data of traffic amount were not available.

ADB program in the energy sector focused on rehabilitating infrastructure to make the power system more reliable, increase the availability of electricity, and enable the export of surplus power to neighboring countries. ADB has upgraded about 141 kilometers of transmission lines and 352 kilometers of distribution lines and has helped connect 51,600 new households to electricity. Without this ADB support, the network would have eventually failed, inflicting significant hardship on the country’s population and severely damaging the economy. ADB’s Community-Based Rural Power Supply Project, financed by the JFPR in 2006, constructed two micro hydropower plants. Despite many implementation and operational challenges, the availability of electricity supply was improved from 5 months per year in summer to almost all year round. Free electricity has been provided to schools, hospitals, and the poor in the project areas. Better access to electricity has changed people’s lives in these areas. Mobile phones are now widely used, and computers have been installed in schools and hospitals.
Fostering agriculture and rural development is critical to promoting economic growth and poverty reduction in Tajikistan, since 75% of its people live in rural areas where agriculture is the main source of employment and livelihood. ADB has supported projects that rehabilitated irrigation facilities that service about 130,000 hectares (17.5%) of Tajikistan’s irrigated land. While no hard evidence exists, it is likely that these measures helped increase cotton and wheat production and enabled diversification into new crops, thereby improving food security and raising farmers’ incomes. However, ADB’s efforts to build the skills of farmers and enhance their access to capital were not always effective, because the interventions lacked coherence and did not achieve critical mass. Without the necessary knowledge and capital, many of the targeted farmers were unable to take full advantage of the rehabilitated irrigation infrastructure.

Tajikistan’s economy has performed well, its recovery is robust, and poverty has declined. In addition to these developments, the concept of inclusive economic growth also encompasses the need for equity and equality in access to opportunities. The data on inclusion in Tajikistan is scarce and dated. The World Bank’s 2009 Living Standards Measurement Survey reported that the Gini coefficient measured in terms of Tajikistan’s per capita consumption fluctuated in the 30.8–33.6 range during 2003–2009. This indicates levels of inequality that are low relative to those in other comparable countries, but concern exists that the country has not significantly improved inclusion despite its strong overall economic growth.

The rise of Tajikistan’s economic dependence on foreign remittances to an all-time high of 47% of GDP in 2011 highlights the major role they have played in generating economic growth and reducing poverty. Remittances have mainly benefitted the 70% of the population residing in rural areas, which is where most of the migrant laborers come from. It is also where poverty is concentrated and, largely due to these remittances, where the greater part of poverty reduction has occurred. Despite these benefits, this improvement also means that any reduction in remittances would impact the poor and those households that have been lifted out of poverty by the earnings of migrant workers the most. Effects on incomes in the urban areas would be secondary to those on the incomes of the rural majority. Remittances are currently a primary source of welfare in Tajikistan, but they may become a source of vulnerability in the future, and diversification of the country’s sources of income would benefit its economy and people.

Achieving inclusive economic growth is one of ADB’s three priorities under Strategy 2020. Inclusive economic growth rests on three pillars: (i) achieving high sustainable growth to create and expand economic opportunities; (ii) providing broader access to these opportunities to ensure that members of society can participate in and benefit from growth; and (iii) providing safety nets to prevent extreme deprivation. Inclusion should be broad-based and encompass all sectors and members of society. It can be driven by targeted or designed measures, or by indirect effects. Most projects under pillars 2 and 3 are targeted or designed measures, while those under pillar 1 are indirect. Indirect effects tend to involve multiple economic and social activities and many actors directly or indirectly.

Some ADB infrastructure projects can be considered to be targeted at or designed to achieve inclusion. Examples in Tajikistan include projects to provide rural roads, micro hydropower plants, rehabilitated irrigation systems, and potable water. While these projects made plausible contributions to inclusion during the August 1998–October 2013 CAPE period, they accounted for only 25% of the total infrastructure
Executive Summary

investment of $850 million. To do more to promote inclusion, ADB should increase the level of the targeted or designed infrastructure project interventions that help achieve such inclusion. Several good practices exist that allow it to do so effectively. For example, ADB has used JFPR grants in the past to finance the link between large-scale infrastructure development and the needs of poor rural communities in Tajikistan. Experience from these types of initiatives can be internalized and used to inform the design and targeting of large future projects in ways to further promote inclusive growth.

ADB supported education and health sector reforms during the evaluation period that were aimed at raising the quality and improving access to these services. Better health and education services and institutional sources of credit have improved the living conditions of many low-income households. ADB demonstrated efficient ways of delivering social benefits such as payment of public pensions through payment cards and targeted social assistance; elderly pensioners, particularly women benefitted from such support. ADB program also strengthened gender equality in several sectors, such as finance, education and health. Infrastructure projects are also better addressing gender issues to ensure that both women and men benefit from the interventions. These interventions show that well-designed, non-infrastructure programs and/or projects can target recipients directly and achieve positive outcomes. ADB discontinued support for agriculture and rural development and the health and education sectors. The country needs more targeted or designed interventions that support inclusive growth. A greater focus on non-infrastructure projects also has the potential to promote inclusion, as well as reduce the country’s economic reliance on remittances.

Transition issues. Facilitating Tajikistan’s transition from a centrally planned to a market economy has been a consistent objective in ADB’s three country strategies. A continued lack of a clear separation between state and market functions is evidence that this transition has generally been slow. ADB provided support for the policies and reforms the government and country needed to rapidly reorient the institutional framework toward a market-based economy after the breakup of the former Soviet Union and Tajikistan’s independence in 1991. It helped the country carry out reforms in areas such as public finance and procurement law, tax administration, internal government audits, and the establishment of a law reform commission. ADB supported the creation of a sound legal and regulatory environment for the microfinance industry and helped resolve a serious farm debt problem that was holding back agriculture production. This better enabled farmers to take advantage of a government freedom-to-farm decree that ended government-imposed cotton-production quotas. ADB support for energy reforms was not successful and produced results that fell far short of those anticipated. Despite ADB assistance in introducing international accounting standards and the use of external auditors at the energy utility, Barki Tojk, they have not yet been fully adopted.

In areas such as improving the enabling environment for the private sector, the government has introduced reforms to make Tajikistan an attractive destination for investments. Despite these efforts, Tajikistan’s ranking in the World Bank’s Doing Business index hovered around the 140th mark among the 189 countries rated during 2011–2013. The World Bank’s 2011 country economic memorandum called corruption one of the three main constraints on business growth and said Tajikistan’s high costs of doing business are due to widespread corruption at several points along the supply chain. The rule of law is weak. The court system lacks capacity and is overburdened, susceptible to pressure by the executive branch, and vulnerable to corruption.
Regional cooperation. Regional cooperation is particularly important to a landlocked country with a small domestic market, and fostering it has been a prevailing theme and a key objective of ADB’s program for Tajikistan. ADB has provided assistance for regional energy, transport, and trade facilitation initiatives. Three of its six energy projects approved during the evaluation period aimed to increase regional energy transmission. The Regional Power Transmission Interconnection Project approved in 2006 has increased energy export to Afghanistan and the energy utility earned about $40 million in 2013. ADB has financed rehabilitation of CAREC road corridors that pass through Tajikistan and the modernization of custom facilities at Tajikistan’s borders with Afghanistan and the Kyrgyz Republic. Traffic and goods crossing the two borders increased by 200% from 2009 to 2011.

However, the persistence of unresolved issues in the relationships between the countries of Central Asia and the uncertainty this raises make cooperation in this region fraught with risks. This makes the environment within which ADB’s regional cooperation projects have to perform capricious. The design of some of the ongoing projects may not have been relevant.

Tajikistan was part of a Central Asia power system (CAPS) developed under the former Soviet Union, and the newly independent countries initially traded energy under the CAPS and thus were able to make adequate use of regional resources and maintain system reliability. However, Tajikistan was isolated from the CAPS in 2009. This came about half year before ADB approved the Regional Power Transmission Project designed to build transmission lines and rehabilitate transmission substations on the lines running into Afghanistan, the Kyrgyz Republic, and Uzbekistan. Although prepared later, in August 2010, the report and recommendation of the President on this project was silent on the exclusion of Tajikistan from the CAPS, even though this would prevent the country from trading power with Uzbekistan. Furthermore the official documents of other development partners had deemed the disconnection as a critical event that further increased the vulnerability of its fragile and now weakened power system. The need to further enhance reliability of power exports to Afghanistan, which was a sub-objective of the project, was not explained in the project documentation. This lack of explanation raises questions about relevance, as the Regional Power Transmission Interconnection project which was designed to export surplus power to Afghanistan had recently been completed. Although the project document did not clearly explain rationale for the projects and risks associated to regional cooperation, the CAPE study team was informed by the government and ADB officials that the project could have other benefits which were not discussed in the project document, and could potentially improve reliability of domestic power supply and regional power trade.

In the regional transport sector, ADB approved the CAREC Corridor 6 improvement project in 2012. This project was part of a network of regional corridors within Uzbekistan. Historically, CAREC corridor 6 was a principal route connecting ethnic Tajik populations in Central Asia. It was a major trade corridor after the break-up of the former Soviet Union. Uzbekistan closed its CAREC corridor 6 border crossing with Tajikistan in November 2010 before ADB approved the CAREC Corridor 6 Project. Unless that border post is reopened, the impact of upgrading CAREC corridor 6 will not be fully achieved.

Disasters and climate change. Since Tajikistan is highly exposed to natural hazards, ADB’s program for disaster and risk management operations has had three phases: (i) post-disaster response, (ii) disaster prevention, and (iii) climate change
adaptation. ADB post-disaster support enabled the government to quickly restore public services in irrigation, drinking water and energy supply. Timely support for post-disaster operation and maintenance minimized suffering and facilitated sustainable economic growth. ADB has also strengthened the capacity of governments and local communities to prevent disasters. ADB has been involved in developing instruments and capacity to mitigate the emerging risks of natural disasters resulting from climate change. However, the impact of these initiatives is still largely undetermined because research on climate change in Tajikistan and elsewhere is at an early stage of development.

The CAPE identified the following issues related to climate change adaptation:

(i) **Minimizing differing views by sectors and organizations.** All necessary ministries have taken on board the likely risks posed by climate change, while their views are not necessarily the same. For instance, the energy sector development and operational plans are based on the assumption that water flow will be the same for an extended period of time. In practice, it is expected the glaciers will shrink and water flows will decline, which will affect hydropower generation. At the local government level, a higher priority is accorded to meeting more immediate development challenges, with climate change issues not yet figuring as a local priority.

(ii) **Need for robust forecasts to time investments.** The international community has supported the downscaling of international climate change models to provide forecasts at the country level. Tajikistan needs credible climate-related forecasts to set technical specifications and the timing for physical adaptation investments.

(iii) **Prioritization.** Tajikistan’s more imminent risks are from earthquakes, landslides, and drought. The government needs to prioritize and integrate current risks with future potential damage from climate change by integrating climate change, disaster management, and resilience promotion activities into its national development agenda.

**Sustainability.** The CAPE study found that the government is not making sufficient resources available to maintain the outputs of ADB projects and programs. This was the case in all sectors except education, where expenditure now accounts for about 5% of GDP, which is high, relative to comparable countries. Another factor reducing sustainability is the limited absorptive capacity created by high turnover of trained and skilled staff members, who often leave the government for jobs in the private sector or abroad. In addition, the assignment of institutional responsibilities remains in a state of flux, and the transfer of skills to executing agencies during ADB interventions has been weak due to reliance on project implementation units. The risks posed by this low likelihood of sustainability put the long-term impact of ADB support in jeopardy.

**Assessment**

ADB’s strategic positioning is rated *satisfactory*. ADB’s strategy was broadly in line with the government’s objectives during the August 1998–October 2013 CAPE period. The country strategies were closely aligned with ADB’s corporate policies. ADB started its program by providing assistance in post-conflict and natural disaster rehabilitation. The program later expanded to include such new themes as support for economic growth, poverty reduction, and regional integration. Support for private
sector development was one of three pillars identified in the country partnership strategy (CPS) prepared in 2010. In practice, however, ADB provided little support to improve the enabling environment for businesses during the period. During the latter part of the CAPE period, ADB reduced the diversity of its program by focusing more on large infrastructure projects. ADB program for agriculture, health, and education was phased out. While this sharper operational focus may have been desirable, the concentration on infrastructure has weakened the alignment between the government’s national development strategy and ADB’s programs since 2010. For example, ADB no longer supports food security through agricultural development, which has continued to be the third pillar of the government development strategy, because ADB chose to exit agriculture.

ADB program is rated relevant. The focus of the initial country strategy on reconstruction was relevant to the country’s needs after a civil war. ADB’s three country strategies concentrated on economic growth and poverty reduction, both also relevant. The continued emphasis in the country strategies and programs on facilitating transition from central planning to a market economy were appropriate, given the long-term nature of this process. So was the emphasis in ADB’s country strategies on regional cooperation and economic integration from 2004 onward, since it responded to particular challenges facing a landlocked country with small domestic markets and high trade and transport costs. Offsetting this, some projects that aimed to support regional cooperation did not take into account the risks posed by the sometimes troubled international relationships in Central Asia, and ensuing events may reduce their impact. ADB recognized that Tajikistan suffered from severe climatic risks and responded to a series of natural disasters. It has supported activities to build disaster preparedness and efforts to understand the challenges posed by climate change in Tajikistan. The design quality of ADB’s projects was generally good and rooted in a clear understanding of sector challenges and implementation realities with the few exceptions discussed above.

ADB program is rated effective. The cumulative effects of ADB’s lending and nonlending support were sufficient to realize the main outcome objectives in each sector and thematic area, except in the social sector. ADB support for physical investment was effective and made a major contribution to the country’s economic growth and poverty reduction. ADB supported the country’s shift to a market economy by helping to strengthen capacity in several sectors, although the business environment continues to be weak. ADB helped create an enabling environment for the microfinance industry, which has in turn supported improvements in inclusive economic growth.

ADB program is rated efficient. On average, projects were delivered with only modest delays, within budget, and without significant deviations from intended project results. The portfolio of projects was well managed. This can be attributed to (i) relatively simple project designs, (ii) a high degree of government ownership, and (iii) good communication between the Tajikistan Resident Mission and government line agencies.

The sustainability of the outputs and outcomes of ADB’s program over the CAPE period is rated less likely in all sectors except education. It is likely that operation and maintenance costs will not be funded sufficiently from budgetary resources, and ADB’s capacity development efforts have not left behind the institutional arrangements or the full cadre of trained civil servants needed to plan, develop, operate, and maintain critical infrastructure.
The CAPE study found plausible positive links between the development impacts of ADB’s programs and three key objectives of the ADB’s country strategies: (i) economic growth and poverty reduction, (ii) transition to a market economy, and (iii) regional cooperation. ADB supported economic growth and improved food security by financing physical and non-physical investments and strengthened the access of the poor to basic social services and markets. ADB supported Tajikistan’s transition to a market economy, and the country has made progress in this regard. Significant additional work is required, however, and Tajikistan’s ranking in the international business and investment climate surveys is still low. ADB support for regional cooperation facilitated trade in energy and other products, although political challenges to the ongoing projects may affect the impact and outcomes of ADB program. The CAPE rated the overall ADB program successful.

Recommendations

ADB needs to provide more options for fostering inclusion by financing projects that employ inclusion-oriented project designs. Most of IFPR grants have been linked to large-scale infrastructure development and available evidence suggests these projects are providing an important link to the needs of local communities. Such successful experiences need to be internalized in future project designs.

To improve the business and investment climate, ADB needs to step up its dialogue with the government, strengthen support for governance, and monitor governance through suitable indicators. Good governance goes further than mechanisms of public sector, and it is essential to establishing a policy and regulatory environment that enables the private sector to flourish as an engine of growth. To strengthen the legal framework for the private sector and enforce the laws, greater and more sustained political will is needed. ADB should step up its policy dialogue with the government on these issues, strengthen support for governance, and monitor achievements of ADB support through appropriate governance indicators.

For effective regional cooperation, ADB needs to explicitly acknowledge the risks and take appropriate mitigation measures. Conflicts and tensions on the borders between developing members countries reduce the benefits of investments in their infrastructure. While maintaining political neutrality, ADB should assess the potential underlying risks when assessing or preparing a project and, where possible, plan and carry out mitigation measures and monitor risk management arrangements.

ADB needs to enhance the integration of climate change with the disaster risk activities and resilience in Tajikistan’s development agenda, ensure consistency and synergy over sectors and organizations, and support capacity building in and dissemination of climate change science. Tajikistan is disaster-prone by international standards, as well as a country in Central Asia most vulnerable to the projected impacts of climate change. Disaster and risk management operations should be highlighted in the new CPS.

ADB needs to prioritize sustainability when designing future development support in Tajikistan. The strategy to improve sustainability has to be addressed at the CPS level. This initiative will require detailed asset management and financing plans, including cost estimates for operation and maintenance based on government strategies, and financing projections for operations and maintenance.
On 20 August 2014, the Director General, Independent Evaluation Department, received the following response from the Managing Director General on behalf of the Management:

**General Comments**

1. We appreciate IED’s country assistance program evaluation (CAPE) for Tajikistan. The CAPE, the first for Tajikistan, provides a comprehensive assessment of ADB’s operations to meet the country’s development needs since Tajikistan joined ADB in 1998, and also a timely input to the preparation of the Country Partnership Strategy (CPS) 2015–2019.

2. We acknowledge the overall “successful” rating for the country assistance program. However, despite several discussions we had with IED, substantial differences still remain between the CAPE’s assessment and CWRD’s views on the energy sector. The CAPE assesses ADB’s assistance to the energy sector as “borderline less than successful” on the ground that the RRP of the Regional Power Transmission Project approved in 2010 justified the project almost solely based on regional power trade without acknowledging that Tajikistan had been cut off from the Central Asia Power System. Our view is that the project has clearly the dual benefits of improving domestic power supply (through improving grid stability) and future regional power trade.

3. Notwithstanding this difference, overall the CAPE provides a balanced assessment for other sectors and thematic areas. We take note of the observation regarding ADB’s withdrawal from the health and education sectors and, to a lesser extent, the agriculture and natural resources sector. The financing envelope for Tajikistan is relatively small and the government wanted to focus the last CPS primarily on infrastructure. Given the emphasis now on these sectors under the MTR, in the next CPS we will carefully consider greater emphasis on these areas.

4. The CAPE recognizes ADB’s corporate definition of inclusive economic growth (IEG) centered on its three pillars. However, its assessment of ADB’s contribution to IEG, although generally positive, is not fully consistent with the IEG framework. The CAPE concludes that only 25% of ADB’s infrastructure investments were directly targeted or designed to achieve inclusion, and thus generates the impression that a large share (i.e. three-fourths) of ADB’s infrastructure investments did not contribute to inclusion. As the CAPE itself notes, both direct and indirect impacts of ADB’s infrastructure investments on inclusive growth should be duly recognized. While indirect impacts may be difficult to quantify, it does not mean that they contribute less to inclusion. The CAPE concludes in para. 141 that “In practice, it may be difficult to attribute indirect effects to projects. In view of the methodological difficulty and necessity of direct support to the poor, ADB should support more targeted or designed projects.” We disagree with this conclusion. We cannot give up projects simply because benefits to the poor are not easily measured at the individual project level. Rather, we should make greater efforts in ensuring better and complete measurement of both direct and indirect impacts, be those quantitative or qualitative. Furthermore, ADB is committed
to increasing the impact of infrastructure operations on IEG by improving project design and monitoring project outcomes as articulated in the Strategy 2020 Midterm Review.

Comments on Recommendations

5. Recommendation (1): ADB needs to provide more options for fostering inclusion by financing projects that employ inclusion-oriented project designs. We acknowledge the spirit of the recommendation but do not support the approach the report prescribes. This recommendation should be interpreted in a holistic and organic perspective in that ADB’s program should promote inclusive growth in both direct and indirect manners. ADB’s road projects in Tajikistan have helped rehabilitate regional and national artery roads as well as access roads linking rural communities to the main roads. ADB has also supported projects specifically targeting the poor, as exemplified by a JFPR-funded project, approved in 2013, to improve maternal and child health through connectivity, which aimed to rehabilitate a bridge and access roads (washed-away by floods), and construct and equip rural clinics. However, this does not mean that every project must contain the components that directly promote “inclusiveness”, as too many such components may increase the project’s complexity and reduce its effectiveness. We should avoid artificially adding too many components to demonstrate “inclusiveness”. If this is done indiscriminately, we run the risk of ending up with unimplementable projects. A proper balance is needed here. Lastly, ADB can provide all the options recommended by IED, but the client has the final choice.

6. Recommendation (2): To improve the business and investment climate, ADB needs to step up its dialogue with the government, strengthen support for governance, and monitor governance through suitable indicators. We agree. Private sector development is a priority theme under the current CPS and is likely to remain so in the next CPS. ADB has approved several TAs to improve the investment climate, improve anti-money laundering systems, and support PPP and WTO-mandated reforms. ADB is processing a project to rebuild the country’s primary technical and vocational education system, a key constraint for Tajikistan’s private sector development. A policy-based lending program cluster is now being designed to improve the business and investment climate, beginning in 2015. PSOD is also preparing an intervention to support the banking sector, another critical constraint for private investment. As poor power supply particularly during winter has severely hampered business operations and investments, ADB has been the lead development partner in supporting the sector restructuring for more than a decade, and will continue to be so in the next CPS period. ADB will also step up its support for governance improvement and anti-corruption programs through policy dialogue and financial assistance in coordination with other development partners under the Development Coordination Council (which ADB currently chairs). While we agree to this recommendation, formulating action plans under MARS cannot be easily accommodated unless it is recognized that these measures are numerous and part of a process over the next five years.

7. Recommendation (3): For effective regional cooperation, ADB needs to explicitly acknowledge the risks and take appropriate mitigation measures. ADB has been efficient and effective and has taken note of both risks and mitigation actions under its RCI projects in the country. Further, Central Asia is characterized by complex political disputes and ADB needs to maintain its political neutrality to maximize its effectiveness as a trusted development partner by all countries. ADB will continue to use the CAREC platform to facilitate dialogue and promote collaboration among neighboring countries. The recommendation is already being implemented.
8. **Recommendation (4):** ADB needs to enhance the integration of climate change and the disaster risk activities and resilience in Tajikistan’s development agenda, ensure consistency and synergy over sectors and organizations, and support capacity building and dissemination of climate change science. We are already doing this, although we will aim to do more. Tajikistan is one of the most vulnerable countries in the world to climate changes, with its energy supply and agriculture heavily dependent on glacier water. With 93% of its territory mountainous, it is prone to climate change-induced floods and droughts. Tajikistan also has limited institutions and economic capacity to meet climate change challenges. In 2013, ADB approved a $21.5 million grant financed by the Pilot Program for Climate Resilience to build climate resilience in Pyanj River Basin. The next CPS will include climate change resilience as a thematic priority, and more resources will be allocated to this area. Two projects on water resources management and improving food security have been programmed for 2015–2017 to mitigate climate-related increases in frequency and severity of floods and droughts and their negative consequences on food supply and people’s welfare. We will also help build institutional capacities for planning for climate change and incorporating climate risks in all development projects.

9. **Recommendation (5):** ADB needs to prioritize sustainability when designing future development support in Tajikistan. We do not disagree with the principle but ADB is already working towards this. Sustainability will continue to be emphasized in the forthcoming CPS (2015–2019). As the CAPE acknowledges, ADB has made substantial progress in the transport sector by supporting the government in adopting a performance-based maintenance (PBM) approach. With ADB assistance, the government has signed two PBM contracts with private road maintenance firms, financed from the government’s budget. The performance of the contractors has been satisfactory. The government is committed to increasing the budget for road maintenance from TJS 3,600/km in 2013 to TJS 5,000/km (about $1,000) by 2015, which is expected to be achieved or even exceeded. However, given that Tajikistan’s per capita GDP is just over $1,000 in 2013 and many competing resource needs across the board, allocation of resources from the government’s budget for ensuring sustainability will continue to be a challenge in the foreseeable future. Therefore, ADB will continue to support innovative and cost-effective methods for better maintenance of projects. In the area of water resources management, ADB will continue to support the community-based maintenance programs, which have been widely practiced in the country. In the power sector, ADB has been supporting the improvement of the performance of Barki Tojik, the monopoly utility company through sector restructuring, increased tariffs, and improved collection, which will ultimately contribute to the sector’s sustainability.

We are ready to take on board sound and practical recommendations by IED. Given our commitment to implement those recommendations agreed to, and to report on them, we ask IED to craft its recommendations in a more precise manner, as has also been highlighted in the 2014 Annual Evaluation Review. This will make it easier to develop action plans, and to monitor and report on them.
Chair's Summary:
Development Effectiveness Committee

The Development Effectiveness Committee considered the Independent Evaluation Department report, Country Assistance Program Evaluation Tajikistan (IN. 238-14) on 27 August 2014. The following is the Chair’s summary of the Committee discussion:

1. The Development Effectiveness Committee (DEC) discussed the country assistance program evaluation (CAPE) for Tajikistan, which rated ADB's program as successful. The CAPE noted that country strategies during the evaluation period were closely aligned with ADB’s corporate priorities. ADB programs were also rated relevant – initially in transitioning Tajikistan from central planning to a market economy, and subsequently addressing challenges like high trade and transport costs and prevalence of natural disasters. DEC welcomed the country’s strong portfolio performance marked by modest delays and minor deviations from intended project results. However, the CAPE raised concerns about weak capacity in several sectors including the business environment, continued reliance on overseas remittances, and sustainability concerns in all sectors except education. The CAPE recommended that ADB should: (i) foster more inclusion-oriented project designs; (ii) step up dialogue with government to improve the business and investment climate; (iii) recognize and mitigate risks related to regional cooperation; iii) integrate climate change considerations in disaster risk and resilience activities; and (v) prioritize sustainability in future country strategies and project designs.

2. DEC members welcomed the project success rates of the Tajikistan portfolio, which were higher than CWRD and ADB as a whole. In this regard, staff noted the significant role played by the resident mission (RM) in project implementation, which is well staffed compared to other RMs with similar portfolio size under the Joint Venture arrangements. DEC urged Management to take note of the lessons highlighted by the CAPE including: (i) simple project designs; (ii) high degree of government ownership; (iii) good coordination between the resident mission and line agencies; and (iv) good mix of project and program loans, among others. The Chair pointed out that the CAPE offers important insights for ADB’s approach toward fragile and conflict afflicted countries, underlining that country programs could be successful even in challenging situations. A DEC member inquired about the cost of conducting CAPEs and encouraged IED to share its assessments with Management for use in preparing the country partnership strategy (CPS). IED mentioned that the cost varies depending on the country covered and complexity of issues, and noted that about $250,000 was spent in preparation of the CAPE, excluding staff costs.
Comments on Presentation

3. Some DEC members thought that the executive summary did not adequately represent the nuances of recommendations in the main report (e.g., need for climate change research, resuming support for agriculture, and gender). IED agreed that it could have drawn more attention to the recommendations on agriculture, gender and climate change, but that space in the executive summary is limited and more detailed recommendations appear in the main report. In addition, the linked documents provided the sector level recommendations for agriculture, climate change, education, gender, health, public sector management, and transport.

On Inclusion, Gender, and Unemployment

4. A DEC member was somewhat surprised to see the recommendation on inclusion particularly for a country with little inequality and whose poverty rates have fallen dramatically in just five years. Other DEC members echoed that the first two recommendations on inclusion and improvement of business environment could have focused more on job creation and gender discrimination given the proportion of women-headed households arising from labor migration. Another DEC member inquired about restrictions on land ownership and other political rights for women, and suggested that policy loans might be useful to promote women’s rights, improve the business environment, and prevent corruption. DEC members agreed that the new CPS should feature interventions to address gender discrimination, specifically political and economic barriers to women’s rights. IED explained that poverty indicators had improved dramatically over the years. Growth was due to the economy rebounding after the civil war ended in 1997 and increasing levels of remittances, which are a primary source of welfare especially in rural areas. Offsetting these developments, there is a concern that remittances may become a source of vulnerability in the future, and diversification of the country’s sources of income would provide additional benefits by improving equality. IED also added that the unemployment rate remains high and income distribution has slightly worsened recently, thus making it necessary for inclusion to be part of the main recommendations.

5. With regard to differing views between Management and IED on inclusion-oriented infrastructure, a DEC member asked IED to illustrate the additional gains in inclusion should targeted projects increase. The DEC Chair suggested that in order to move beyond the debate, perhaps Management and/or IED could agree to pick two infrastructure projects for impact evaluation to understand better how infrastructure projects can impact inclusive growth. IED clarified that targeted interventions can be inclusive by benefitting the poor, and at the same time addressing lagging areas. A DEC member added that infrastructure could be more inclusive if complemented by investments in education, finance, health and other areas of the millennium development goals.

Remittances

6. DEC members expressed mixed views with regard to remittances constituting 47% of the country’s GDP, with some viewing it as a strength, and others identifying it more as a vulnerability. Staff explained that while remittances constitute an important part of the economy, the figure might be distorted as export revenues could be mixed in the statistic. Staff reported that it is focusing efforts on technical and vocational education and training to meet local and overseas skills needs. Remittances have been
a significant driver of poverty reduction in rural communities and the types of jobs occupied by overseas workers tend to be low-skilled, but are more resilient during times of economic downturn.

On Sustainability and Specificity of Recommendations

7. Some DEC members were of the view that IED could craft its recommendations with greater specificity to provide clearer guidance on aspects such as sustainability and inclusion. A DEC member added that the CAPE could have been more instructive on sustainability if it had provided examples from other countries where ADB assistance has worked well in this regard. Another DEC member emphasized the need to ensure that operations and maintenance costs are included in the financing sheet to ensure sustainability. The Chair underscored that recommendations should be implementable to enable the Board to track Management responses and actions easily. Management and IED agreed to collaborate and take up this issue as a top priority.

Priorities for the Next CPS

DEC members expressed the need to increase efforts in agriculture, rural development, health and education in the new CPS to strengthen Tajikistan’s economic growth prospects. DEC members also emphasized the need to integrate disaster risk management in climate change programs. Staff noted that food security is a top government priority and would likely feature in the next CPS, along with gender issues. The Managing Director General mentioned that skills enhancement will also figure in the next CPS, as well as job creation, irrigation, and water management.
CHAPTER 1

Introduction

A. Objectives

1. This country assistance program evaluation (CAPE) report provides the first assessment by the Independent Evaluation Department (IED) of the Asian Development Bank’s (ADB) strategies and programs in Tajikistan during August 1998–October 2013. Its primary objective is to improve the effectiveness of the development support ADB provides to the country. Taking into account the economic, political, and development context in which the program was formulated and implemented, the CAPE aimed to (i) independently assess the performance of ADB assistance to the country, (ii) identify factors affecting this performance, and (iii) draw lessons and make recommendations on operational improvements for consideration in ADB’s forthcoming country partnership strategy (CPS) for Tajikistan.

B. Scope and Coverage

2. ADB’s program to Tajikistan was initiated with an economic report and interim operational strategy (ERIOS) in November 1998, the same year that the country joined ADB. In 1998, Tajikistan also joined the Central Asia Regional Economic Cooperation (CAREC) Program—an agency supported by several development partners to assist ADB’s borrower countries in Central Asia. The ERIOS was followed by two country strategy and program updates covering the 2002–2005 period. ADB then issued two full country strategies. The first country strategy and program (CSP) for the 2004–2008 period was launched in September 2003. The CSP was updated in 2004 and 2005. Coverage was extended through 2009, with two country operations business plans (COBPs) published in 2007. A CPS for 2010–2014 was prepared in April 2010 and was updated through three COBPs covering the same period. In addition, ADB was part of the core group of 12 development partners that sought to achieve greater coherence in mobilizing their resources for Tajikistan and prepared a joint country partnership strategy for 2010–2012 (para. 30).

---

2 From its original membership of the People’s Republic of China, Kazakhstan, the Kyrgyz Republic, Tajikistan, and Uzbekistan in 1998, CAREC eventually expanded to include Afghanistan, Azerbaijan, Mongolia, Pakistan, and Turkmenistan.
ADB has become one of Tajikistan’s major sources of external support. Between August 1998 and October 2013, ADB approved 38 projects and programs worth about $1,035.0 million, 95% of which was funded by the Asian Development Fund. Almost 61% was provided on a grant basis. Policy advice and capacity building were also an important part of ADB’s program. ADB supported 69 technical assistance (TA) projects worth $46.4 million during the CAPE period.

C. Evaluation Methodology and Limitations

The CAPE was conducted and this report was prepared in line with the Revised Guidelines for the Preparation of Country Assistance Program Evaluations in 2010. An evaluative framework was prepared. For each standard evaluation criterion, IED developed a set of key issues and evaluation questions.

Sector and thematic assessments were also undertaken. They covered the transport and trade facilitation, energy, agriculture and rural development, disaster and risk management operations, public sector management, gender and the social sectors. The agriculture and rural development assessment included agriculture and natural resources. The disaster and risk management operations assessed included those related to agriculture and natural resources, energy, and water supply and other municipal infrastructure services. The social sector assessment covered health and education. Multisector projects were assessed according to the sectors most compatible with their main components. Cross-cutting issues related to capacity development and gender were also reviewed and assessed.

The CAPE drew on multiple sources, including the findings of five country missions and field visits during November 2012–May 2014 by a team of IED staff members and consultants. The CAPE has involved discussions with government agencies, ADB staff, nongovernmental organizations, and development partners, as well as a review of government strategies, ADB strategy documents and project files, and other relevant literature. Efforts were made to triangulate the evaluation’s findings through multiple sources of evidence. The evaluation also benefited from an ADB perception survey of stakeholders and focus group discussions on the results of key projects to gain insights into ADB’s performance. The CAPE was circulated to ADB for the interdepartmental review twice on 21 March 2014 and on 30 April 2014. IED discussed the received comments with ADB in dozen of meetings and through online communication in April–July 2014. The CAPE was circulated to the government on 30 April 2014. The IED fielded a consultation mission in Dushanbe, Tajikistan on 12–14 May 2014. The mission held two consultation meetings to discuss the findings, issues, lessons, and recommendations of the CAPE with senior government officials and donor representatives. In addition to the consultation mission, IED met with the Minister of Energy on 19 May 2014 and incorporated his comments in the CAPE.

The CAPE findings and analysis should be qualified in several respects. First, in value terms, more than half of the ADB support approved during the CAPE period is still being implemented, which makes it too early to assess the results of many of the

---

8 ADB Loans and Grants to Tajikistan, August 1998–October 2013 (accessible from the list of linked documents in the Appendix).
9 ADB Technical Assistance to Tajikistan, August 1998–October 2013 (accessible from the list of linked documents in the Appendix).
11 Evaluation Framework for the Country Assistance Program Evaluation (accessible from the list of linked documents in the Appendix).
newer projects or their contributions to the country’s development objectives. Second, quantifying the development impact of ADB assistance is not easy. Each ADB intervention made improvements at the project level, but overall country development impacts result from the cumulative interventions and projects of ADB, other development partners, and the government. There are also data gaps between project and country levels impacts. Consequently, the CAPE focused on assessing whether plausible linkages can be made between ADB’s program and the achievement of country objectives.
CHAPTER 2
Country Context and Government Strategies and Plans

A. Analysis of the Country Context and Major Constraints

1. Starting Points

8. Landlocked Tajikistan is the smallest and poorest country in Central Asia. The Trans-Alay range in the north and the Pamir Mountains in the southeast dominate the country’s topography, and mountains cover more than 90% of its territory. The country borders Afghanistan in the south, Uzbekistan in the west, the Kyrgyz Republic in the north, and the People’s Republic of China (PRC) in the east. Tajikistan’s population in 2012 was about 8 million. Three-quarters of its people live in rural areas even though less than 7% of the country’s land is suitable for farming. With about 56 inhabitants per square kilometer (km), Tajikistan is more densely populated than most countries in Central Asia. However, its poor roads, harsh climate, and rugged terrain also make it one of the most isolated countries in the region. These conditions result in transport and logistics costs that are among the highest in the world.

9. Tajikistan declared its independence from the former Soviet Union in 1991. This was followed in 1992 by the outbreak of a civil war. The conflict ended with the signing of a peace accord in Moscow on 27 June 1997 between the government and the United Tajik Opposition. The conflict displaced 600,000 people within Tajikistan and forced hundreds of thousands to seek refuge in neighboring countries. Almost 50,000 skilled workers emigrated. Large parts of the country’s economic and social infrastructure were damaged by the war and by the interruption it caused in essential repairs and maintenance.

10. Tajikistan’s economy collapsed during the 1991–1996 post-independence period. Subsidies from the former Soviet Union that had provided more than half of the government’s budget were no longer available after 1991. Qualified technicians and professionals, many of whom had occupied senior posts in state enterprises and government agencies, moved to the Russian Federation. Basic heating, electricity, and water supply systems worked erratically due to a lack of funds for operation and

---

13 The per-square-kilometer densities are 6.4 inhabitants in Kazakhstan, 27.8 in the Kyrgyz Republic, and 59.0 in Uzbekistan.
maintenance (O&M). The majority of Tajikistan’s industrial enterprises had to shut down, and workers were laid off. Only a few cotton mills and the nation’s aluminum processing plant continued operating, although far below capacity. Under the former Soviet Union, key sectors of Tajikistan’s economy, such as agriculture and industry, had been developed as part of the larger national political economy. These sectors lacked the resources to adapt to the country’s much-changed international marketplace when Tajikistan became a separate, independent nation. Essential medicines, fuel, and food were in short supply. With few sources of domestic revenue, government payment arrears mounted rapidly. By the time the peace accord ended armed conflict in 1997, Tajikistan’s gross domestic product (GDP) had fallen to 60% of its 1992 level, per capita income had fallen to under $200, nearly 82% of the population was considered as poor, and the country was accumulating external debt (para. 17).

2. Political Stability and Economic Recovery

11. Restoring political stability. Political stability and major inflows of aid and remittances have since contributed to Tajikistan’s reconstruction and economic recovery. After the reelection of President Emomalii Rahmon of the People’s Democratic Party of Tajikistan in 1999 and parliamentary elections in 2000, an effective power sharing arrangement with opposition political groups was put in place. Inclusion in the parliamentary elections of an Islamist party committed to secular government and several other parties represented a crucial step forward to calming regional and ethnic tensions in the country. President Rahmon was reelected for a third term in November 2006 and for a fourth in November 2013. His long tenure in office, combined with representation of minority parties in Parliament, has contributed to increased political stability.

12. Rebound and steady growth. Tajikistan’s economy rebounded strongly after the civil conflict ended, and GDP growth averaged 7.9% per annum during 1998–2007 (Figure 1). The economic recovery during this period was led by strong expansion in the service sector, increased production and exports of aluminum and cotton, and an upsurge in construction activity. Fueled by the remittances of migrant workers, growth in domestic demand in retail trade and for communications and other services was steady after 2000. Agriculture and industry advanced at a more modest pace. The service sector accounted for nearly half of GDP by 2008, while the shares of both industry (28%) and agriculture (23%) had declined. The remittances bolstered services, trade, and consumption. The growth in agriculture and industry, while less robust, was helped by sector reforms in agriculture, better infrastructure for farming, and higher global prices for the country’s main export commodities. Steadily growing foreign aid inflows, the start of a large-scale Hydroelectric Power project (Sangtuda 1) that was financed by the Russian Federation, and large new road projects financed by the PRC also contributed to improved economic performance. By 2008, Tajikistan’s real GDP was more than 2.3 times its 1996 level, and per capita income had increased to $696 from $183 in 1996. Thanks to prudent fiscal and monetary policy, inflation was reduced from 418% per annum in 1996 to single-digit percentages through 2000–2008. As a result, the burden of external debt, which had reached 98% of GDP by 2001, was also reduced (paras. 10 and 17). Broad money supply increased from 7% of GDP in 1998 to 16% in 2006, as confidence in Tajikistan’s nascent financial sector was restored.

13. **Series of external shocks.** Although its economy was performing well, Tajikistan’s heavy dependence on remittances from migrant workers and exports of cotton and aluminum left the economy vulnerable to external financial shocks. Tajikistan’s terms of trade severely worsened when world prices of cotton and aluminum declined relative to those of imported food and fuel. This was exacerbated by the 2008–2009 global financial and economic crisis that hit Tajikistan’s trade partners, and aluminum export revenue fell by 46% and the value of cotton sales declined by 28% from 2007 to 2009. Severe winter weather in 2008 aggravated the situation by causing a sharp contraction in livestock and food production. At the same time, weakening economic conditions in the Russian Federation reduced remittance inflows by about one-third, with an estimated 460,000 unemployed migrant workers poised to return to Tajikistan in 2009. The government’s budget suffered further substantial shortfalls in revenue, which resulted in considerable reductions in public spending. Economic growth slowed to 3.9% in 2009 (less than half the average annual rate in 2000–2008) and consumer price inflation reached 37% in August 2008.

14. **Downturn short.** Fortunately, this economic downturn was short-lived. Currency devaluation, generous budget support from development partners, an expansionary fiscal policy, and an upsurge in remittances starting in 2010 propelled the Tajikistan economy forward. Growth rebounded to 6.5% in 2010, 7.4% in 2011, and 7.5% in 2012 (Figure 1). This was led initially by strong performance in construction and later by services, which were fueled by consumption outlays that resulted from double-digit growth in remittances. The services sector expanded by an average of 14% per annum in 2011 and 2012. Per capita income reached $953 in 2012, an increase of 37% from the pre-crisis level in 2008. Inflation fell to 9.3% in 2011 and 6.4% in 2012 as global pressures on food and commodities stabilized. In addition, the fiscal deficit narrowed from 5.4% in 2009 to 3.7% in 2010 and 2.5% in 2011, and a 0.1% surplus was recorded in 2012. Trade turnover (exports and imports) showed a generally rising trend, including trade with Afghanistan, the PRC, Kazakhstan and Turkmenistan and Uzbekistan (Table 1).

---

16 Remittances are sent by migrant workers in the Russian Federation and Kazakhstan.
Table 1: Total Trade Turnover—Exports and Imports, 2000–2012
($ million)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>4,711</td>
<td>3,516</td>
<td>3,852</td>
<td>5,754</td>
<td>5,706</td>
<td>40,946</td>
</tr>
<tr>
<td>CAREC</td>
<td>1,263</td>
<td>1,362</td>
<td>1,309</td>
<td>3,061</td>
<td>3,064</td>
<td>15,261</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>1,172</td>
<td>898</td>
<td>958</td>
<td>867</td>
<td>782</td>
<td>7,797</td>
</tr>
<tr>
<td>PRC</td>
<td>466</td>
<td>672</td>
<td>685</td>
<td>2,262</td>
<td>2,022</td>
<td>6,776</td>
</tr>
<tr>
<td>Turkey</td>
<td>501</td>
<td>211</td>
<td>437</td>
<td>485</td>
<td>572</td>
<td>4,077</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>295</td>
<td>294</td>
<td>313</td>
<td>443</td>
<td>652</td>
<td>3,270</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>224</td>
<td>197</td>
<td>80</td>
<td>90</td>
<td>94</td>
<td>2,612</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>70</td>
<td>64</td>
<td>85</td>
<td>95</td>
<td>99</td>
<td>807</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>70</td>
<td>30</td>
<td>10</td>
<td>17</td>
<td>37</td>
<td>783</td>
</tr>
<tr>
<td>Afghanistan</td>
<td>93</td>
<td>71</td>
<td>92</td>
<td>103</td>
<td>108</td>
<td>578</td>
</tr>
<tr>
<td>Kyrgyz Republic</td>
<td>43</td>
<td>27</td>
<td>22</td>
<td>25</td>
<td>26</td>
<td>348</td>
</tr>
</tbody>
</table>

CAREC = Central Asia Regional Economic Cooperation, PRC = People’s Republic of China.

15. The process of economic recovery has changed the structure of Tajikistan’s economy. Agriculture’s share of GDP fell from 39% in 1996 to 26% in 2012, and industry’s declined from 32% to 25%. The share of the services sector rose from 29% to 49% over the same period, with the bulk of the growth taking place in wholesale and retail trade.

16. Remittances. Strong remittance inflows have had a powerful impact on domestic consumption, growth, and poverty reduction. Remittances increased dramatically from about $146.0 million in 2003 (9% of GDP) to record levels of $3.1 billion in 2011 (Figure 2). They accounted for 47% of GDP that year, and Tajikistan now depends on remittances more than any other country in the world. The number of Tajik citizens working abroad is variously estimated to have increased from about 100,000 in 2000 to between 1 million and 2 million in 2010, or about one-half the male labor force. The migrants are predominantly male construction workers from the country’s rural areas who head for the two prime destinations, the Russia Federation and Kazakhstan, where they can enter visa-free. One or more members of one-third of the households in Tajikistan are working abroad. While this helps households offset low wages and scarce employment opportunities at home, it has also contributed to domestic skill shortages and family abandonment and has put a growing burden on the women left behind to cultivate the fields and meet all other household obligations.

17. **Public debt.** At independence, Tajikistan had no external debt, because the Russian Federation unilaterally assumed this responsibility for all countries of the former Soviet Union.\(^{17}\) By 2001, however, Tajikistan had accumulated a public external debt of $997 million, or 98% of GDP, and external debt service was running at 30% of exports. Foreign exchange reserves were sufficient to cover less than 2 months of imports, an indication of how vulnerable Tajikistan had become to sudden changes in global market prices for its two main exports (cotton and aluminum), as well as to shifts in global prices for the basic foodstuffs and fuel it needed to purchase abroad. Guided by an International Monetary Fund program, the government brought external debt under control. The External Debt Management Strategy adopted by the government in October 2008 set a threshold for the external debt-to-GDP ratio of 40%. Owing to a combination of strong economic growth, fiscal restraint, active management of the public debt, and conversion of some of the debt incurred to the Russian Federation after independence into equity, Tajikistan reduced its external debt to an average of 34% of GDP during 2007–2012 (Figure 3). Official reserves rose from $572 million in 2011 to $662 million at the end of 2012, equivalent to 2.2 months of imports. As the public debt situation began to improve in 2007 and 2008, the government resumed borrowing for large transport and energy projects. This included $683 million in loans from the Export-Import Bank of the PRC.\(^{18}\)

---

**Figure 3:** Tajikistan’s Gross Debt to Gross Domestic Product Ratio, 1998–2012

<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>120</td>
</tr>
<tr>
<td>1999</td>
<td>100</td>
</tr>
<tr>
<td>2000</td>
<td>90</td>
</tr>
<tr>
<td>2001</td>
<td>80</td>
</tr>
<tr>
<td>2002</td>
<td>70</td>
</tr>
<tr>
<td>2003</td>
<td>60</td>
</tr>
<tr>
<td>2004</td>
<td>50</td>
</tr>
<tr>
<td>2005</td>
<td>40</td>
</tr>
<tr>
<td>2006</td>
<td>30</td>
</tr>
<tr>
<td>2007</td>
<td>20</td>
</tr>
<tr>
<td>2008</td>
<td>10</td>
</tr>
<tr>
<td>2009</td>
<td>0</td>
</tr>
<tr>
<td>2010</td>
<td>0</td>
</tr>
<tr>
<td>2011</td>
<td>0</td>
</tr>
<tr>
<td>2012</td>
<td>0</td>
</tr>
</tbody>
</table>


### 3. Poverty and Social Development

18. The portion of Tajikistan’s people considered poor—with an income below $2 per day in purchasing power parity terms—fell from 83.7% in 2005 to 27.7% in 2009. As of that year, poverty and vulnerability were most pronounced in households headed by women, large households in rural areas, and households in isolated rural and mountainous areas—where as many as 70% of the residents were poor.\(^{19}\)

---

\(^{17}\) Footnote 4, p. 4, para. 4.


19. Several key social indicators, including primary and secondary school enrollment rates, have improved during the CAPE period.\textsuperscript{20} Despite this, the unemployment rate was almost 40%, and the country is unlikely to meet many of the Millennium Development Goals (MDGs) by 2015. Four of the six MDGs classified in the United Nations Development Programme progress report as unlikely to be achieved relate to gender, which underscores the depth of gender inequality in the country.\textsuperscript{21} In addition, 15% of children are malnourished; maternal, child, and infant mortality rates are well above Central Asian regional averages; and about one-third of the population does not have access to improved water sources. Tajikistan’s poor social conditions are reflected in the fact that it was ranked 125th of 187 countries in the United Nations’ 2013 Human Development Index. The country also faces serious financial and institutional obstacles to providing social services to its people. While mortality rates had been reduced to 63.3 per 1,000 live births for infants and to 52.8 per 1,000 live births for children under 5, these are still among the highest in the region. In the education sector, the number of preschool institutions has declined rapidly since 1991, about 80% of all of the country’s schools require major repairs, and nearly half of all teachers do not have higher education. Many students do not attend school regularly, especially during winter, when problems related to transport and electricity supply and heating at schools make this difficult. Finally, an overwhelming majority of rural schools and health facilities do not have access to improved sanitation or water sources.\textsuperscript{22}

20. **Gender.** Women in Tajikistan suffer from discrimination at many levels. Their access to such resources as property and land ownership and finance is restricted. So are their access to public education and health care and their rights of political participation. While women account for more than 50% of the country’s resident population, their participation in the domestic labor force is one-half that of men. A gender wage gap is especially high in agriculture, where women are predominately employed.\textsuperscript{23} Despite recent improvements, significant challenges remain. Girls have a low pre-primary enrollment rate, and one in five drop out of secondary school without completing a full course of basic education (grade 9).\textsuperscript{24} About 30% of Tajikistan’s households are headed by women. This is the result of high male mortality during the country’s civil war, the migration of young men to work in other countries, and the lower life expectancy of male workers. The exodus of males has exposed the women left behind to serious socioeconomic hazards and risks. A 2009 study states that as many as one-third of the migrant workers who leave wives behind never return and instead settle permanently in the host country. Their abandoned families are consigned to extreme poverty.\textsuperscript{25}

**B. Government Development Strategies and Plans**

21. At the start of ADB’s engagement in Tajikistan in 1998, the government’s focus was on securing peace and reconstructing the economy after the civil war. After broad

---

\textsuperscript{20} Key Economic and Social Indicators, 1994–2012 (accessible from the list of linked documents in the Appendix).

\textsuperscript{21} Tajikistan’s Progress in Achieving the Millennium Development Goals (accessible from the list of linked documents in the Appendix).


consultation, the government articulated its medium-term development priorities in its first poverty reduction strategy paper (PRSP) in June 2002, which was prepared in part with ADB program. PRSP 1 had three main pillars: (i) sustained high economic growth, (ii) improved governance, and (iii) improved access to social services. Agricultural development was to boost agro-exports and to combat rural poverty. The provision of adequate infrastructure for energy, transport, water supply, and communications was also identified as critical to economic growth. PRSP 1 sought to support a market-led economy by reducing government intervention, completing the privatization of state-owned enterprises, and rationalizing the performance of energy utilities. Social service delivery was to be streamlined and better targeted, and social infrastructure such as water supply, schools, and hospitals was to be rehabilitated.

22. PRSP 1 had nine major poverty reduction targets, five of which were related to the MDGs. Its main objectives were to reduce the share of the population living in poverty, reduce infant mortality and maternal mortality, improve access to reproductive health, double the private sector’s contribution to national GDP to 60%, generate greater employment, and increase access to telephones. The first PRSP envisaged real GDP growth of 6% per annum and a reduction in annual price inflation to 5% through fiscal discipline and prudent external borrowing.

23. In 2007, the government issued a new 10-year national development strategy (NDS) for 2015. The NDS aimed to foster the development of Tajikistan as a democratic and prosperous state, where all people would have equal opportunity for political, social, and economic advancement. The NDS emphasized the need for administrative reform, private sector development, infrastructure development, and human resource development.

24. Building on the first PRSP, the government approved its second poverty reduction strategy paper for 2007–2009 in April 2007. PRSP 2 emphasized macroeconomic stability, structural reforms, and financial sector and infrastructure development to foster economic growth. Attention was also devoted in PRSP 2 to improving public institutions, streamlining business regulations, and strengthening

29 The first of its two key priorities was reform of public administration, with a view to creating a national development system in the country. The principal features of the reform were to be transparency, accountability, and a focus on combating corruption. The second key priority was developing the private sector and attracting investments. This was to be based on the expansion of economic freedoms; the strengthening of property rights and the rule of law; the development of public–private partnerships; the development of human potential, aimed primarily at increasing the quantity and quality of social services for the poor and achieving the MDGs; the expanding of public participation in the development process; and the strengthening of social partnerships.
31 PRSP 2 was organized around three blocks of interventions. A functional block was to ensure an overall institutional development environment and included the following areas: public administration reform, macroeconomic development, improvement of the investment climate, development of the private sector and entrepreneurship, regional cooperation, and integration into the global economy. A production block of interventions aimed to provide the physical environment to support economic growth. Among the areas it covered were food security and development of the agricultural sector; and the development of infrastructure, energy, and industry. The social block was to provide broader access to basic social services and address development issues. This third block covered the following areas: education and science, health care, social welfare, water supply and sanitation, housing and municipal services, environmental sustainability, and gender equality.
private property rights. In agriculture and rural development, PRSP 2 emphasized a need to secure land-use rights for small farmers and develop a strategy to contain the rising debts of cotton farmers.\textsuperscript{32}

25. PRSP 3 was launched for the 2010–2012 period in June 2010.\textsuperscript{33} In line with directions provided by the NDS and continuing the approach supported under PRSP 2, the third poverty reduction strategy paper focused on the development of 12 sectors (directions) for economic reform, which were again combined into three blocks aimed at fostering strong and sustainable economic growth and improving social services provided to the poor. PRSP 3 sought to increase per capita income and reduce the incidence of poverty. An estimated $11 billion in financing requirements were programmed to meet the PRSP 3 objectives.

26. In 2012, the government launched a living standards improvement strategy for 2013–2015.\textsuperscript{34} As in PRSPs 1–3, the focus was on public administration, fostering sustainable economic development, and realizing the country’s human potential. To strengthen the institutional setting for development, the living standards improvement strategy identified measures to improve public administration, foster macroeconomic stability, and improve the environment for private sector investment. The need to develop special economic zones and measures to enhance regional and global market integration was identified. Priority was also given to the development of energy resources, transport, communications, agriculture, and water resources. The living standards strategy also put forward specific ways to improve social protection, science and education, health care, water supply and sanitation, and gender equality to enhance social development.

\textsuperscript{32} Following independence, the areas planted to cotton and the yields went into a steep decline. Agricultural inputs were in short supply, and farmers switched land out of cotton and into grains. The government continued to set production targets for cotton, with the National Bank of Tajikistan guaranteeing that financing provided to cotton producers for inputs by private speculators or “futurists” would be repaid. With no resolution of the underlying problems in the sector, cotton farmers rapidly accumulated debt, leading to what became known as the cotton debt crisis. In 2005, the government adopted a farm debt resolution strategy, and a 2009 presidential decree wiped out $550 million of this cotton debt.


CHAPTER 3

ADB’s Country Partnership Strategy and Program

A. Country Strategies over the Country Assistance Program Evaluation Period

27. In its 1998 ERIOS for Tajikistan, ADB sought to help rehabilitate and reconstruct the economy. The strategy had three main objectives: (i) to facilitate Tajikistan’s transition to a market economy, (ii) to assist in post-conflict rehabilitation and reconstruction efforts, and (iii) to provide support for natural disaster rehabilitation. The main sectors targeted for ADB support in ERIOS and the updates were agriculture, energy, transport, and education. The first loan to the country was a post-conflict infrastructure program loan in 1998, which was designed to support the transition from centrally planned to market-based services.35

28. The Tajikistan country strategy and program (CSP) for 2004–2008 was approved by ADB’s Board in September 2003. It identified the key challenges in Tajikistan as (i) low investment rates; (ii) small domestic markets, high transport and transaction costs, and low demand because of a high level of poverty; (iii) macroeconomic vulnerability because of high external debt service and volatile cotton and aluminum export prices; and (iv) weak institutions that limited the government’s ability to implement policy reforms and absorb external support. Given strict limits on external borrowing and the country’s weak investment climate, the CSP argued that growth and poverty reduction would depend on the creation of a favorable environment for investment in the rural and agro-industrial sectors. The 2004 CSP and two updates for 2005–2008 were designed to be consistent with the Poverty Partnership Agreement signed by the government and ADB in December 2002 and to align with the MDG agenda and ADB’s corporate goal of poverty reduction.36 The 2004 CSP focused on (i) promoting economic growth to help achieve rural development through private sector development, institution building, and improved irrigation; and (ii) promoting regional cooperation by improving power supply, transport infrastructure, customs services, and cross-border energy trade. To maximize the impact of limited resources available from ADB’s Asian Development Fund (ADF) and complement the contributions of other development partners, the 2004 CSP was

35 Major Thrusts of Country Strategies and Programs in Tajikistan (accessible from the list of linked documents in the Appendix).

36 In December 2002, the government and ADB signed a poverty partnership agreement under which they jointly identified their key priorities in fighting poverty. The main objective of the agreement was to accelerate growth to expand job opportunities, particularly for the poor; increase economic activity and incomes; and improve overall well-being. Key measures in the medium term (2002–2007) included efforts to (i) improve productivity in existing economic and social sectors and diversify economic infrastructure; (ii) address governance issues that hindered private sector development and the 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.
selective in terms of numbers of sectors. Support for education and health was to be provided through projects already under preparation and through policy dialogue, but the CSP signaled that ADB would progressively disengage from the social sectors because the country’s external financing strategy had been realigned to substitute loans by grant funds, especially for social sector projects.

29. ADB approved a country partnership strategy (CPS) for 2010–2014 in April 2010. It aimed at integrating physical and nonphysical investments to improve connectivity and energy security and foster private sector development. Regional cooperation was described in the strategy as a key theme for the CAREC program. The CPS called for support for operations in energy, transport, and economic reform. Other cross-cutting themes included capacity building and governance, climate change and the environment, and gender mainstreaming. Energy and transport operations were to aim at facilitating intra- and inter-regional connectivity and trade, consistent with CAREC’s regional strategies for the two sectors. In energy, support was to be provided for sustainable energy operations, the modernization of transmission and distribution facilities, and sector reforms. In transport, the focus was on the rehabilitation and expansion of the existing road network, with more attention given to maintenance, asset management, and private sector involvement. To promote private sector development, ADB was to assist in public management reforms and improving the business and investment climate. Private sector lending was to complement public sector support in the financial sector through credit lines, trade finance, and microfinance. It was also to support investments in oil, gas, transport, telecommunications, and natural resources. The 2010 CPS formally declared that ADB would move out of agriculture and the social sectors on the grounds that ADB’s resource envelope was too small to address all of the country’s needs and that other agencies, most notably the World Bank, were supporting them.

30. ADB was part of the core group of 12 development partners that prepared the joint country partnership strategy for 2010–2012. The aim was to improve the alignment and coordination of the efforts of the participating agencies through their common adoption of one strategy (a commitment to Tajikistan’s NDS and related poverty reduction strategies); one coordinating mechanism; and one monitoring and evaluation and results framework, with common development outcomes and benchmarks. The core group comprised the Aga Khan Foundation, ADB, the European Bank for Reconstruction and Development, the European Commission, the Government of Germany, the Organization for Security and Cooperation in Europe, the Swedish International Development Cooperation Agency, the Swiss Cooperation Office, the Department for International Development of the United Kingdom, various United Nations agencies, the United States Agency for International Development, and the World Bank. The joint country partnership strategy called for development partners to support (i) broad-based economic growth by helping to increase productivity in agriculture, harness the country’s energy export potential, improve connectivity in transport, and develop other physical infrastructure; (ii) human development through enhanced education and health care and improved social protection; and (iii) good governance through public administration reform, private sector development, and reforms aimed at fostering the rule of law. Efforts were made to identify a division of

37 ADB. 2012. Central Asia Regional Economic Cooperation: Power Sector Regional Master Plan. Consultant’s report. Manila (TA 7558-REG). It estimated that gross electricity consumption in the Central Asia were expected to increase by 66% and in Tajikistan by 31% from 2011 to 2031, but did not include energy trade analysis.
labor between the development partners, with ADB taking on a leading role in the transport and energy sectors.

31. Good governance, gender equality, and environmental sustainability have been consistent thematic objectives of ADB program in Tajikistan. ADB’s initial efforts in governance were to support the Law Reform Commission, develop capacity in poverty monitoring and aid coordination, and build the governance knowledge base. The emphasis shifted during 2004–2008 to (i) improving line ministry budgeting, procurement capacity, and cost recovery in the power sector; (ii) enhancing customs revenue collection, (iii) strengthening tax administration, (iv) building financial management capacities in local governments, and (v) improving popular participation in decision making. Under the 2010 CPS, the main goal of ADB governance support was to prepare and help implement action plans to strengthen accountability, improve transparency, and reduce corruption in the core sectors of ADB operations.

32. The key objectives of ADB’s strategies for Tajikistan throughout the evaluation period can be summarized as (i) promoting economic growth and poverty reduction through improved disaster management, rural development, and rehabilitation of infrastructure; (ii) enhancing regional cooperation by supporting energy, transport, and trade; and (iii) supporting the transition from a centrally planned economy to a market economy by creating a more conducive environment for private sector development. Table 2 shows how these strategies relate to ADB’s country objectives for Tajikistan over the CAPE period. ADB started its support with post-conflict and natural disaster rehabilitation and then stepped up its assistance, paying greater attention to inclusive growth and the regional perspective.

### Table 2: The Key Objectives of the ADB Strategies, 1998–2014

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Promoting economic growth and poverty reduction</td>
<td>Post-conflict rehabilitation and reconstruction efforts Providing support for natural disaster rehabilitation</td>
<td>Improving and/or rehabilitating infrastructure (irrigation, power, and transport) Rural development support for inclusive growth</td>
<td>Increase in the country’s energy generation potential Improvement of the quality of internal and external transport links</td>
</tr>
<tr>
<td>Enhancing regional cooperation</td>
<td>Strengthening regional cooperation through improved customs services and transport links, both domestic and cross-border</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supporting transition from central planning to market economy</td>
<td>Facilitating the country’s transition to a market economy</td>
<td>Encouraging private sector activities for rural development</td>
<td>Private sector development support</td>
</tr>
</tbody>
</table>

ADB = Asian Development Bank, COBP = country operations business plan, CPS = country partnership strategy, CSP = country strategy and program, CSPU = country strategy and program update, ERIOS = economic report and interim operational strategy.


### B. ADB’s Operational Program

33. During August 1998–October 2013, ADB approved 38 projects and programs in Tajikistan worth $1,035 million, 61% of which was in the form of grants (footnote 8). Although ADF grant financing was introduced by ADB after 2004, ADB provided
concessionary ADF loans and grants for TA operations. However, all activities were supported by grants from 2008. The Japan Fund for Poverty Reduction (JFPR) financed seven ADB projects.

34. As shown in Figure 4, nearly 42% of the value of ADB’s project portfolio for Tajikistan was allocated to the transport sector, followed by energy (24%), agriculture (9%), and public sector management (8%) sectors. Projects classified as multisector (i.e., post-conflict and emergency related) only amount to 3%. As of 30 October 2013, ADB had provided support for 69 TA operations (covering policy and advisory, project preparatory, and capacity development) worth a total of $46.4 million (footnote 9), of which 16% were for agriculture and rural development while about 20% was allocated to disaster and risk management operations and 9% to public sector management. This was complemented by support through 68 regional TA operations.

### Figure 4: ADB Support to Tajikistan by Sector ($ million)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Project and/or Programs</th>
<th>Technical Assistance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transport</td>
<td>$434.70</td>
<td>DRMO $60.47</td>
</tr>
<tr>
<td>ARD</td>
<td>$93.22</td>
<td>$6.39</td>
</tr>
<tr>
<td>DRMO</td>
<td>$60.47</td>
<td></td>
</tr>
<tr>
<td>Energy</td>
<td>$254.27</td>
<td>Social $3.30</td>
</tr>
<tr>
<td>Finance</td>
<td>$8.00</td>
<td>$1.27</td>
</tr>
<tr>
<td>Industry &amp; Trade</td>
<td>$31.50</td>
<td>Industry &amp; Trade $1.23</td>
</tr>
<tr>
<td>Multi sector</td>
<td>$20.00</td>
<td>Finance $1.27</td>
</tr>
<tr>
<td>Social</td>
<td>$38.00</td>
<td>Energy $6.28</td>
</tr>
<tr>
<td>PSM</td>
<td>$85.00</td>
<td></td>
</tr>
<tr>
<td>Transport</td>
<td>$6.39</td>
<td></td>
</tr>
<tr>
<td>ARD</td>
<td>$7.51</td>
<td>DRMO $9.34</td>
</tr>
<tr>
<td>DRMO</td>
<td></td>
<td>$20%</td>
</tr>
<tr>
<td>Social</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PSM</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry &amp; Trade</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multi sector</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transport</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ARD</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DRMO</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PSM</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry &amp; Trade</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multi sector</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

ADB = Asian Development Bank, ARD = agriculture and rural development, DRMO = disaster and risk management operations PSM = public sector management.
Source: ADB loan, technical assistance, grant, and equity approvals database (accessed 31 October 2013).

35. Portfolio performance. On average, projects and programs in Tajikistan became effective within 5.2 months. The time between grant signing and effectiveness had been reduced to 3.6 months in 2012 from 5.5 months in 2010. This compared well with ADB-wide averages for ADF-eligible countries. As of October 2013, the disbursement ratio for loans was 33%, and only one of nine rated projects was assessed as a potential problem project. These performance indicators again compare favorably with ADB-wide indicators. Projects have been completed with an average delay of 1 year, compared with the ADB average of close to 2 years. Delays have been longer on average for projects in agriculture and rural development (1.70 years) and energy sector (1.13 years) than in public sector management (0.50 years). Only 4 of 32 projects were completed with delays of more than 2 years, and these include the power rehabilitation project and, more recently, a project supporting the cotton subsector.

---

39 ADB. 2009. Completion Report: Power Rehabilitation Project in Tajikistan. Manila (Loan 1817); ADB. 2006. Report and Recommendation of the President to the Board of Directors: Proposed Loan and Asian Development Fund Grant to Tajikistan for Sustainable Cotton Subsector Project. Manila (Grant 0061 and Loan 2271); ADB. 2006. Proposed Grant assistance to Tajikistan for the Community-Based Rural Power
Project completion time from approval to actual loan closing averaged only 4.7 years, compared with 6.5 years for ADB overall. As of the end of October 2013, 26 of the ADB-assisted investment projects and programs had been completed. Of 19 that had been self-evaluated in project completion reports, 4 were rated highly successful, 14 successful, and 1 less than successful. Seven of these projects have been validated and/or independently evaluated. One was validated highly successful, four successful, and two partly successful. The Tajikistan project portfolio has performed well and has a project success rate of 82.4%, compared with the averages of 56.8% in Central West Asia and 64.2% for ADB overall.
A. International Support

36. Official development assistance inflows to Tajikistan have increased steadily as the country’s ability to absorb external financing has improved. Development support during 1992–2011 totaled $5.2 billion, of which 18% was provided by the PRC, 17% by ADB, 14% by the United States, and 11% by the World Bank (Table 3). In terms of the major sectors covered, 19% of the support was employed in transport; more than 16% in energy; almost 15% in education, health, and water supply and sanitation; almost 9% in agriculture; and 22% in other forms of support—for example, food aid, humanitarian aid, emergency support, and multisector support. The top five sectors accounted for almost two-thirds of development support in Tajikistan (Table 4).

37. Attention was also paid to governance, which accounted for more than 9% of the official development assistance, agriculture (almost 9%), and health and other social infrastructure (more than 8%). Although general budget support accounted for only 6% of the total—more than 80% of which was provided by the International Monetary Fund—it is important cannot be overemphasized. It was the most critical component of the assistance given in 1991 and helped to build the newly independent country’s administrative institutions.

38. The top 12 development partners allocated their support according to their particular sector priorities (Table 5). For purposes of the CAPE, a development partner’s share of at least 5% of a sector’s total support was assumed to denote that sector as a “significant priority” of that partner. The World Bank had the most diverse portfolio, parceling its support out in nine sectors. ADB covered eight sectors. The United States supported six sectors, the most among the bilateral partners, and Germany and Japan each supported five.

---

40 To ensure that the sector coverage and/or scope of development partners could be compared, the ADB portfolio for Tajikistan, as classified under the ADB approvals database, the PRC and Islamic Development Bank assistance packages, under the aid information management system (AIMS), were made to correspond to the closest Organisation for Economic Co-operation and Development (OECD) sector classifications. As a result, (i) Government and Civil Society, General (OECD) to Public Sector Management (ADB) and Government Administration (AIMS); (ii) Agriculture, Forestry and Fishing (OECD) to Agriculture and Natural Resources (ADB) and Agriculture and Irrigation (AIMS); (iii) Transport and Storage (OECD) corresponds to Transport (ADB) and Transport (AIMS); (iv) Industry (OECD) to Industry and Trade (ADB), and Private Sector and Industry (AIMS); (v) Banking and Financial Services (OECD) to Finance (ADB); (vi) Health and Other Social Infrastructure and Services (OECD) to Health and Social Protection (ADB), and Health and Social Welfare and Labor (AIMS); (vii) Water Supply and Sanitation (OECD) to Water and Other Municipal Services (ADB), and Water, Sanitation and Housing and Municipal Services (AIMS), and (viii) Other Sectors as aggregated from several items, e.g., multisector/crosscutting, food aid, other commodity assistance, humanitarian aid, etc. (OECD) to Multisector (ADB), and Multisector, Unallocated, and Unspecified (AIMS).
Table 3: Development Support to Tajikistan, Commitment by Development Partner, 1992–2011

<table>
<thead>
<tr>
<th>Country/Organization</th>
<th>Amount ($ million)</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>People's Republic of China</td>
<td>937</td>
<td>18.1</td>
</tr>
<tr>
<td>Asian Development Bank</td>
<td>860</td>
<td>16.6</td>
</tr>
<tr>
<td>United States</td>
<td>724</td>
<td>14.0</td>
</tr>
<tr>
<td>World Bank</td>
<td>580</td>
<td>11.2</td>
</tr>
<tr>
<td>European Union institutions</td>
<td>445</td>
<td>8.6</td>
</tr>
<tr>
<td>Germany</td>
<td>292</td>
<td>5.6</td>
</tr>
<tr>
<td>International Monetary Fund</td>
<td>255</td>
<td>4.9</td>
</tr>
<tr>
<td>Japan</td>
<td>228</td>
<td>4.4</td>
</tr>
<tr>
<td>Switzerland</td>
<td>178</td>
<td>3.5</td>
</tr>
<tr>
<td>Islamic Development Bank</td>
<td>134</td>
<td>2.6</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>77</td>
<td>1.5</td>
</tr>
<tr>
<td>United Nations agencies</td>
<td>73</td>
<td>1.4</td>
</tr>
<tr>
<td><strong>Subtotal (top 12)</strong></td>
<td><strong>4,783</strong></td>
<td><strong>92.4</strong></td>
</tr>
<tr>
<td>Others</td>
<td>396</td>
<td>7.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5,179</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>


Table 4: Development Support to Tajikistan—Commitment by Sector, 1992–2011

<table>
<thead>
<tr>
<th>Sector</th>
<th>Amount ($ million)</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transport and storage</td>
<td>985</td>
<td>19.0</td>
</tr>
<tr>
<td>Energy</td>
<td>846</td>
<td>16.3</td>
</tr>
<tr>
<td>Government and civil society, general</td>
<td>477</td>
<td>9.2</td>
</tr>
<tr>
<td>Agriculture, forestry, and fishing</td>
<td>458</td>
<td>8.8</td>
</tr>
<tr>
<td>Health and other social infrastructure</td>
<td>428</td>
<td>8.3</td>
</tr>
<tr>
<td>General budget support</td>
<td>313</td>
<td>6.0</td>
</tr>
<tr>
<td>Education</td>
<td>184</td>
<td>3.6</td>
</tr>
<tr>
<td>Water supply and sanitation</td>
<td>147</td>
<td>2.9</td>
</tr>
<tr>
<td>Banking and financial services</td>
<td>90</td>
<td>1.7</td>
</tr>
<tr>
<td>Industry</td>
<td>88</td>
<td>1.7</td>
</tr>
<tr>
<td>Other sectors</td>
<td>1,163</td>
<td>22.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5,179</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Note: Outside of the key sectors, the balance of non-sector allocable support is grouped as Other sectors. Non-sector allocable development assistance, as defined by the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD), covers general budget support, debt relief, humanitarian aid, emergency assistance, food aid, support to nongovernment organizations, and administrative costs. However, for the purposes of the Asian Development Bank (ADB) Independent Evaluation Department’s evaluation of ADB’s country assistance program in Tajikistan, general budget support was removed from this component and designated as a separate sector. This was to emphasize the magnitude of International Monetary Fund assistance in Tajikistan.


39. The sectors that received large-scale support in Tajikistan—transport and energy—were the top priorities of the PRC and ADB, which were also the development partners who provided the most support during the period analyzed. Sectors addressing the basic needs—of health, education, water supply and sanitation, and other sectors covering emergency support, humanitarian aid, and food aid—had support from a larger number of development partners. This is to be expected, given the substantial ground that Tajikistan has had to cover to try to meet or even come
close to its targets under the MDGs. However, it also underlines the need to harmonize and closely coordinate development partners’ initiatives to avoid duplication and ensure maximum impact.

### Table 5: Sector Rankings of Development Partner Assistance to Tajikistan, 1992–2011

<table>
<thead>
<tr>
<th>Sector</th>
<th>ADB</th>
<th>EU</th>
<th>GER</th>
<th>IMF</th>
<th>IsDB</th>
<th>JPN</th>
<th>PRC</th>
<th>SWI</th>
<th>UK</th>
<th>UN</th>
<th>US</th>
<th>WB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transport and storage</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy</td>
<td>2</td>
<td>a</td>
<td>a</td>
<td>a</td>
<td>a</td>
<td>1</td>
<td>a</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government and civil society</td>
<td>4</td>
<td>4</td>
<td>a</td>
<td>a</td>
<td>a</td>
<td>2</td>
<td>a</td>
<td>a</td>
<td>4</td>
<td>a</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Agriculture, forestry, and</td>
<td>3</td>
<td>a</td>
<td>a</td>
<td>a</td>
<td>a</td>
<td>a</td>
<td>a</td>
<td>a</td>
<td></td>
<td>4</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Health and other social</td>
<td>a</td>
<td>2</td>
<td>3</td>
<td>a</td>
<td>a</td>
<td>a</td>
<td>a</td>
<td>3</td>
<td>a</td>
<td>3</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>infrastructure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General budget support</td>
<td>3</td>
<td>1</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>2</td>
<td>a</td>
<td>1</td>
<td>5</td>
<td>3</td>
<td>a</td>
<td>a</td>
<td>a</td>
<td>6</td>
<td>a</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>Water supply and sanitation</td>
<td>8</td>
<td>a</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>a</td>
<td>a</td>
<td>a</td>
<td>5</td>
<td>a</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banking and financial services</td>
<td>6</td>
<td>4</td>
<td>a</td>
<td></td>
<td>a</td>
<td>a</td>
<td>a</td>
<td>a</td>
<td></td>
<td></td>
<td></td>
<td>8</td>
</tr>
<tr>
<td>Industry</td>
<td>5</td>
<td>5</td>
<td>a</td>
<td>a</td>
<td>a</td>
<td>1</td>
<td>a</td>
<td>a</td>
<td>5</td>
<td>9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other sectors</td>
<td>a</td>
<td>1</td>
<td>1</td>
<td>a</td>
<td>2</td>
<td>a</td>
<td>1</td>
<td>a</td>
<td>1</td>
<td>3</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Notes: A development partner’s share of at least 5% in the overall support for a sector was the threshold used to denote the sector as "a significant priority" of that partner and to qualify the development partner for a ranking in that sector. The ranking was determined by the amount of the partners’ support in the sector, with the partner with the largest amount of assistance ranked 1. Percentage shares were rounded off to the nearest whole number.

*a A sector where the share of a development partner is less than 5%.

Sources: Asian Development Bank; Aid Information Management System; Organisation for Economic Co-operation and Development databases.

The agriculture and natural resources sector and health and education were second and third in size during the first ADB strategy but fell in importance in the second strategy; ADB exited both sectors in the third strategy.
Table 6: Rankings and Shares of ADB Sector Allocations by Country Strategy Period

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rank</td>
<td>Share (%)</td>
<td>Rank</td>
</tr>
<tr>
<td>Energy</td>
<td>1</td>
<td>24.5</td>
<td>2</td>
</tr>
<tr>
<td>ARD</td>
<td>2</td>
<td>17.9</td>
<td>3</td>
</tr>
<tr>
<td>Health and Education</td>
<td>3</td>
<td>16.3</td>
<td>7</td>
</tr>
<tr>
<td>Transport and ICT</td>
<td>4</td>
<td>16.2</td>
<td>1</td>
</tr>
<tr>
<td>Multisector</td>
<td>5</td>
<td>9.3</td>
<td></td>
</tr>
<tr>
<td>DRMO</td>
<td>6</td>
<td>6.4</td>
<td>5</td>
</tr>
<tr>
<td>Industry and trade</td>
<td>7</td>
<td>4.5</td>
<td>6</td>
</tr>
<tr>
<td>Finance</td>
<td>8</td>
<td>4.0</td>
<td></td>
</tr>
<tr>
<td>PSM</td>
<td>9</td>
<td>0.9</td>
<td>4</td>
</tr>
</tbody>
</table>

ADB = Asian Development Bank, ARD = agriculture and rural development, DRMO = disaster and risk management operations, ICT = information and communication technology, PSM = public sector management.

Source: ADB loan, technical assistance, grant, and equity approvals database (accessed 31 October 2013).

B. Donor Coordination

41. Aid coordination in Tajikistan began with a first consultative meeting in Tokyo in 1996 and has continued through a series of high-level international meetings. External funding and coordination among the development partners and the government is undertaken through a development coordination council (DCC) established in December 2009. It comprises several working groups that address sector policy and aid effectiveness issues. The DCC’s important accomplishments include the preparation of a road map for agricultural reforms, support for the formulation of the
NDS and several poverty reduction strategies, and preparation of a joint private sector
development strategy.

42. The DCC has coordinated external support and addressed sector policy and aid
effectiveness issues. ADB plays a leading role in the DCC, coordinating the
implementation of the joint CPS. In cooperation with several other partners, it has also
supported development of the government’s aid coordination capacities and the
preparation of national plans and poverty reduction strategies. ADB has provided
support for results-based planning and project management. The joint country strategy
helped establish a clearer division of labor between partners and has laid out ways to
improve aid effectiveness. On the other hand, ADB has found it difficult to coordinate
its support with that of development partners who have not joined the DCC, such as
the PRC and the Russian Federation, which have both become large partners in
infrastructure development.
CHAPTER 5

ADB's Development Contribution and Challenges

A. Economic Growth and Poverty Reduction

1. Infrastructure Sectors

43. Real economic growth in Tajikistan in 2012 was about three times what it was in 1998, the year ADB started operations in the country. Growth during the CAPE period has contributed to good progress in poverty reduction. The decline in the percentage of the population living below $2 a day at 2005 purchasing power parity showed a rapid decline from 83.7% in 1999 to 27.7% in 2009. In that year, only 7% of the population was classified as extremely poor, i.e., with incomes less than $1.25 per day. Much of this poverty reduction had been achieved due to worker migration and remittances, which have driven domestic demand, boosted trade, created opportunities for small-scale services, and helped keep rural–urban inequality in check. Per capita consumption (purchasing power parity) increased by 75% from $681 in 2003 to $1,195 in 2009, indicating a notable increase in welfare.

44. Transport. The development of key transport corridors and rural transport networks that improved domestic access to markets and social services as well as access to regional and international markets has been one of ADB’s main contributions to economic growth and poverty reduction. ADB support has helped improve 430 km of country’s regional links, and developed about 620 km of rural roads. These initiatives have been complemented by support for improving border crossing facilities and transit arrangements to facilitate regional trade. Improved transport development has significantly reduced travel times, lowered vehicle operating costs, and contributed to an increase in trade and commerce. The number of commercial vehicles crossing the borders on these corridors doubled each year during 2008–2012. Transport sector investments have likely contributed to boosting external trade, although quantifying this is difficult. Tajikistan’s total trade has increased from $1.4 billion in 2000 to more than $5.0 billion in 2012. Transit trade rose nearly 60-fold during this period, and the increase was particularly large on CAREC corridor 5 from the PRC through Tajikistan.

45. While focusing on the CAREC corridors, ADB’s transport projects have also contributed to inclusive economic growth by providing access for rural communities to markets, social services facilities, and other amenities. There is some evidence that transport projects positively impacted the livelihoods of local residents through this better access and by generating more business and employment opportunities. An independent evaluation mission (IEM) carried out a beneficiary survey of affected persons in the Khijborak Jamoat of the Rasht Valley, where ADB rehabilitated a bridge.

41 World Bank Tajikistan country database; Government of Tajikistan, Ministry of Economic Development and Trade vehicle database.
to connect isolated communities to CAREC corridor 5. Respondents in the four villages reported a palpable improvement, which they attributed to an average reduction of 87% in travel time and 75% in travel costs due to the bridge reconstruction, although data of traffic amount were not available. About 80% of the respondents also indicated their income had increased. It is likely that the transport projects have reduced poverty incidence and improved small business development in the isolated villages by improving access to markets.

46. **Energy.** Tajikistan’s power sector is critical not only for the electricity it provides to all domestic users but also as a potential source of hydropower exports. ADB’s power sector support has focused on rehabilitating such energy infrastructure as substations and building new transmission lines. This has made the power system more reliable, made electricity more widely available, and allowed the country to export surplus power to neighboring countries. ADB has upgraded 141 km of transmission lines and 352 km of distribution lines. It has also connected 51,600 new households to electricity. ADB support for the installation of micro-hydropower plants in rural areas promoted inclusive growth Barki Tojik. ADB’s Community-Based Rural Power Supply Project financed by the JFPR constructed two plants of 260 kilowatts and 60 kilowatts capacity. Despite many implementation and operational challenges and changes to project design, which led to a 1-year delay, the project provided year-round electricity to areas that previously had power only seasonally during May to September. It also provided schools, hospitals, and the poor in the project areas with free electricity. This has improved the lives of the local people. Cell phones are now in widespread use, and schools and hospitals have benefitted from working with computers. The IEM confirmed these direct, positive impacts in the field. Ensuring availability of reliable power supply to the poor and in remote locations has been an important contribution towards inclusion in Tajikistan.

47. **Agriculture and rural development.** Fostering agriculture and rural development is critical to economic growth and livelihoods in Tajikistan. Three quarters of its people live in rural areas where agriculture is the main source of employment and livelihood. ADB played an important role in solving a cotton debt crisis (para. 63) that had been a significant impediment to the development of the agriculture sector in general and to the alleviation of rural poverty in particular. ADB supported projects that rehabilitated irrigation facilities that service about 130,000 hectares (17.5%) of Tajikistan’s irrigated land. These measures have likely helped to increase cotton and wheat production and provide new crop diversification opportunities, which in turn would have improved food security and increased farmers’ incomes. However, resources available to maintain the rehabilitated irrigation facilities are inadequate and the CAPE field mission saw the nature and scope of the maintenance problems. The sustainability of the positive impacts of the ADB projects is in doubt. In addition, ADB’s impact in the sector is likely to have been greater if it provided more substantive non-infrastructure related support to farmers. In particular, the IEM found that efforts made to build farmer capacity and enhance their access to capital were deficient. Without appropriate skills and capital, many of the targeted farmers were unable to take full advantage of the rehabilitated irrigation infrastructure.

48. **Disaster and risk management operation.** Tajikistan is highly exposed to natural hazards, and ADB’s support has reduced risks these pose and the vulnerability of the

---

42 ADB. Results of ADB-Supported Operations: Tajikistan. www.adb.org/countries/tajikistan/results
The main disaster response operations of ADB have met their objectives by helping sustain people’s lives and social and economic activities. The projects rehabilitated a large number of irrigation canals, roads, water supply networks, power distribution and telephone lines, and many schools and clinics. ADB provided support to improve disaster preparedness by amending the Water Code, preparing flood risk maps for three districts, developing food preparedness plans, and actively involving communities in preparing for floods at the local level. As a result of ADB investments, public irrigation and drinking water supply services were restored in affected communities to pre-disaster levels, which served to protect the livelihood of the affected rural residents. ADB projects have also prevented damage to power generation infrastructure and strengthened flood management systems, particularly in the Vahksh and Pyanj River basins. Residents of communities in these basins told the IEM how they were enabled to better prepare themselves for floods. Overall, the ADB projects have helped mitigate the risks of natural disasters by preparing the local population to help themselves in restoring essential services when disasters occur and building their flood management capacity. This means that the government will need to allocate a smaller amount of its fiscal resources to disaster relief in future years.

2. Impact of Japan Fund for Poverty Reduction

49. In Tajikistan, ADB has made effective use of JFPR grants to link large ADB-financed growth-oriented infrastructure projects financed by ADB with the smaller JFPR-financed projects targeted at poor rural communities. JFPR-financed projects have helped distribute the benefits of the large-scale projects to remote and rural communities. JFPR projects have also pilot-tested innovative approaches to involve nongovernment organizations and communities in providing, operating, and maintaining infrastructure, as well to build the capacity of local governments. Box 1 describes the bridging role played by the JFPR in integrating large-scale infrastructure investments with the needs of rural communities.
### Box 1: Japan Fund for Poverty Reduction Bridges Large-Scale Infrastructure Projects with the Needs of Rural-based Communities

Several Asian Development Bank (ADB) projects in Tajikistan funded by the Japan Fund for Poverty Reduction (JFPR) improved the linkages between infrastructure investment and the community-based needs of poor rural households. Effective use of the JFPR has helped to leverage the contribution of infrastructure investment to economic growth.

The $1.8 million Community-Based Rural Road Maintenance Project approved by ADB in October 2005 was designed to improve 350 kilometers of rural roads and open up poor rural areas to markets and services.¹ This project was linked to ADB’s Dushanbe–Kyrgyz Border Road Rehabilitation Project and focused on developing rural roads for the 300,000 persons who live in the hinterlands of that project road corridor.² ADB approved Sustainable Access for Isolated Rural Communities Project financed for $2.0 million in October 2007.³ The objective of the JFPR grant was to restore access for rural communities in the Rasht district that had been isolated when a flood washed away a bridge on the Surkhob River in August 2006. After the project completion, the people of these communities no longer had to detour up to 80 kilometers to access the road to Dushanbe and Tajikabad district center.

ADB approved the $2 million, JFPR grant-financed Community-Based Rural Power Supply Project in February 2006 to improve the quality of life during winter in remote rural areas.⁴ The project overcame many implementation and operational challenges and constructed two hydropower plants with 260 kilowatts and 60 kilowatts capacity. It also tried to encourage energy conservation by establishing model energy-saving households. The country’s electricity utility, Barki Tojik, provided technical guidance and maintenance services under the project to communities developing off-grid hydropower.

ADB’s Community Participatory Flood Management project, financed by a $3 million JFPR grant and approved by ADB in March 2009, ran in parallel with the ADB loan-financed Khatlon Province Flood Risk Management Project.⁵ The JFPR project achieved effective synergy with the larger ADB-financed project to strengthen disaster preparedness at the local community level. The smaller project successfully broke down the outputs of the larger project to the communities. The non-physical components of the flood risk management project involved the preparation of risk maps for the region, flood forecasting, early warning, and institutional and legal reforms.

ADB approved JFPR grant-financed projects for school improvement in 2003 ($2.0 million) and a community participation and public information campaign to improve health in 2004 ($1 million). These projects helped to build the capacity of local communities to disseminate education and health care reforms, and health care procedures, which were introduced by the central government with the ADB support.⁶

---

¹ Asian Development Bank (ADB). 2005. Proposed Grant Assistance to Tajikistan for the Community-Based Rural Road Maintenance Project. Manila (Grant 9078).
² ADB. 2003. Report and Recommendation of the President to the Board of Directors: Proposed Loan and Technical Assistance Grant to Tajikistan for the Dushanbe-Kyrgyz Border Road Rehabilitation Project. Manila (Loan 2062); ADB. 2005. Report and Recommendation of the President to the Board of Directors: Proposed Loan and Technical Assistance Grant to Tajikistan for the Dushanbe-Kyrgyz Border Road Rehabilitation Project (Phase 2). Manila (Loan 2196).
³ ADB. 2007. Proposed Grant Assistance to Tajikistan for Sustainable Access for Isolated Rural Communities. Manila (Grant 9111).
⁴ ADB. 2006. Proposed Grant Assistance to Tajikistan for Sustainable Access for Community-Based Rural Power Supply Project. Manila (Grant 9089).
⁶ ADB. 2003. Proposed Grant Assistance to Tajikistan for the School Improvement Project. Manila (Grant 9040); ADB. 2004. Grant Assistance to Tajikistan for Community Participation and Public Information Campaign for Health Improvement. Manila (Grant 9043).

Source: ADB Independent Evaluation Department.

---

3. **Social Inclusion in the Non-Infrastructure Sectors**

50. **Financial services.** In 2002, the majority of Tajikistan’s rural population had no access to basic financial services. No commercially viable microfinance institutions (MFIs) existed, and the National Bank of Tajikistan lacked capacity to exercise effective
MFI oversight. ADB’s Microfinance Systems Development Program, approved in June 2003, strengthened the MFI sector and provided local people with better access to local financial institutions for savings and credit services. It also strengthened links between local commercial banks and the MFIs. The 2010 validation report on the program said that many low-income households now had institutional sources of credit to support the creation and expansion of entrepreneurial activities, which was enabling them to increase and diversify their incomes. The program’s completion report had indicated that it also contributed to gender equality and revenue increase. In 2007, about 65% of the employees of the 39 largest MFIs in the country were women, as were the heads of three of the five largest MFIs. By 2009, about 62% of all MFI loans were being made to women entrepreneurs. Nonetheless, people in many rural areas continue to have difficulty accessing credit due to high interest rates. The results of a comparative survey of borrowers of a single MFI and of non-borrowers living in the same area showed that the household incomes of borrowers increased significantly more than those of non-borrowers over a 2-year period.

51. Social sector services. Access to basic health and education services has improved considerably in the project regions. ADB’s Social Sector Rehabilitation Project helped the government restore basic health and education services after the civil war. Its Health Sector Reform Project focused on improving health services, especially for the poor, women, and children. This project also supported broad sector reforms by strengthening management capacity and systems efficiency. An ADB education reform project approved not only restructured the sector to make it more sustainable, but also helped to make schooling more equitable and to improve completion rates and the quality of primary and general secondary education. In addition, ADB transport projects have supported HIV/AIDS prevention. National and district health professionals were trained under the road corridor projects. These trained professionals have in turn provided training to non-specialists, thus multiplying the impact of the ADB projects. The projects have enabled HIV/AIDS centers to provide better testing and treatment to residents and construction workers in the project areas.

4. Social Safety Nets

52. Two timely budget-support ADB operations—the Crisis Recovery Support Project in 2009 and the Strengthening Public Resource Management Program in 2010—mitigated the adverse impact on social protection in Tajikistan of the 2008–2009 financial and economic crises, and tested more efficient ways of delivery. ADB, in cooperation with other development partners, demonstrated more efficient ways of delivery.

---

44 ADB. 2003. Report and Recommendation of the President to the Board of Directors: Proposed Loans and Technical Assistance Grant to Tajikistan for the Microfinance Systems Development Program. Manila (Loans 2000 and 2001). Designed as a sector development program, it comprised (i) a policy loan for a committed amount of $4 million from the ADF, (ii) an investment loan of $4 million from the ADF, and (iii) a TA grant of up to $640,000 (TA 4132). The program included four components: (i) the adoption of policy, regulatory, and institutional actions to develop a microfinance industry; (ii) capacity building of the National Bank of Tajikistan to regulate and supervise MFIs; (iii) capacity building of MFIs; and (iv) transformation of microcredit programs operated by nongovernment organizations into formally licensed and regulated MFIs.


46 N.F. Salimov et al. 2007. Final Report of the Community Participation and Public Information Campaign Program. Dushanbe. The report stated that a survey on health service use by community health councils showed that GraphicArt, the family group practices services, was being used by a significant number of infants 1 year of age and younger and females aged 16–49.

47 ADB. 2010. Completion Report: Education Sector Reform Project in Tajikistan. Manila. The report said that the national gross enrollment rate for girls in grades 10 and 11 increased by about 18.0% during 2004–2005 to 2008–2009, while it increased by 51.1% in the pilot districts.
delivering social benefits through payment of public pensions through payment cards and targeted social assistance. The shift to electronic payments was expected to reduce costs in the long run, as well as narrow the scope for corrupt practices. A World Bank independent evaluation of the pilot test of the targeted assistance, which was also supported by ADB, indicated that it performed better than the national program. The World Bank evaluation of the pension payments pilot indicated that the switch to electronic payments has in general been positive. The benefits were measurable, especially in households headed by women and in terms of food security. The two pilot projects have been replicated and scaled up by other development partners. A country gender assessment was prepared in collaboration with the Committee on Women and Family Affairs in 2006 to promote gender equality and mainstream gender into the poverty reduction strategy.

B. Transition to Market Economy

53. Private sector development. The role of the private sector in Tajikistan’s economy remains modest. It accounted for only a 55% share of GDP in 2010. Total investment, which averaged about 20% of GDP, has been dominated by public investment. Private investment accounted for about 4% of GDP in 2012. During the early post-conflict years, the government opened up trade, established the National Bank of Tajikistan as the central bank, enabled visa-free migration of the country’s workers to Russia and Kazakhstan, and removed taxes on remittances from abroad. It also privatized many small and medium-sized enterprises and reformed agricultural and land institutions. In the mid-2000s, steps were taken to stimulate competition in air transport, rationalize cotton operations, improve public financial management, and strengthen governance at the central bank and in some large state-owned enterprises. Since 2008, it has implemented measures to ease business registration requirements, streamline customs requirements, reform the tax code, provide farmers free choice in what to plant, strengthen private land property rights, establish a regulatory framework for public–private partnerships, and establish free economic zones. Tajikistan became the second Central Asian country to join the World Trade Organization in March 2013, and it has taken steps to accede to the Extractive Industries Transparency Initiative.

54. Despite improvement in several areas, Tajikistan still ranked 143rd out of 189 countries in the 2014 Doing Business report produced by the World Bank and the International Finance Corporation. This was due mainly to exceptionally low scores for dealing with construction permits, getting credit, ease of paying taxes, trading across borders, and winter energy deficits. The lack of a clear separation between state and market functions was the major impediment to the country’s transition to a market economy. ADB supported public sector reform for private sector development in a number of areas.

55. Public sector reform. To create the environment needed for a market economy, ADB helped Tajikistan strengthen the rule of law, increase accountability, and start tax administration reform.


49 This country gender assessment was prepared under a regional ADB technical assistance project covering four countries in Central Asia—Azerbaijan, Kazakhstan, the Kyrgyz Republic, and Tajikistan. ADB. 2004. Technical Assistance for Mainstreaming Gender into Poverty Reduction Strategies in Four Central Asian Republics. Manila (TA 6177).

50 The Extractive Industries Transparency Initiative multidonor trust fund provides countries with grant resources to implement its principles of revenue transparency.
administration reform. While ADB’s contribution to legal reform has been smaller than those of the International Monetary Fund and the World Bank, it supported (i) the establishment of a new law on public finance, (ii) implementation of a law on internal audits, (iii) the establishment of the Law Reform Commission, (iv) the development of a database of almost 5,000 existing laws and regulations, and (v) the establishment of a new procurement law. ADB support has helped increase accountability and strengthen governance by institutionalizing internal audits in four ministries. The new procurement law, which ADB supported jointly with the World Bank, has introduced a robust legal framework for the use of public resources in procurement. However, its implementation needs to be strengthened, and an independent complaints body needs to be created. ADB’s public investment projects encouraged the use of its procurement, financial reporting, and safeguard procedures.

56. ADB’s Efforts to reform the tax administration in the mid-2000s were unsuccessful in one important respect. This was because the government was unwilling to reform its large taxpayer inspectorate. However, the government was more amenable to undertaking a number of subsequent reforms. Most notable were the measures under ADB’s Strengthening Public Resource Management Program and a related TA project. The tax committee in May 2013 approved an information technology strategic plan, and its implementation is being supported by the World Bank and other development partners. ADB strengthened the functioning and administrative efficiency of the large taxpayer inspectorate and supported the introduction of the e-filing of tax returns, including those of large taxpayers. Overall, ADB’s support resulted in an increase in tax revenues from 17.6% of GDP in 2009 to 21.1% in 2012, as well as an increase in the number of corporate taxpayers by 40% to 290, exceeding the target of 282.

57. ADB’s Microfinance Systems Development Program, approved in 2003, also helped make the financial sector market-oriented. The program bolstered and sustained political commitment in the country to market-based microfinance development. It resulted in the creation of a sound legal and regulatory environment for Tajikistan’s microfinance industry, which in turn helped create a rapidly expanding, profitable microfinance sector.

58. Power sector reform. The government recognized the need to create a competitive power market as a means to mobilize resources to overcome the country’s winter energy deficit and tap its hydropower potential. The Postconflict Infrastructure Program, approved in 1998 for $20 million, aimed to restructure both the transport and energy sectors. The program’s key strategies were to (i) create an enabling framework for the delivery of market-based transport and energy services; and (ii) implement market-pricing and user-pay principles to improve cost recovery. While a number of outputs were delivered, overall progress in achieving sector and utility reform objectives was less than anticipated. This was because the program design suffered from conflicting objectives and an overambitious agenda for institutional reforms and the reform process lacked support from the management of Barki Tojik. Structural reforms of state-owned utilities, in countries where political commitment and management support for these changes are weak, is challenging and can take much longer than expected. The program design could have foreseen this risk.

however, and put mitigation measures in place. ADB’s consultation and ongoing engagement with those at the highest level of government and Barki Tojik are necessary to obtain their agreement to make these reforms and effect the desired structural changes in the sector.  

59. The same obstacles prevented ADB from fully achieving the intended outcomes of other interventions, such as establishing sustainable financial performance and increasing private participation in the electricity sector. Nevertheless, ADB has persisted in introducing reforms and provided a series of TA operations aimed at improving the financial management of Barki Tojik, which was essential to guide sector reform. The first TA was approved in 2000 for improving Barki Tojik’s billing and collection system. The second aimed to introduce the International Accounting Standards and modern financial and practices.  

This was followed by a TA project for improving the accounting and financial management system of the utility’s subsidiaries. It was designed to roll out the use of the International Accounting Standards and International Financial Reporting Standards to 31 subsidiaries of Barki Tojik and thereby make accounting and financial reporting systems standard throughout the company.

60. As an outcome of previous ADB TA projects, the government approved a long-term restructuring plan in 2011 to improve the operational performance of the energy sector and promote private sector investments. The restructuring effort included creation of separate utility business units to be independently in charge of generation, transmission, and distribution. The government also made efforts to improve accountability, operational efficiency, and transparency in Barki Tojik. ADB built on previous TA by supporting the government’s restructuring plan through a sector operational performance improvement program initiative as part of the Regional Power Transmission Project, approved in 2010 and financed with a $10.0 million grant (footnote 57). In June 2013, consultants contracted under ADB’s sector operational performance improvement program by the Ministry of Energy assessed Barki Tojik. Among other problems, they found critical weaknesses related to organizational structure, financial reporting systems, accounting systems, debt burden, the metering billing and collections systems, commercial and technical losses (Box 2), business planning processes, management information systems, and human resources management. The consultants reported that Barki Tojik had not yet fully adopted the International Accounting Standards, and external auditors had not provided an opinion on its accounts due to lack of adequate and reliable data and information. This is a concern, since ADB had been providing Barki Tojik with TA support to introduce these standards, as had other development partners.

---

53 ADB. 2007. Technical Assistance for Governance and Capacity Development Initiative. Manila. The report on governance in the electricity sector stated that the “sector is governed by highly centralized processes that rely on decision-making from the Office of the President and the Office of the Prime Minister.” This situation does not appear to have changed substantially, although the government has ordered to restructure the electricity sector to improve operational performance.

54 Attached to ADB. 2000. Report and Recommendation of the President to the Board of Directors on a Proposed Loan and Technical Assistance Grants to Tajikistan for the Power Rehabilitation Project. Manila (TA 3600).


56 ADB. 2010. Report and Recommendation of the President to the Board of Directors: Proposed Grant to Tajikistan for the Regional Power Transmission Project. Manila (Grant 0213). This report and recommendation of the President, which includes support for the sector operational performance improvement initiative, does not document the outcome of ADB’s previous TA.


In transport, progress has been made on policy and institutional reforms. These reforms included the outsourcing of performance-based maintenance contracts to the private sector, and the restructuring of the Ministry of Transport.

Box 2: Barki Tojik’s Poor Tariff Collection

A combination of low tariffs, low collection rates, and an inability to export surplus power in the summer months frustrate efforts to restore Barki Tojik, the state energy utility in Tajikistan, to commercial viability. The government increased electricity tariffs by 44% in 2009, 21% in 2010, and 22%–25% in 2012. However, these steps have not restored the company to profitability. One reason is its inability to collect the tariff payments due to it. The Tajik Aluminum Company, an aluminum smelter that accounts for about 40% of all power consumption in the country, is significantly behind on its tariff payments. In addition, the Ministry of Energy and Water Resources paid less than 10% of what it owes to Barki Tojik. Not including the major arrears of the Tajik Aluminum Company, the utility’s collection rate was estimated to be only 50% in 2011. This forces the country’s power utility to rely on government support, high-interest working capital loans from Orienbank, and grants and deferred loans from international financing institutes. The Asian Development Bank has supported restructuring plans aimed at strengthening the financial management system of Barki Tojik, but this cannot get to the root of the repayment problem, which is collection. Also contributing to the utility’s poor financial performance has been its exclusion and disconnection from the Central Asia power grid in 2009, which has prevented Tajikistan from exporting surplus power in the summer months. This is estimated to have cost the utility an average of $100 million a year in lost revenues during 2010–2012.


61. Transport sector reforms. In transport, progress has been made on policy and institutional reforms. These reforms included the (i) outsourcing of performance-based maintenance contracts to the private sector, and (ii) the restructuring of the Ministry of Transport (MOT). A series of ADB TA projects helped design market-oriented reforms in both the road and the rail sectors and improved the basic institutional capacity for transport planning, project design, and management. Progress has been made on building oversight, planning, and project management capacities in the sector. However, less progress has been made on commercializing transport services or

---


introducing cost-recovery methods to strengthen financing for road maintenance. In terms of fostering private participation, the MOT has made credible efforts to outsource road maintenance to private contractors on a pilot basis. Two performance-based maintenance contracts are currently being pilot-tested under ADB’s Dushanbe–Kyrgyz Republic Border Road Improvement Project. The cost of the performance-based maintenance contract per km is a multiple of the available amount that MOT spends on routine maintenance (para. 86).

62. **Trade facilitation reforms.** ADB has established policy regimes to foster trade between neighboring states under CAREC’s trade facilitation program. Under the CAREC program, it assisted the government in the development of a unified automated information system to process customs declarations that was installed at 72 customs posts. The support also trained customs officers. ADB also introduced risk management, post-clearance audit, and single window practices. A good practice noted was the collaboration between the European Union and ADB in supporting the development of a single window facility. The European Union made the initial investments, and ADB is building on them to ensure that the single window facility is robust and flexible enough to serve Tajikistan’s needs. Irregularities in customs declarations can now be traced more easily. This is because the system allows better monitoring of cargo transport across borders and to delivery to its destination, thereby improving the quality of customs control, clearance procedures, and collection of customs duties. Progress has also been made in improving cross-border procedures and customs practices. The government informed the CAPE mission that customs requirements have been streamlined, procedures improved, and border facilities modernized. It said that clearance time had been reduced to 1–2 days by the end of 2011 from 10 days in 2005. Although the value of trade and custom revenues increased tenfold during 1995–2012, the number of customs staff was halved during the period. To some extent, this was made possible by the introduction of information technology into customs operations. The reforms have also made revenue collection more efficient. Revenue collection from customs increased from $103 million in 2003 to $485 million in 2011.

63. **Farmer debt crisis and freedom to farm.** ADB made a significant contribution to addressing a farm debt issue to improve agricultural productivity (Box 3). This reduced the control of cotton financiers holding the debt over the country’s farmers and enabled farmers to better take advantage of a 2008 government freedom-to-farm decree that reduced government-imposed cotton production targets. With debt and quota burdens both removed, farmers were able to better incorporate market price information into production decision making. A number of farmers told the CAPE team during focus groups discussions that their incomes and food security had improved significantly over the last 10 years, largely because they are now free to choose the types of crops they grow.

---

61 The technical assistance for the performance-based maintenance was provided under ADB. 2007. Report and Recommendation of the President to the Board of Directors: Proposed Loan to Tajikistan, and Asian Development Fund Grants and Technical Assistance Grant to the Kyrgyz Republic and Tajikistan for the CAREC Regional Road Corridor Improvement Project. Manila (Grant 0085). While ADB has funded the consultant services for the design of performance-based maintenance, the government will provide $4 million to finance the contract, which is to cover maintenance services for a 3-year period for defined road sections. Two sections of road covered by the CAREC Regional Road Improvement Project were selected for pilot testing: (i) Nurobod–Nimich (73 km) and (ii) Vahdat–Obi Garm (76 km).
Box 3: Farmer Debt Crisis

With Tajikistan independence, the new government began a long process of privatizing state-owned and collective farms. The large number of farmers left with limited resources and collateral as a result provided a new business opportunity for cotton financiers, known in the country as “futurists.” The futurists provided farmers with credit and inputs in exchange for the right to purchase whatever cotton these farmers produced. The price they paid was preset and often inadequate to cover production costs. This and the fact that many farmers had had to take on a proportionate share of the debt of the disbanded farms led to what became known as the farmer debt crisis. Declining state investment and the mounting cotton farmer debt, coupled with the negative impacts of Tajikistan’s 1992–1997 civil war, had dire consequences for the agriculture sector overall and cotton in particular. Cotton production went into steady decline and never fully recovered. Its share in total exports dropped from 25.7% in 1993 to 7.7% in 2008.

The Asian Development Bank (ADB) implemented two technical assistance projects to help free Tajikistan’s farmers from the debt trap they had fallen into. The first was approved in 2003 and mainly involved the development of strategies to resolve the farm debt issue and an associated monitoring system. The second, approved in 2006, helped the government implement the new farm debt resolution strategy effectively. Both projects made significant contributions to easing the farm debt crisis. While ADB agreed for the World Bank to take the lead on addressing this issue in 2008, it was ADB-supported research that had exposed the problem. The research had also highlighted the fact that the National Bank of Tajikistan, the country’s central bank, had guaranteed international loans to Agroinvest Bank that, in turn, had on-lent money to cotton financiers. The exposure of this arrangement prompted the International Monetary Fund to audit the central bank. This increased the pressure to resolve the farm debt issue. Although ADB argued that cotton financiers should be accountable for a large share of the accumulated debt, a presidential decree in 2009 abolished about $550 million of Agroinvest’s debt. This, in turn, significantly reduced the levels of indebtedness of both the cotton financiers and the farmers that were heavily indebted to them.


C. ADB’s Challenges

64. The history of ADB development support in Tajikistan is not long when compared with its other borrower countries. It began only in 1998, after the collapse of the former Soviet Union and independence in 1991 and the restoration of peace and domestic security following the civil war. So far, ADB and most other development partners have focused on addressing urgent reconstruction and reform priorities—i.e., ensuring that basic social and economic services are restored and facilitating the country’s transition to a market economy. In addition to the issues that have yet to be fully addressed, new challenges have emerged. These include (i) a gap between the incomes of the rich and the poor; (ii) risks arising from international border problems that are affecting regional cooperation and projects related to it; (iii) risks emanating from climate change; and (iv) concern about the financial sustainability of all development projects undertaken so far, regardless of the financing source, and the lack of institutional capacity to secure the benefits that have resulted from them.

1. Inclusion

65. Tajikistan’s economy has performed well overall, and the robust recovery and growth since 1998 had reduced poverty to 7% of the population, based on income
below $1.25 a day (para. 43). This is the benchmark for what the government national
development plans consider extreme poverty. Although overall levels of poverty have
greatly declined, the concept of inclusion also encompasses the need for equity and
equality in access to the opportunities of growth. The data on this kind of inclusion is
scarce and dated in Tajikistan. The World Bank’s 2009 Living Standards Measurement
Survey reports that the country’s Gini coefficient measured in terms of per capita
consumption fluctuated in the 30.8–33.6 range during the 7-year 2003–2009 period.
While these figures are low in relation to those of comparable countries, concerns exist
that the country has not significantly improved the inclusion in the benefits of its rapid
economic growth of the poor, the vulnerable, and members of other groups excluded
by circumstances, poor governance, or market-resistant obstacles.

66. To the extent that economic growth and poverty reduction in Tajikistan have
depended greatly on foreign remittances, inclusion can be seen in terms of raised
household incomes and reduced poverty mainly in the rural areas from which most of
the migrant workers come and where rates of poverty have been higher than in urban
centers. Any reduction in these remittances would therefore mainly affect the rural
poor and the near-poor who have benefitted from remittance growth the most and
would widen income inequality in the country (para. 16)

67. Achieving inclusive economic growth is one of ADB’s three priorities under
Strategy 2020. Inclusive economic growth rests on three pillars: (i) achieving high
sustainable growth to create and expand economic opportunities; (ii) providing broader
access to these opportunities to ensure that members of society can participate in and
benefit from growth; and (iii) providing safety nets to prevent extreme deprivation.
ADB has developed a framework for inclusive growth indicators (FIGI). The FIGI uses
poverty and inequality outcomes as an ultimate gauge to measure a country’s progress
towards inclusive economic growth. In this limited sense, Tajikistan also performs well.

68. Inclusion should be broad-based and encompass all sectors and all members of
society. Among other forces, this kind of inclusion can be driven by measures targeted
or designed to achieve it or by indirect effects. Most projects under pillars 2 and 3
include targeted or designed measures while those under pillar 1 are indirect. Indirect
effects tend to involve multiple economic and social activities and many actors directly
or indirectly.

69. Among the ADB infrastructure projects that have contributed to economic
growth in Tajikistan, some can certainly be considered as having contributed to
inclusion. Examples include the 620 km of rural roads that have been improved, which
have provided people with better access to markets and social services (paras. 44–45).
The installation of micro hydropower plants has enabled year-round energy supply,
which has had a direct, positive impact on the lives of the rural population and the
economy at large (para. 46). ADB supported the provision of potable water to more
than 200,000 people, thereby reducing or at least containing waterborne diseases.

70. Although the CAPE found plausible links to inclusion in ADB’s infrastructure
operations, the financial share of these projects was limited contribution. The share of
ADB support for targeted or designed inclusion represented about 25% of its $850
million infrastructure portfolio during the CAPE period. About one-half of financing
projects for inclusion in financial terms was in agriculture and rural development. The

62 ADB. 2012. Framework of Inclusive Growth Indicators 2012—Key Indicators for Asia and the Pacific. Special
way that ADB accounts for impact on inclusion seems to understate ADB's real achievements, especially in the energy and transport sectors. ADB may need to consider increasing targeted or designed inclusion for infrastructure by undertaking inclusive growth-oriented project design. Several good practices exist that allow it to do so effectively. For example, ADB has used JFPR grants in the past to finance the link between large-scale infrastructure development and the needs of poor rural communities in Tajikistan. (para. 49 and Box 1). Experience from these types of initiatives can be internalized and used to inform the design and targeting of large future projects in ways to further promote inclusive growth.

71. ADB support for non-infrastructure projects has likely contributed to inclusive growth (paras. 50–52). By improving access to basic health and education services as well as to institutional sources of credit, these projects have improved the living conditions of many low-income households. ADB also helped demonstrate more efficient ways of delivering public pensions through electronic payments and targeted social assistance (para. 52). ADB's significant role in resolving the cotton debt crisis enabled farmers to take advantage of the freedom-to-farm decree and to improve their incomes (para. 63). Well-designed programs and/or projects not directed at infrastructure can target the poor directly. However, ADB’s 2010 CPS discontinued support for the agriculture and rural development and the health and education sectors to concentrate more on support in transport and power. In the meantime, ADB should increase support for targeted or designed inclusion, considering Tajikistan’s unique economic structural issues and the risks posed to the poor and near-poor in the country and the inclusion of its growth pattern by overdependence on foreign remittances. With up to 2 million citizens working in Kazakhstan and the Russian Federation, Tajikistan and its people’s welfare are extremely vulnerable to an interruption for economic or any other reason in the flow of remittances from either country.

2. Constraint to Regional Cooperation

72. Regional cooperation is important for a landlocked country like Tajikistan with its small domestic market. Consistent with ADB’s corporate mandate, this has been a prevailing theme of its support to Tajikistan in transport, trade facilitation, and energy. Nonetheless, the way ADB approaches regional cooperation—essentially, through investment projects for regional corridors, trade facilitation, and energy transmission—presents challenges. One of these challenges is particularly pertinent to Tajikistan and Central Asia. It relates to the risks posed to the benefits of such investments when conflicts and tensions arise on a particular region's international borders.

73. Access to reliable power. Much of the infrastructure in the electricity sector in Tajikistan was installed when it was still part of the former Soviet Union. At that time, Tajikistan was an integral part of the Central Asia power system (CAPS). During the 1970s, the CAPS connected the former Soviet Union republics of Kazakhstan, Kyrgyz Republic, Tajikistan, Uzbekistan, and Turkmenistan and served to balance the harnessing of energy resources for power generation with riparian water use. Tajikistan and the Kyrgyz Republic are upstream of Uzbekistan and Kazakhstan and have plenty of hydropower resources that were used to meet summer electricity demand, and the downstream countries have fossil fuel resources that were used to meet winter electricity demand. Since the fall of the Soviet Union, regional cooperation between the newly independent countries of the CAPS has weakened, and this has affected the power trade. Ideally, Tajikistan and the Kyrgyz Republic could build more storage dams, store water in catchment areas in summer, and use it to generate power.
in the winter. Riparian agreements make this difficult, however, since downstream Kazakhstan and Uzbekistan need water for their cotton farms in the summer. In the absence of a working regional power system and weakened regional cooperation, it has become difficult to use the region’s water resources in summer and fossil fuel resources in winter judiciously and cooperatively to meet energy demand. This has made it especially hard for hydropower-dependent Tajikistan and the Kyrgyz Republic to meet electricity demand in winter when river flow declines. In addition, with their own demands for power increasing, the countries rich in fossil fuels do not have as much excess power to export as in the past. National planning has taken precedence over the obvious benefits of regional planning in meeting electricity needs.

74. The exclusion of Tajikistan from the CAPS in late 2009, reportedly due to technical and political reasons, placed a substantial burden on Tajikistan, which is now unable to import power through CAPS during winter months when its hydropower generation drops below demand. The exclusion also means Tajikistan cannot export as much surplus hydropower in the summer as it is capable of doing. Some of this potential surplus power is harnessed and transmitted to Afghanistan and the Kyrgyz Republic, but the country has to divert high river flows past its generators during summer and forego hydro production and the potential revenues from sales because it is cut off from other potential CAPS markets for the excess power. Tajikistan’s winter power deficit leads to severe blackouts, disrupting businesses and causing significant hardship for the country’s people, who depend mainly on electricity for heating during the cold months. The winter shortage is estimated to be about 2,700 gigawatt-hours (GWh), or about one-quarter of the demand. The economic loss due to the limited energy export and import is estimated to be more than $200 million per annum, or 3% of GDP. A 2012 World Bank report that examined the issues reported that electricity shortages increased considerably in 2009 when Tajikistan’s energy trade with neighboring countries through the CAPS stopped and said this was “a critical contributing factor that led to Tajikistan’s electricity crisis.” 63 Winter power shortages have also added to demand for fuel wood, which has led to deforestation, soil erosion, landslides, and other forms of land degradation.

75. ADB’s strategy in the power sector since 1998 has been to support the development or rehabilitation of infrastructure that increases the availability of electricity, improves the reliability of the power supply, and enables increased regional trade in energy. Three of six ADB energy projects were justified on the basis of their ability to support regional trade in electricity and enable Tajikistan to export surplus power generated by the country’s hydropower plants in summer, as well as to make the domestic power supply more reliable. 64 The summer export of surplus power is undoubtedly a desirable goal for Tajikistan and important because it would avoid the current waste of hydropower plant capacity and high water flows during that season. It could also improve the financial condition of the energy utility through sale of power at prices higher than the average tariff in Tajikistan. However, regional energy trade involved challenges on regional cooperation. For example, the Regional Power

---


64 Tajikistan’s power generation facilities, which include new hydropower plants (Sangtuda 1 and 2), generated about 16,739 gigawatt hour (GWh) after accounting for captive consumption at the generation facilities. The country also imported about 114 GWh of electricity from the Kyrgyz Republic and exported about 775 GWh to Afghanistan, Kazakhstan, and the Kyrgyz Republic. Thus, the net electricity in the Tajikistan power system in 2012 was about 16,078 GWh. Generation from Tajikistan’s hydropower plants is very much dependent on the volume of water flow in the major rivers, and generation declines steeply in the cold winter months when this flow is much lower than in summer. Winter energy generation is estimated to be about 70% of the level possible in summer.
36

Country Assistance Program Evaluation for Tajikistan

Transmission Modernization Project the ADB Board approved in December 2002 was cancelled in 2005. It was designed to improve the reliability and the operation of the CAPS, enhance power trading between the participating countries, and establish the foundation for a future wholesale regional power market, but it could not go forward because Tajikistan and Uzbekistan could not reach a power trade agreement despite the efforts of other stakeholders, including ADB.

76. The end of Tajikistan’s access to the CAPS and the difficulties confronting regional cooperation in Central Asia have diminished the potential for sales of excess power in summer. These issues have also affected ADB’s operations. The most recent ADB power sector project to be implemented during the CAPE period is the Regional Power Transmission Project, approved in 2010. The project was designed to build two new 220-kilovolt (kV) single-circuit transmission lines connecting critical substations and to wholly or partly rehabilitate six transmission substations at various locations in Tajikistan. It represents 50% of the financial support approved for the energy sector during the CAPE period. One of the components was to rehabilitate the Regar 500-kV and Baipaza 220-kV substations, with the objective of improving regional electricity trade with Uzbekistan through the CAPS. It is not clear whether this objective will ever be met, given Tajikistan’s exclusion from the CAPS. The report and recommendation of the President (RRP) for the project did not mention that Tajikistan had been removed from the CAPS, even though this had occurred about 6 months before the project was approved and the exclusion would curtail its ability to export surplus power to or import power from the remaining CAPS countries. Other development partners had already acknowledged the exclusion in their official documents as a critical event that increased the vulnerability of Tajikistan’s fragile and now weakened power system. Although the project document did not clearly explain rationale for the projects and risks associated to regional cooperation, the CAPE study was informed by the government and ADB officials that the project could have other benefits which were not discussed in the project document, and could potentially improve reliability of domestic power supply and regional power trade.

77. Another component of the project was the construction of the 220-kV Geran–Rumi transmission line and rehabilitation of the Geran and Rumi 220 kV substations. It was intended to improve energy reliability in the south of the country and support power exports to Afghanistan by providing redundancy in Tajikistan–Afghanistan transmission which was completed by the ADB financing in 2011. While the component may improve reliability of supply in the south of the country, the RRP did not provide the rationale for building redundancy for power sales to Afghanistan in justifying this component. The economic analysis for the project component assumed that implementing it would reduce disruption of power sales to Afghanistan by 1.5 weeks per year and reduce outages in the southern region of the country by 3 weeks each year. The project component was thus said to mitigate the risk of the loss of 1.5 weeks of power sales to Afghanistan through the already completed Regional Power Transmission Interconnection Project, which has installed a transmission line with a capacity to export 600 megawatts (MW) of power to Afghanistan and is currently underutilized.65

---

78. **Poor transport connectivity.** Tajikistan has one of Central Asia’s least developed transport systems and has one of the world’s highest transport costs. The major part of the road network was constructed before 1970. Inadequate maintenance, damage from civil conflict, and natural disasters has left it in a deteriorated state. International political issues in Central Asia exacerbate the impact of Tajikistan’s isolation and terrain on logistics costs. Although ADB has facilitated a cross-border transit agreement between Tajikistan and the Kyrgyz Republic, Kyrgyz Republic border managers periodically refuse to allow the use of the Karamyk border crossing for transit shipments because the Kyrgyz Republic benefits very little from the transit of shipments to and from other countries. In 2012, the CAPE mission observed long delays at the Karamyk border crossing point because it had been closed to transit shipments.

79. In addition, although development partners are rehabilitating Tajikistan’s main road corridor connection with Uzbekistan, the latter has unilaterally closed some of the road border crossing points between the two countries. Uzbekistan closed the border crossing on CAREC corridor 6 in November 2010. This was before ADB’s approval of the CAREC corridor 6 project in 2012. Historically, CAREC corridor 6 was a principal artery for international trade through Uzbekistan for Tajikistan. Unless that border post is reopened, the impact on regional trade of ADB’s investments in upgrading corridor 6 will not be fully achieved. The project RRP rightly recognized a delayed reopening of the cross-border trade as a risk to the success of the project. It proposed that the CAREC member countries concerned discuss their cross-border issues further. However, records of discussion on the broader issue were not available.

3. **Disasters and climate change**

80. Tajikistan is exposed to natural hazards, including earthquakes, landslides, floods, mudflows, droughts, avalanches, rock slides, and extreme temperatures. Tajikistan’s geological characteristics and its high mountainous terrain make it one of the most seismically active countries in the region. Land degradation, deforestation, and overgrazing of pastures contribute to the frequency and severity of natural disasters. Natural hazards, combined with the vulnerability of the population and inadequate local capacity to prepare for, mitigate, or prevent the risks result in frequent disasters throughout the country. During 1997–2012, Tajikistan experienced more than 43,940 natural disasters. They resulted in more than 8,040 deaths and economic losses averaging around $571 million. Tajikistan is also one of the countries in the world most at risk from the effects of climate change. Rapidly shrinking glaciers threaten its long-term hydropower development prospects, increase the severity of its natural disasters, and undermine its agricultural sustainability. The likelihood of increased water scarcity makes irrigation efficiency a pressing issue. Most of Tajikistan’s irrigation and drainage systems have become obsolete. Water loss is high, irrigation is

---


68 ADB. 2012. *Report and Recommendation of the President to the Board of Directors: Proposed Grant and Administration of Loan to Tajikistan for the Central Asia Regional Economic Cooperation Corridor 6 (Ayne–Uzbekistan Border Road) Improvement Project.* Manila (Grant 0301).


71 Data on the number of emergency situations (including those with natural and biological-social causes) and the economic damage that resulted during 1997–2012 were provided by the Ministry of Foreign Affairs in 2013.
inefficient, and crop yields are declining. The fact that the country is disaster-prone and that this situation is likely to worsen due to climate change have important implications for the design and management of development support. For example, as global warming increases, droughts are likely to become a more serious problem, reducing agriculture production and weakening the viability of hydropower operations.

81. ADB support in disaster and risk management operations in Tajikistan has had three phases—post-disaster operations, disaster prevention, and climate change adaptation. Phases 1 and 2 represent a progression from disaster response to conventional disaster management. During the first phase in Tajikistan, ADB completed three post-disaster projects. They stabilized landslides and restored such infrastructure as roads, riverbanks, irrigation systems, water supply networks, power distribution lines, and telephone lines. In the second phase, ADB projects restored public services, and pre-disaster levels of irrigation and drinking water supplies to communities resumed. In the third phase, ADB has helped the country to develop and start to implement its strategic program for climate resilience (SPCR). This represents a logical progression from disaster response to disaster risk management and now to more emphasis on assessing and integrating climate change risks into national planning processes. The government, ADB, the European Bank for Reconstruction and Development, and the World Bank began consultations on Tajikistan’s SPCR in September 2009 and assisted the government in completing it by October 2010.

82. ADB has helped the government to develop and implement the SPCR through TA on Climate Resilieny for Natural Resources Investments and is currently supporting implementation of the SPCR through the TA for Building Capacity for Climate Resilience. A key part of ADB support is help in developing the climate science necessary to predict the implications of climate change with some accuracy. International climate change forecasting models have been applied to generate geo-spatial forecasts of climate change impacts, and these have been shared through interministerial committees with all of the key line ministries.

83. The concerned ministries have generally accepted the likely risks posed by climate change. Nonetheless, their views on the issues are not necessarily all the same, and confidence in the validity of specific climate change forecasts varies widely throughout government. At the local government level, priority is accorded to meeting near-term development challenges, and the risks of climate change are acknowledged as important but less relevant than the immediate needs of local communities. In the energy sector, the development and operational plans are based on the assumption that water flows will be the same for an extended period of time even though climate change is likely to shrink glaciers and thereby reduce the amount of glacial water contributing to these flows. The CAPE found that progress has been made in raising climate change awareness, but the development of climate change research in Tajikistan is at an early stage of development. It also identified the risk that adaptation to climate change may be viewed as something that can be addressed through pilot

72 The SPCR outlines six potential investment and capacity-building activities, requiring more than $50 million in grant financing plus additional cofinancing. The long-term expected outcomes of the SPCR in Tajikistan are (i) improved capacity of Tajikistan’s government to integrate climate resilience into development plans, programs, and policies, and to move from a reactive approach led by development partners to a proactive country-led approach; (ii) enhanced information base on climate change risks and improved understanding of climate change by a variety of stakeholders; and (iii) improved coordination of climate change activities and the ability of Tajikistan’s stakeholders to scale up and replicate approaches to climate resilience.

ADB’s Development Contribution and Challenges

projects to be mobilized through additional external support, rather than as a major need that will require the government to make fundamental changes in development strategies, policies, plans, and programs. The other question emerging from the CAPE is how to carry out the climate change initiative in Tajikistan. Climate change science may eventually discover serious risks in Tajikistan that require massive countermeasures, but the need for such countermeasures will remain shrouded in uncertainty as long as understanding of the impact of climate change on the country remains limited. Other issues still to be resolved include the time frames of the risks and of the necessary responses, as well as the affordability of the countermeasures found to be needed. The already revenue-strapped concerned government agencies cannot be reasonably expected to make specific long-term investments on the basis of less-than-precise information. The country is currently threatened by earthquakes, landslides, and drought. It is necessary to integrate the potential future damage from climate change with these risks in future planning and prioritizing. Since climate change issues cut across all sectors, sector actions to resolve them need to be coordinated. ADB obviously needs to help explore these issues further and provide the needed knowledge solutions.

84. ADB approved a $22.0 million project in September 2013 to pilot-test climate change adaptation measures in villages in Tajikistan’s Pyanj River Basin. This project involves a mix of flood prevention, irrigation, agriculture, and microenterprise support, and is aimed at bolstering livelihoods while enhancing resilience in a river basin that highly vulnerable to likely changes in climate. Although disseminating advice and information on water resources management for climate change would be useful for future risk management, the extent to which the country is actually ready to pilot-test such adaptation projects could be debated. It is not clear how the technical specifications of flood protection and rehabilitation of the irrigation system under the project can reliably and precisely consider any foreseen changes by climate change since credible scientific projections of climate change effects have yet to be developed. The project will introduce climate-resilient agriculture practices and will provide microcredit to promote income diversification. However, the Ministry of Agriculture is still researching the development of crop varieties suitable for regions experiencing climate-change stress and has yet to integrate climate change considerations into its agricultural extension and demonstration services.

4. Sustainability

85. Transport. Conditions in Tajikistan, particularly in its predominant mountainous areas, make it difficult to maintain infrastructure supported by ADB projects or to undertake emergency repairs when required. Other factors impinging on sustainability include the limited absorptive capacity of the government due to high turnover of trained and skilled staff leaving the government for the private sector or for jobs abroad, a continuing state of flux in the distribution of institutional responsibilities, and weak transfer of skills to executing agencies due to reliance on project implementation units (PIUs).

86. Problems threaten the sustainability of the outcomes of ADB’s transport sector operations. The resources available for road maintenance are insufficient to ensure the sustainability of the assets. New customs posts and automated customs systems require high outlays for their operation and maintenance, and provisions for this have not yet been made. Government policy setting is also far from conducive to sustaining transport sector benefits. For instance, truck overloading is a common problem on major roads. Revenues collected from road users are also not earmarked for road maintenance. Based on information obtained from the MOT, maintenance funds of
While electricity tariffs have increased substantially, they are not cost-reflective and barely cover O&M costs, this is why Barki Tojik cannot become financially viable. The receivables of Barki Tojik are very high due to poor collection rates, especially from other state-owned enterprises.

For ADB project outcomes and impacts to be sustainable, the government’s financial and institutional capacity urgently needs improvement.

About $11.5 million were available in 2013 to cover routine and emergency maintenance work on national and related roads. This equates to $823 per km, but the MOT awarded a 3-year, performance-based contract for routine and emergency maintenance on the newly constructed Dushanbe–Kyrgyz border corridor at a price equivalent to $2,955 per km a year. Being market-based, this is a more realistic calculation than the $823 per km actually budgeted by the government to maintain newly rehabilitated roads. The MOT’s annual maintenance funds are not evenly allocated over the entire network of national roads, but a significant variance from the average amount per km is unlikely, because it is spent mostly on national roads that have been upgraded and tend to require moderate maintenance.

87. Energy. Completed ADB projects in the energy sector have financial rates of returns that are very low, suggesting that incentives to attract private sector investment are inadequate. While electricity tariffs have increased substantially, they are not cost-reflective and barely cover O&M costs. This is why Barki Tojik cannot become financially viable. The receivables of Barki Tojik are very high (about $140.0 million as of October 2012) due to poor collection rates, especially from other state-owned enterprises, which it cannot disconnect (Box 2). Despite the efforts of several ADB TA operations and support from the World Bank to improve Barki Tojik, the financial management system at the utility remains very weak. In spite of this support, because it is not complying with International Financial Reporting Standards, external auditors have been unable to give an opinion on the annual accounts. Resistance to reform hampers the restructuring of the company. In addition, Tajikistan’s expulsion from the Central Asia power grid in 2010 threatens the sustainability of ADB-investments aimed at fostering regional power trade, particularly the expected outputs of the ongoing Regional Power Transmission Project.

88. Agriculture and rural development. The water user associations do not collect sufficient revenues from the users to finance adequate O&M of the irrigation canals and intake points and pump stations of ADB projects in the agriculture and rural development sector. Nor does the government spend enough to keep the systems from degrading. Public spending on maintaining ADB-financed flood management structures is also inadequate. The Ministry of Energy and Water Resources cannot even pay its electricity bills. Some new assets supported by ADB are likely to be sustained, such as quarantine facilities established under the Ministry of Agriculture, and rural drinking water micro projects. Others will not, e.g., farm machinery and demonstration farms.

89. Education and health services. The government is keen to have an education system that is on par with international standards and has increased the education budget allocation steadily. It accounted for about 5% of GDP. In contrast, spending and sustainability in the health sector have been not sufficient. The government’s allocation to the health sector remained below 2% of GDP, a disproportionately large share of this budget is spent on the cost of personnel, with little, if any, left for either O&M or improvements in service delivery.

90. Capacity development. ADB has developed capacities at the institutional, organizational, and individual level under numerous projects. The results have been the large taxpayer inspectorate, internal audits, and safety nets, and they appear to be largely sustained. However, significant challenges to sustainability continue because of the limited absorptive capacity of the government. This is the result of a quick turnaround of trained and skilled staff, institutional responsibilities that are still in a state of flux, and weak transfer of skills to executing agencies due to use of PIUs.
91. For the outcomes and impacts of ADB projects to be sustainable, the government’s financial and institutional capacity urgently needs improvement. If this is not achieved, much of the country’s economic and social infrastructure will be damaged before the end of its expected economic life. However, when the government has had to choose between capital-intensive rehabilitation of infrastructure and regular maintenance of assets, it has tended to opt for the former—and thus the more expensive—choice. ADB has sought to achieve sustainability mainly through loan covenants, but the results show that on its own this form of mitigation does not work. ADB needs to maintain the dialogue with the government on sustainability and address associated risks in the new CPS and in project designs, wherever possible.

5. Governance

92. While earlier country strategies and updates included statements on how governance should be addressed in Tajikistan, the 2010 CPS was the first to include a specific risk management plan. It was based on risk diagnostics prepared for the country overall, the road and energy sectors, public financial management, and procurement and anticorruption activities. Given that ADB support was aimed mainly at the delivery of public services, infrastructure development, and financial system reform, its focus on controlling corruption as part of fiduciary duties appears to have been an appropriate choice—the three core governance areas are public financial management, procurement, and anticorruption activities. Several projects approved during the evaluation period included standard risk management clauses that included coverage of procurement, financial management, and anticorruption, but reporting on governance during and after completion was weak. This made it difficult to conclude whether the risks materialized or not.

93. Although the government and development partners have made efforts, corruption and other governance issues pose a significant risk to aid effectiveness in Tajikistan. Weak public sector governance, underdeveloped laws and regulations, and low public sector wages facilitate corrupt practices and result in poor accountability for delivery of services. The rule of law is weak, and external mechanisms for accountability in government spending are still to be established effectively. Almost 80% of respondents to a United Nations Development Programme public opinion survey in 2012 considered the country to be corrupt. In addition, the capacity necessary for the shift from a centrally planned to a market economy is exacerbating the governance risks. Many of the World Bank’s governance indicators for Tajikistan in 2012 had worsened from 2002, although they showed a slight improvement in government effectiveness and regulatory quality (Table 7).

74 For further discussion, see ADB Support for Governance in Tajikistan (accessible from the list of linked documents in the Appendix).
75 ADB. 2011. Revised Guidelines for Implementing ADB’s Second Governance and Anticorruption Action Plan (GACAP II). Manila. GACAP II identifies three governance themes that it views as critical to poverty reduction and development effectiveness: public financial management, procurement, and combating corruption.
77 Footnote 6. ADB’s 2010 CPS for Tajikistan notes that many public institutions “lack sound internal procedures and capacity to fight corruption.”

Although the government and development partners have made efforts, corruption and other governance issues pose a significant risk to aid effectiveness in Tajikistan.
94. Civil society representation and demand for transparent governance is weak. Although nongovernment organizations have been mushrooming in Tajikistan, these organizations are often driven by the availability of funds rather than by issues. They also remain subject to harassment should they take positions that are perceived to be anti-government. Access to information is weak. Limited space for civil society and a lack of actual freedom of expression, particularly of the press, are combined with the reluctance of citizens to challenge the government, according to a 2012 Transparency International report (footnote 78). It stated that this significantly limits the control and oversight of government actions.
CHAPTER 6

Performance of ADB Program

95. The CAPE assessed the performance of ADB program using the evaluation criteria of strategic positioning, relevance, efficiency, effectiveness, sustainability, and development impact. Formal performance ratings were determined for ADB’s strategy and program in agriculture and rural development, disaster and risk management operations, energy, public sector management, the social sectors, and transport and trade facilitation. An assessment of the program’s contribution to gender equality and the impact of customs reform and road rehabilitation in facilitating trade are provided.79

A. Strategic Positioning

96. The strategic positioning of ADB’s program is rated satisfactory. ADB’s strategy was broadly in line with the government objectives set forth in its NDS, with the objectives of the PRSPs 1–3, and with those of the living standards improvement strategy. ADB participated in the formulation of the NDS and helped the country develop capacity to monitor the impact on poverty. ADB country strategies were also consistent with Tajikistan’s public investment programs, which have continuously placed a high priority on infrastructure development, particularly in the transport and power sectors.

97. ADB’s country strategies were also closely aligned with ADB corporate policies, with an emphasis on poverty reduction through reconstruction of essential infrastructure and services in the early years, followed by infrastructure and regional cooperation, two pillars of Strategy 2020, in the later years. The post-2010 emphasis on climate change is also fully consistent with Strategy 2020’s emphasis on environmental sustainability and on devoting special attention to risks posed by global warming.

98. The country strategies aligned well with ADB’s program for regional cooperation in Central Asia, and synergies between country and subregional support were exploited. The CAREC program aims to improve regional connectivity, cut transport costs, and increase competitiveness. As Tajikistan is one of the key transit points and four of the CAREC corridors cross its territory, ADB focused country support on addressing physical constraints along several of these corridors, as well as related institutional and policy constraints.

99. Support for private sector development was one of three pillars in the 2010 CPS. However, with the exception of support for energy sector reform and pilot-testing

79 ADB Support for Gender Equality (accessible from the list of linked documents in the Appendix).
of private involvement in road maintenance, ADB provided little assistance during the period to improve the enabling environment for business. Making ADB private sector operations and the fostering of public–private partnership priorities in the CPS may have been premature, given that Tajikistan had one of the poorest business settings in the Asia and Pacific region in 2010.

While ADB’s coordination with development partners was successful at a country level (para. 42), the quality of this coordination at the sector and project levels was mixed. Development partners have expressed frustration at what they perceived as ADB’s soft stance on conditionality in the infrastructure sector, arguing that this has hampered the partners from speaking with one voice and thereby achieving better reform outcomes. The major development partners have been involved in driving the reform agenda in the energy sector, and ADB’s strategy has been consistent with the gist of the reform efforts. Nonetheless, several stakeholders have expressed concern that there was insufficient coordination between ADB, as the lead coordinating agency, and other development partners, which has contributed to divergent views on some reform issues. Some development partners have expressed the view that the pace of the reform has been rather slow and that a more consolidated position by the development partners could have led to better reform results.

B. Program Relevance

101. ADB’s primary approach to capacity development in its key sectors was appropriate, with support focused on selected objectives (Table 8). The relevance was strengthened through a number of knowledge products that enhanced understanding and fed into the project design. ADB’s support for capacity building covered key priorities in three dimensions—institutional strengthening, organizational strengthening, and human resource development. One weakness that reduced relevance was the lack of a strategic action plan at a sector strategy level to outline the objectives, types of tools, use of indigenous capacity, and monitorable outcome indicators. The lack of sustained focus on strengthening partnerships between complementary stakeholders—the public and private sectors, and civil society—also reduced the relevance to the objective of shifting from central planning to a well-functioning market economy.
Table 8: ADB’s Support for Capacity Development

<table>
<thead>
<tr>
<th>Area of Support</th>
<th>Economic Growth</th>
<th>Market Economy</th>
<th>Private Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Institutional Strengthening</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legal and regulatory framework</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Strategies, policy frameworks, and master plans</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td><strong>Organizational Strengthening</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clarification of functions and responsibilities(^a)</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Cost-recovery methods for public services</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Financial management, including microfinance</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Monitoring (internal audit and data collection)</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td><strong>Human Resource Development</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strengthening institutions for capacity development</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Training</td>
<td>✔</td>
<td>✔</td>
<td></td>
</tr>
</tbody>
</table>

ADB = Asian Development Bank.
\(^a\) This includes at community levels.
Source: ADB Independent Evaluation Department.

103. The design quality of ADB-supported projects was generally good and rooted in a clear understanding of sector challenges and implementation realities. With few exceptions, project designs were simple, and involuntary resettlement requirements were minimal. Design and monitoring frameworks were linked to strategic country objectives. However, result targets were unrealistic in some cases, and monitoring arrangements were better in some operations than in others. The energy sector project currently under implementation, which constitutes about 50% of the energy program portfolio over the CAPE period, includes components that did not address the inherent risks in undertaking these components (paras. 73–77).

104. Recognizing Tajikistan’s particular vulnerabilities, ADB has responded to a series of natural disasters, supported efforts to build disaster preparedness, and has been a strong supporter of efforts to understand the challenges posed by climate change. The evolving strategic focus represented a logical progression from disaster response to disaster management and now to more emphasis on mitigating risks of climate change.

105. ADB focused on integrating components that dealt with gender concerns into specific projects where this was relevant. This was appropriate in the social and finance sectors, and broadly so in the agricultural sector. In infrastructure, gender was not integrated well in the design of project support during most of the CAPE period but mainly handled instead through add-on activities or through a requirement to hire women for project-generated work. Towards the end of the evaluation period, this improved markedly, with several projects aiming to involve both men and women in the selection and design of the project-supported infrastructure. In its gender-related analytic pieces, ADB recognized the critical nexus of migration and gender issues. This includes the growing domination of the rural labor force by women due to the departure of male migrant workers, as well as the skills shortages and the rising poverty incidence among households headed by women that the male exodus and family abandonment by migrants have also brought about. These analyses also noted the policy and cultural impediments to gender equality. Nonetheless, while ADB supported the generation of data in this area, it failed to take a strategic approach to addressing this issue at an operational level.
C. Effectiveness

106. **ADB program is rated effective**. The cumulative effects of ADB’s lending and nonlending support were sufficient to realize the main outcome objectives of support in each sector and thematic area, except in health and education.

107. **Physical investment.** The major part of ADB support was provided to reconstruct and rehabilitate or expand access to physical economic and social infrastructure, given extensive damage from the civil war and a large backlog of Soviet-era assets needing replacement or repair. This support was effective and, as envisaged in project designs, made a major contribution to economic growth and poverty reduction. In the transport sector, key corridors and rural transport networks developed though ADB assistance improved access to domestic and regional markets, resulting in substantial increases in trade and commerce. ADB support also substantially improved the livelihoods and well-being of local residents by providing them with better access to markets, social service facilities, and amenities, as well as to more business and employment opportunities (paras. 44–45). ADB support in the power sector focused on rehabilitating crucial energy infrastructure, developing micro hydropower plants, and building new transmission lines to strengthen the power system and enable the export of summer surplus power to neighboring countries (para. 46).\(^8^0\) ADB contributed to sustaining the domestic energy supply system and providing energy generated in Tajikistan to Afghanistan. This helped increased energy export to Afghanistan and the energy utility earned about $40 million in 2013. ADB agriculture projects have rehabilitated irrigation facilities that service 17.5% of Tajikistan’s irrigated land and are likely to have contributed to the bolstering of farm incomes. ADB also provided potable water to more than 200,000 people, thereby likely reducing the prevalence of waterborne diseases (para. 47).

108. **Nonphysical investment.** ADB program strengthened the shift to a market economy and economic growth by helping to strengthen capacity in various sectors. A particularly notable result was achieved in microfinance (para 50). In collaboration with other development partners, ADB helped to establish a legal, regulatory, and supervisory environment that supported the development of a strong, commercially viable microfinance sector. The support was successful not only in promoting the government’s goal of private sector development through the development of MFIs, but also in developing the micro and small businesses that play an important role in creating jobs and facilitating economic growth in Tajikistan. Despite this success, many rural households still have a problem accessing credit due to high interest rates. ADB’s Strengthening Public Resource Management Program helped to strengthen the capacity of the large taxpayer inspectorate. It improved efficiency through the use of information and communication technology, which enabled the government to reach the targeted number of large taxpayers (corporate entities) and collect the targeted levels of tax revenue. In collaboration with the European Commission, the program also helped to institutionalize internal audits in selected government agencies as well as build their capacity, thus increasing accountability in the use of public resources.

109. ADB contributed to building capacity in several ways. It supported the collection and the use of relevant poverty and sector data through both specific

---

\(^{80}\) To increase the energy supply to national and regional power systems, ADB recently approved a grant. ADB. 2013. *Report and Recommendation of the President to the Board of Directors: Proposed Grant to Tajikistan for the Golovnaya 240-Megawatt Hydropower Plant Rehabilitation Project*. Manila (Grant 0376, approved on 18 November 2013).
poverty-monitoring TA operations and some sector interventions. This helped the government obtain valuable data for policy making and proved pertinent to ADB’s economic growth agenda. ADB helped to pilot-test a more efficient new system for electronic payment of pensions. The establishment with ADB support of community-level organizations to participate in the planning and implementing of development interventions was another step toward greater economic growth. Water users associations, water service associations, parent–teacher associations, and community health boards were established under different ADB activities to involve communities in decision making. With training, these different types of community groups are apparently functioning in pilot areas, although they lack adequate resources.

110. Strengthening human resource capacity, particularly in government, was highly challenging because the civil service was unmotivated and responsibilities were shifting and unclear. Given the urgency of the need to deliver basic services to the public, ADB resorted to the use of the PIU modality. This helped improve the implementation of ADB’s program during the CAPE period but it also meant that the program implementation was less effective in developing capacity in line ministries. Capacity development tools like formal training and training of trainers, and significant training conducted for government staff in the various sectors did strengthen capacity. However, most of the staff members trained left for better paying jobs outside the government. The training of trainers ADB interventions often used, which perhaps reflected more use of indigenous capacity, left behind some sustained capacity in several focus sectors.

111. **Support for gender equality.** ADB support helped build toward gender equality in several areas. The Strengthening Public Resource Management Program provided all female professional and support personnel in the large taxpayer inspectorate with capacity development. It also supported the training of older pensioners, most of them women, to enable them to access and use their pensions effectively. Although ADB shifted away from funding in the social sector during the CAPE period, its support contributed to a reduction in gender disparity in educational enrollment, an increase in the access of women to health services, and the enhanced awareness of women’s health issues.

112. ADB’s intervention in the microfinance subsector brought notable benefits in the economic empowerment of women. ADB support, along with that of other development partners, increased the number of loans provided to women by the MFIs and created reasonably well-paying MFI jobs for women. At an institutional level, ADB assisted in the generation of gender data critical to formulating gender-sensitive policies and programs. However, ADB did not adequately cover gender concerns in the project designs of its infrastructure activities until the second half of the CAPE period and thereby missed opportunities to empower women and to support inclusive economic growth in a more sustainable and efficient manner.

**D. Efficiency**

113. **ADB program is rated efficient.** On average, returns on investment exceeded the opportunity cost of capital. Projects were generally delivered within budget and with modest delays that averaged less than 1 year. The portfolio was managed efficiently to deliver expected results. Project outputs were delivered without significant deviations from the intended project results. With the exception of the Postconflict

---

81 The average delay was 0.97 years in loan and grant undertakings and 1.70 years in TA projects.
Infrastructure Program, policy reform conditions in program lending were generally met without much delay. These have contributed to important improvements in public sector management, microfinance, education, and health service delivery. The use of multitranche facilities that included an incentive tranche was very helpful in encouraging the government to stay the course of reform. Likewise, advisory TA was generally implemented in a timely manner and within budget. With few exceptions, it delivered the planned outputs. In some cases, stand-alone advisory TA contributed to major reforms. This included TA projects for Farm Debt Resolution and Policy Reforms and Farm Analysis and Awareness-Raising for Debt Resolution.

114. Not all operations were equally efficient. For example, the Power Rehabilitation Project was delayed by almost 3 years, and cost overruns occurred despite a reduction during implementation of the scope of many of the project’s components. In the agriculture sector, returns on the two completed irrigation projects are likely to be less than estimated at completion, and their economic life is likely to be far shorter than anticipated. In addition, the economic rates of return projected at appraisal of the two ongoing agriculture projects appear optimistic, and these projects could have been designed and delivered in ways that would have been more cost-efficient.

115. Portfolio performance has been relatively good, with few problem projects, good compliance with covenants, and few delays or cost overruns. This can be attributed to (i) a high degree of government ownership of the projects, (ii) relatively simple project designs, (iii) a focus on repairing and rehabilitating assets rather than on greenfield projects, (iv) regular communication between national officers in the Tajikistan Resident Mission and government line agencies to anticipate and overcome implementation problems before they arose, and (v) the selection of construction contractors that were able to perform well under challenging conditions. Good portfolio management has also contributed to the efficient performance of ADB support.

116. Focusing support on large infrastructure operations also fit well with ADB’s business model. This involved projects designed and supervised by specialists based at the headquarters of ADB in Manila through a joint-venture approach with ADB’s project officers in Dushanbe. In the core line ministries, ADB made use of professional PIUs, which were under the president’s office and were often responsible for administering the projects of several development partners at one time. This proved advantageous in overcoming the problems of capacity gaps in government and the frequent staff turnover in the public sector. However, the use of the centralized PIUs also limited the development of needed capacity at the line agencies directly involved with project implementation. To implement TA projects and support sector reform and capacity building, ADB has relied on project consultants, supported by ADB sector specialists based at ADB’s headquarters. This approach worked well, except when a project proposed sector and policy reforms that required continual close engagement with high-level government decision makers, such as that required for the proposed restructuring the power utility, Barki Tojik, under the Regional Power Transmission project.

E. Sustainability

117. The sustainability of ADB’s program over the CAPE period is rated less likely in all sectors except education and public sector management. Sustaining the outcomes is particularly problematic in the case of lending and nonlending interventions where O&M costs are unlikely to be sufficiently funded from budgetary resources or where
capacity development efforts have not left behind suitable institutional arrangements or a sufficient cadre of trained civil servants to plan, operate, and maintain critical infrastructure. Other significant challenge to sustainability include the government’s limited absorptive capacity, due to the quick turnover of trained and skilled staff; the unresolved and unstable state of institutional responsibilities; and the continued lack of capacity at executing agencies, where ADB was unable to transfer much knowledge and expertise during implementation processes due to its use of PIUs. The conditions are more favorable, by contrast, in the education sector, where government funding has been steadily increasing; and in public sector management, which continues to attract support from several development partners and where the government continues to build on a number of ADB-supported reforms (paras. 85–91).

F. Development Impact

118. Overall, ADB’s development contribution is rated satisfactory. The key objectives of the ADB strategy for Tajikistan throughout the CAPE period were (i) economic growth, (ii) the transition from central planning to a market economy, and (iii) regional cooperation (para. 32). The Results Chain and Evaluation Framework for ADB’s Development Contribution shows links to the three key objectives from major sector outcomes activities and indicators set in the ERIOS, the 2004 CSP and updates, the 2010 CPS, and the 2012 COBP.82

119. Economic growth and poverty reduction. The CAPE found links between ADB program and economic growth and poverty reduction. ADB support for economic growth and poverty reduction is rated satisfactory. Economic growth and poverty reduction were the primary objectives of ADB support. The ERIOS helped lay down the preconditions for economic growth. The 2004 CSP aimed to create a better environment for more economic growth. Although the 2010 CPS focused on energy, transport, and the reform agenda, the 2012 COBP sharpened attention on poverty reduction through strong support for economic growth. ADB interventions would help reduce poverty by creating economic opportunities and ensuring greater access to growth.

120. Tajikistan enjoyed high, sustained growth during the previous decade. Poverty, measured by the portion of the population living on below $2 a day at 2005 purchasing power parity, showed a rapid decline during 1999–2009, dropping from 83.7% to 27.7%. The decline in the urban poverty rate was greater than the decline in rural poverty in the same period.

121. The largest part of ADB support during the CAPE period went to reconstruction and rehabilitation of infrastructure, including post-disaster recovery. This was a major contributor to economic growth and poverty reduction. ADB’s support for the transport sector reduced the isolation of a landlocked country and expanded access for rural communities to markets and social facilities. The measurable project level and sector level indicators defined in the 2010 CPS and 2012 COBP will likely be achieved.83

---

82 Results Chain and Evaluation Framework for ADB’s Development Contribution (accessible from the list of linked documents in the Appendix).
83 The targets and indicators likely to be achieved are (i) Dushanbe–Kyrgyz border road rehabilitated by 2013; (ii) travel time between Dushanbe, Tajikistan, and the Kyrgyz Republic reduced from 13 hours in 2007 to 7 hours by 2013; and (iii) annual expenditure on road maintenance increased by the same rate as the overall annual national budget by 2013.
Some of the energy sector development targets in the 2010 CPS and the 2012 COBP are unlikely to be achieved. These include a targeted reduction in the country’s winter electricity deficit from 3 terawatt-hours (TWh) to 1 TWh by 2013, tariff increases to cover costs by 2014, and a revenue-collection rate of 90% by 2014. Despite ADB’s persistent attempt to improve the financial performance of Barki Tojik, TA operations in the energy sector have not been effective in achieving required outcomes at the energy utility. Its financial performance has improved only marginally. This has been due to project covenants that required the government to undertake actions to reform the sector, increase tariffs, and improve collections. However, in the absence of ADB projects to rehabilitate substations and transmission lines in the energy sector, the network would have failed, significantly damaging the economy of the country and causing hardship to its population (para. 46).

The 2004 CSP aimed to achieve sector GDP growth of 8% in the agriculture sector for 2005–2010, from a baseline of 8% in 2004. Using a baseline of 100.0 for 2004, the CSP sought to raise the agricultural productivity index to 110.0 in 2005 and 125.0 in 2010. Actual achievements were mixed, with sector GDP growth near the target but productivity increases falling short. Actual average annual agricultural sector growth for 2005–2010 was 7.9%, but the average agricultural productivity index for 2004–2010 was only 104.3. However, the CAPE mission found that ADB projects had produced significant physical assets. Their contribution to the sector included rehabilitation of irrigation facilities servicing about 130,000 hectares, or 17.5%, of Tajikistan’s irrigated land. These likely increased farmers’ incomes and improved food security. ADB also supported the provision of potable water to more than 200,000 people, likely reducing the prevalence of waterborne diseases (para. 47).

ADB's Microfinance Systems Development Program, approved in June 2003, strengthened the MFI sector and improved access to local financial institutions (paras. 50 and 57). Two budget-support operations for social protection addressed the impact of the 2009 financial crises and tested more efficient ways of providing social safety nets (paras. 52). ADB enhanced accountability and transparency in public sector management and reduced risks to the financial sector by doing so (paras. 55 and 56). ADB support also contributed to economic growth and poverty reduction by strengthening gender equality in three dimensions—strengthened human development, economic empowerment of women, and institutionalization of women’s participation in decision making (paras. 111–112).

ADB projects financed through JFPR grants that linked large-scale infrastructure development projects with the needs of communities for basic access are particularly notable for their effect on economic growth and poverty reduction (para. 49 and Box 1). The innovative approaches of the JFPR-financed projects could be scaled up in future infrastructure projects. ADB contributed to rehabilitating social sector facilities and reactivating social services. This included improving family medicinal clinics, introducing new health payment modalities, strengthening education and health management systems, and rehabilitating rural schools infrastructure.

Transformation to a market economy. The results of ADB’s efforts to support Tajikistan’s transition to a market economy were satisfactory. This was a consistent objective through all three ADB county strategies and in all sectors except disaster and risk management operations. ADB supported the transition through policy and institutional reforms of the infrastructure sectors and public sector management

---

needed to quickly reorient the country's institutional framework from central planning toward a market-based economy. A shortcoming in ADB’s transition efforts was its failure to provide the support for private sector financing called for in the 2010 CPS.

127. The achievements of the ADB support for transition to a market economy were discussed in paras. 53–63. ADB helped achieve institutional reforms in such areas as public finance and procurement law, tax administration, internal government audits, and the establishment of the Law Reform Commission. It helped the government create a sound legal and regulatory environment for Tajikistan’s microfinance industry and to outsource maintenance through performance-based contracts with the private sector. It also played a significant role in resolving the farm debt issue, which enabled farmers to take better advantage of the reduction of government direction in the agriculture sector left over from the pre-independence central planning period (para. 63 and Box 3).

128. The 2010 CPS presented macro indicators without targets, but the 2012 COBP set quantitative indicators for private sector development. First, Tajikistan’s ranking in the World Bank’s Doing Business report was to rise by 30 positions by 2014 from 147 in 2012. Second, foreign direct investment inflows were to increase by 50% in 2014 from the 2011 level. Third, the number of new businesses registered was to increase by 25% in 2014 from the 2011 level. The improvement in the Doing Business ranking is unlikely to be achieved because Tajikistan’s ranking hovered around the 140th mark among the 189 countries rated during 2011–2013, and no near-term dramatic change is expected. The improvement in the Doing Business ranking is unlikely to be achieved because Tajikistan’s ranking hovered around the 140th mark among the 189 countries rated during 2011–2013, and no near-term dramatic change is expected.

Figure 6 shows private sector investment and its share of GDP. Although the share of private sector investment in GDP was still below 8%, the overall amount had increased by about 60% in 2012 from the year before. Table 10 shows that the number of new businesses registered generally increased during 2004–2011, reflecting an increasing share of the private sector in the overall economy.

---

The 2010 CPS macro indicators for private sector management were (i) improvement in the Doing Business ranking, and (ii) an increase in foreign direct investment and the number of new businesses registered.
Table 10: New Registered Businesses in Tajikistan, 2004–2011

<table>
<thead>
<tr>
<th>Item</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of new businesses</td>
<td>877</td>
<td>887</td>
<td>860</td>
<td>875</td>
<td>1,056</td>
<td>1,859</td>
<td>2,249</td>
<td>1,195</td>
</tr>
</tbody>
</table>

Note: New businesses registered are the number of new limited liability corporations registered in the calendar year.

Sources: World Bank; World Development Indicators; World Bank Entrepreneurship Survey.

129. Considering ADB’s contribution to the transition to a market economy, it is reasonable to assume that its support contributed to accelerating the transition. Capacity development in the public sector, including institutional and organizational reform, requires long timeframes. As a result, this kind of capacity development needs a long-term monitoring and results framework with clear, precise indicators for evaluation.

130. **Regional cooperation.** The completed ADB projects aimed at supporting regional cooperation are rated *satisfactory.* Regional cooperation was a key objective in the 2004 CSP and updates and in the 2010 CPS and was to be achieved through support for energy and transport and direct trade facilitation. However, indicators to monitor ADB’s development contribution in these strategies were not formulated properly. Both strategies set targets for increased energy exports. The 2004 CPS sought to export 5.0 TWh of annual electricity exports to neighboring countries by 2010. The 2010 CPS set a more modest goal of annual summer electricity exports of 2.5 TWh by 2012. The 2010 CPS also annual winter electricity imports of 2.0 TWh by 2012. However, the 2012 COBP reduced the export target to 0.6 TWh by 2014 and removed the import target altogether. The reasons for abruptly lowering the targets were not explained in the 2012 COBP. Supporting trade and investment facilitation by establishing effective customs systems and improving subregional transport infrastructure were key objectives in transport and trade facilitation, but no indicators were set in the ADB strategies.

131. Three of six energy projects that were approved by ADB during the CAPE period aimed to increase energy transmission in the Central Asia region and accounted for 65% of the value of the energy projects overall. One of the projects, the Regional Power Transmission Modernization project approved in 2002 in Tajikistan and Uzbekistan was canceled. A second project, the Regional Power Transmission Interconnection Project approved in 2006, was completed successfully. The third, approved in 2010, is ongoing. Tajikistan exported about 775 GWh of electricity to Afghanistan, Kazakhstan, and the Kyrgyz Republic in 2012, of which 630 GWh went to Afghanistan. ADB’s support, particularly through the Regional Power Transmission Interconnection project, helped Afghanistan better meet its energy needs and significantly improve its economic and social services (para.107). For instance, the project contributed to increasing energy export to Afghanistan and the energy utility earned about $40 million in 2013.

132. Only 10 of Tajikistan’s 24 border crossing points (BCPs) have been opened on a regular basis. ADB financed three projects during the CAPE period to rehabilitate the

---

86 One of the 10 BCPs is on the Afghanistan border on CAREC corridor 6 (Panji–Poyon [Kumsangir–Sherkhonbandar [Afghanistan]], five are with Kyrgyz Republic on the CAREC Corridor 3 and four national highways (Madaniyat [J. Rasulov]–Karagach [Kyrgyz Republic], Karamyk [Jirgital]–Karamyk [Kyrgyz Republic], Kizil-Art [Murgab]–Saritosh [Kyrgyz Republic], Ovchi Kalacha [B.Gafurov]–Lailak [Kyrgyz Republic]) and Guliston [Isfara]–Batken [Kyrgyz Republic]), one is with the People’s Republic of China on the Asian Highway (Kulma [Murgab]–Karosu [People’s Republic of China]), and three are with Uzbekistan on the CAREC Corridor 3 and two national highways (Dusti [Tursunzade]–Sanisyo [Uzbekistan], Fotekhobod [Matcha]–Oibek [Uzbekistan], and Patar [Kanibadam]–Andarkhon [Uzbekistan]).
CAREC corridor 3 between Dushanbe and the border with the Kyrgyz Republic. They were physically completed in 2008, 2009, and 2011. ADB also modernized custom facilities at the Jirgital BCP on the frontier with the Kyrgyz Republic in 2010. It funded the rehabilitation of about one-half of CAREC corridor 6 between Dushanbe and Kurgan–Tyube on the Afghanistan border, which was completed in 2007. ADB modernized the Panji Poyon–Shirkhan BCP on the Afghanistan border on CAREC corridor 3 in 2010. ADB helped the government develop a unified, automated information system to process customs declarations, trained customs officers in its operation, and introduced risk management and single window practices (para. 62).

Regional connections between Dushanbe and the country's borders with Afghanistan and the Kyrgyz Republic on CAREC corridors 3 and 6 and the BCPs on these routes were significantly improved by ADB support. This has boosted the regional economy and cooperation. Figure 7 shows the traffic and trade at the BCPs that ADB helped rehabilitate and modernize at Jirgital on the border with the Kyrgyz Republic and at Panji Poyon on the Afghanistan frontier. Traffic and trade at these BCPs rose 200% from 2009 to 2011. Figure 8 shows the traffic and trade volume at the eight other eight BCPs now open. The overall volume of traffic and trade at the eight BCPs is about one-half that of the two BCPs improved with ADB support, reflecting their current (although perhaps temporary) relative significance. Increases in traffic and trade at the eight BCPs that did not receive ADB support were lower than those recorded at the ADB project BCPs. Some BCPs on the border Uzbekistan are currently closed, one of which is on CAREC corridor 6. ADB projects rehabilitating the CAREC corridors 3 and 6 are ongoing. It is expected that the traffic and trade will increase once ADB has completed the rehabilitation and the border is reopened.

**Figure 7: Trade and Number of Vehicle Crossings**

<table>
<thead>
<tr>
<th>Jirgital–Kyrgyz and Panji Poyon–Afghanistan BCPs</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image1.png" alt="Graph" /></td>
</tr>
</tbody>
</table>

**Figure 8: Trade and Number of Vehicle Crossings**

<table>
<thead>
<tr>
<th>Other Eight BCPs</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image2.png" alt="Graph" /></td>
</tr>
</tbody>
</table>

---

87 The United States provided $12 million in financing to rehabilitate border crossing points, including the Panji Poyon, Afghanistan border crossing points in addition to the ADB support.

88 The Impact of Customs Reform and Road Rehabilitation in Facilitating Trade (accessible from the list of linked documents in the Appendix).
G. ADB and Borrower Performance

134. ADB’s performance is rated **satisfactory**. ADB has carefully tailored its support to rapidly evolving country conditions, providing a judicious mixture of program and project loans, investment operations, and emergency response support. ADB has been particularly responsive to government requests and is held in high regard by the country’s authorities. ADB’s lending program has been focused and selective, and this has provided strong continuity and contributed to the program’s development impact. ADB’s support became increasingly results-oriented during the CAPE period. Capacities for results reporting have been developed in various government agencies. CAREC has started to actively monitor the performance of the road corridors. The annual Tajikistan portfolio review has evolved into an important forum between the World Bank and ADB for highlighting results. Project supervision is generally considered to be good. The establishment of ADB’s Tajikistan Resident Mission in August 2003 has helped substantially in improving project implementation and has made it easier for stakeholders to engage directly with ADB.

135. ADB’s policy dialogue with the government has been challenging, intermittent in some sectors, led from ADB headquarters, and heavily reliant on consultants in the field. Concerns were expressed to the CAPE mission by government agencies that they had not been given sufficient time to review draft loan covenants before loan negotiations, but these complaints may not be valid in all cases, since ADB provides scope for such discussions during loan negotiations. In terms of aid coordination policy, ADB has played a leadership role in the development coordination council (DCC) (para. 42), although, the quality of this coordination at the sector and project levels was mixed. In some cases, ADB could work more closely with other development partners on a common sector reform program (para. 100). The CAPE study also identified the other donors’ regional energy project was not fully coordinated with ADB.89

136. The CAPE included a survey of stakeholders from the government, development partners, the private sector, and nongovernment organizations.90 It showed that stakeholders felt that ADB’s areas of work were relevant to the country’s main development challenges and that ADB support was effective in achieving sector goals and objectives. ADB’s main strengths were said to be its ability to design, finance, and supervise projects, and to cooperate with other partners.

137. The borrower’s performance is rated **satisfactory**. The government has played an active role in aid coordination and management. Government strategies have become increasingly results-oriented during the CAPE period and have served to guide

---

89 The CASA-1000 project is an acronym for a “Central Asia South Asia” transmission link. The project proposes to connect power systems of Kyrgyzstan and Tajikistan with Afghanistan and Pakistan. The project will allow exporting 300 MW and 1,000 MW of hydro generation power to Afghanistan and Pakistan, respectively, during summer months only. The estimated project cost is $1.3 billion of which World Bank has approved $570 million in 2014. The CASA project is supported by the World Bank, the US Agency for International Development and other development partners, who believe that such regional power projects are not only financially beneficial to the countries involved, but that the economic interdependency the project brings also can lead to improved relationships between countries caught up in a fraught political environment. The ADB had initially supported CASA-1000 project but later suspended it in favor of own developed TUTAP (Turkmenistan–Uzbekistan–Tajikistan–Afghanistan–Pakistan) project under the framework of the Central Asia South Asia Regional Electricity Market. The project allows export of surplus thermal and hydropower power from Central Asian Countries to Pakistan through Afghanistan. The basic concept of TUTAP is to use existing transmission lines and construct additional linkages that will allow year-round supply to Afghanistan and Pakistan. The project allows the participation of all Central Asian countries and enables Turkmenistan to supply power to Tajikistan during the winter deficit period.

90 Stakeholder Perception of ADB Performance (accessible from the list of linked documents in the Appendix).
the use of external support. The government has been a leader internationally in recognizing the importance of climate change to socioeconomic development, although its ministries have been slow to adjust sector strategies and programs to the challenges that climate change is likely to pose. The government has exercised a high degree of ownership of ADB-supported investment operations and has complied with loan covenants and the obligations of ADB’s safeguard policy. Counterpart staff and funding have been provided in a timely manner. Implementation delays have in some cases been the result of fragmentation of government project oversight responsibilities. Despite commitments to ensure that the recurrent costs of investments are met, spending on infrastructure O&M remains far below what is required to sustain project benefits. The high-level support for the reform of Barki Tojik has been insufficient. In 2013, the comprehensive country safeguards compliance review confirmed that the ongoing projects have complied with project’s safeguard covenants, although a few projects required further monitoring and actions.

H. Overall Assessment

138. The CAPE rated the ADB program successful. The overall CAPE rating brings together six separate sector assessments for agriculture and rural development, disaster and risk management operations, energy, public sector management, social sector (education and health), and transport. Table 11 shows the CAPE ratings for each of these sectors. These ratings were then weighted according to the relative size of each sector program to derive an aggregate rating. The strategic positioning, relevance, efficiency, effectiveness, and development impact of ADB program were satisfactory on average, while sustainability was not.

139. The three key objectives of the ADB strategies during the CAPE period were (i) economic growth and poverty reduction, (ii) transition to a market economy, and (iii) regional cooperation. It is reasonable to assume that ADB contributed to economic growth and improved food security through its physical and non-physical investment and strengthened the access of the poor to basic social services and markets. ADB responded to a series of natural disasters and helped build up disaster preparedness. It does, however, need to give more support to further integrate climate change adaptation into the government’s overall preparedness strategy. Most of ADB support to Tajikistan’s transition to a market economy has achieved its objectives, and the government has demonstrated its commitment to reforms in general. Nonetheless, Tajikistan’s ranking in international business and investment climate assessments has remained low. Completed projects in the energy and transport sectors likely facilitated energy and other trade. On the other hand, problems affecting international relations in Central Asia may diminish the effectiveness on ongoing ADB projects in both sectors in Tajikistan that are aimed at improving regional cooperation and trade.

91 Accessible from the list of linked documents in the Appendix.
Table 11: Rating Score by Sector, Evaluation Criterion, and Overall

<table>
<thead>
<tr>
<th>Key Sectors</th>
<th>Share(^a) (%)</th>
<th>Strategic</th>
<th>Program</th>
<th>Effectiveness</th>
<th>Efficiency</th>
<th>Sustainability</th>
<th>Impact</th>
<th>Sector Rating(^c)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Positioning (10%)</td>
<td>Relevance (10%)</td>
<td>(20%)</td>
<td>(20%)</td>
<td>(20%)</td>
<td>(20%)</td>
<td></td>
</tr>
<tr>
<td>TSTF</td>
<td>46</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>1.90 (S)</td>
<td></td>
</tr>
<tr>
<td>Energy</td>
<td>26</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>1.50 (BLS)</td>
<td></td>
</tr>
<tr>
<td>ARD</td>
<td>9</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1.60 (BS)</td>
<td></td>
</tr>
<tr>
<td>PSM</td>
<td>9</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2.00 (S)</td>
<td></td>
</tr>
<tr>
<td>DRMO</td>
<td>7</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>2.00 (S)</td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>1.70 (S)</td>
<td></td>
</tr>
<tr>
<td>Health</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>1.30 (LS)</td>
<td></td>
</tr>
<tr>
<td>Weighted Average</td>
<td></td>
<td>2.42</td>
<td>1.74</td>
<td>2.03</td>
<td>1.91</td>
<td>1.11</td>
<td>1.73</td>
<td>1.77 (S)</td>
</tr>
</tbody>
</table>

\(^a\) See para. 5 of the Country Assistance Program Evaluation for Tajikistan main text for the sector classification coverage.

\(^b\) Projects that cut across sectors and categorized as multisector were included in finance and two infrastructure sectors by distributing their various components to the appropriate sectors.

\(^c\) The evaluation scoring system rates the overall sector performance based on the following criteria: (i) if the overall weighted average score for criteria combined is >= 2.7, the overall performance is highly successful; (ii) if it is <2.7 but >=1.6, it is successful; (iii) if it is <1.7 but >= 1.6, it is borderline successful; (iv) if it is <1.6 but >= 1.5, it is borderline less than successful; (v) if it is <1.5 but >= 0.8, it is less than successful; and (vi) if it is < 0.8, the overall performance is unsuccessful.

A. Fostering Inclusive Economic Growth: Selectivity, Integrity, and Continuity

140. Although macroeconomic indicators have improved, the issue of an income gap has yet to be effectively addressed. This issue is closely related to that of inclusion. Tajikistan’s economic recovery during the CAPE period has to a large extent been based on foreign remittances, which reached a high of 47% of GDP in 2011. Remittances have benefitted the rural population more than urban households, given that poverty is concentrated in the country’s rural regions and that is where most of the migrant workers come from. About 1–2 million of Tajikistan’s people now work abroad, and foreign employment and remittances will likely continue to be a major contributor to its economic development for years to come. However, the sustainability of this major source of growth and employment is not ensured. This means that dependence on remittances must be recognized as a major risk and a source of vulnerability for the poor. Helping the work force left behind, composed mainly of poorly educated rural women, is critical to sustaining employment, productivity, and incomes. The current level of investment is far too low to generate the jobs the country needs.

141. Inclusive growth can be supported by targeted measures as well as by projects that are not specifically targeted at economic inclusion but have substantial indirect effects. In practice, it may be difficult to attribute indirect effects to projects. In view of the methodological difficulty and necessity of direct support to the poor, ADB should support more targeted or designed projects. Well-designed programs and projects can directly target the recipients. The 2010 CPS discontinued ADB’s support for the agriculture and rural development and health and education sectors in Tajikistan (para. 71). ADB could resume support in the agriculture sector because (i) food security is one of the government’s top three policy priorities; (ii) 75% of the population reside in rural areas, where agriculture is an important source of livelihoods; and (iii) ADB has continued to operate in the areas of agriculture and rural development in its support for climate change adaptation.

142. Continuity of support is an important factor in pursuing inclusion. An example of this is ADB’s support for the testing and implementation of two social safety net pilot projects aimed at making the country’s overall social assistance system most effective and efficient. These pilots have been replicated and scaled up by other development partners (para. 52). If ADB scaled up the pilot projects, ADB could apply lessons learned more effectively and increase its expertise. The 2012 Afghanistan CAPE
noted similar examples. ADB initiated pioneering work and successfully provided significant development contributions but subsequently decided to shift away from the field. It is important to replicate good practices on a more comprehensive scale. Continuity also deepens ADB's knowledge, allowing for transfer of knowledge to more than one borrower country.

143. **Recommendation:** ADB need to provide more options for fostering inclusive growth by financing projects that employ inclusion-oriented project designs. Most of the JFPR grants have been linked to large-scale infrastructure development and available evidence suggests these projects are providing an important link to the needs of local communities. Such successful experiences should be internalized in future project designs. ADB needs to also pay attention to migration, remittances, and gender concerns in Tajikistan, as these parameters are closely linked. Gender considerations need to be explicitly integrated into the main design of infrastructure projects.

**B. Strengthening Governance and Building Tajikistan’s Market Economy**

144. The government has demonstrated its commitment to reforms, especially those needed to make Tajikistan an attractive destination for investments. The new tax code, a public–private partnership law, the Extractive Industries Transparency Initiative, the single window for business registration and customs procedures, a simplified permits law, and the growing protection being provided to investors are all evidence of efforts to facilitate a larger private sector role in the country’s economic development. In collaboration with other development partners, such as the European Union and the World Bank, ADB has provided support for increasing the transparency and integrity of public finance management and the procurement system. Some early support was for the establishment of a legal database. ADB budget support in 2010 focused on operationalizing internal audit, improving tax administration, and piloting electronic payment of pensions that would improve governance by strengthening accountability. Support for modernizing the customs system and for aid coordination likely helped to enhance transparency and increase accountability in these areas (paras. 53–63).

145. ADB has supported private sector investment and public–private partnerships under the 2010 CPS, but ADB made no direct private sector investment in Tajikistan during the CAPE period. Tajikistan’s ranking in the World Bank’s Doing Business index hovered around the 140th mark among the 189 countries rated during 2011–2013. The World Bank’s 2011 country economic memorandum said that widespread corruption is one of the main constraints on business growth and drives up the costs of doing business. The country’s complex and non-transparent business regulations, weak property rights, poor infrastructure, and the winter energy deficits exacerbate the poor investment climate. So do a lack of confidence and transparency in the banking system,

---

92 ADB’s Postconflict Multisector Program contributed to the rollout of the Afghanistan Financial Management Information System. This has been successfully scaled up to date by the International Monetary Fund, the World Bank, and the United States Agency for International Development in all Ministry of Finance offices responsible for treasury functions in all 34 provinces. ADB’s Fiscal Management and Public Administration Reform Program contributed to the country’s fiscal management reforms. In 2009, it supported the initial rollout of a human resource management information system of independent administrative reforms and the civil service commission that covered nine ministries. It has been scaled up in all line ministries by the United States Agency for International Development.

which need to be increased before private sector investment can grow. State-owned enterprises control major sectors of the economy through natural monopolies. The rule of law still is weak. The court system has low capacity and is overburdened and vulnerable to corruption. It is also susceptible to pressure by the executive branch. The judiciary has little independence, given the president’s prerogative to nominate and dismiss judges and prosecutors. No formal and transparent procedures exist for recruiting judges, making the judiciary vulnerable to political influence (paras. 92–94).

146. **Recommendation:** To improve the business and investment climate, ADB needs to step up its dialogue with the government and strengthen support for governance that is monitored by suitable indicators. Good governance goes further than mechanisms of public sector, and it is essential to establishing a policy and regulatory environment that enables the private sector to flourish as an engine of growth. There are several ways to strengthen governance. Development experience demonstrates that capacity needs to be strengthened in areas such as public financial management systems, procurement, and the judiciary to create a sustainable, strong governance framework. To be results-based, performance should be tracked through sector, project, and governance indicators and technical support.

C. **Addressing Regional Cooperation Risks**

147. Fostering cooperation for regional economic integration has been a prevailing theme of ADB’s support for this landlocked country. This is in line with ADB’s corporate mandate and has been executed well under the CAREC program. While progress has been made, the nation’s development is still hampered by high trade costs, exclusion from the Central Asian power grid, border closures, and the opposition of some nations downstream to developing Tajikistan’s hydropower resources.

148. Unresolved regional cooperation issues have hindered Tajikistan’s economic progress. The border crossing point on CAREC corridor 6, which is one of the country’s main arteries for international trade, was closed by Uzbekistan in November 2010, and Tajikistan has been isolated from the CAPS energy trade since December 2009. Soon after these events and in spite of it, ADB approved two infrastructure projects whose outcomes would be affected by these continuing problems. The RRP of CAREC Corridor 6 project recognized the risk of delayed reopening of cross-border trade. However, the RRP for the Regional Power Transmission Project did not mention the fact that Tajikistan had been excluded from the CAPS, which limited its ability to trade power in the region. Regional cooperation risks have weakened the relevance and envisaged effectiveness of these projects (paras. 72–79).

149. **Recommendation:** For effective regional cooperation, ADB needs to explicitly acknowledge the risks and take appropriate mitigation measures. Conflicts and tensions on the borders reduce the benefits of the investments in infrastructure. While maintaining political neutrality in disputes, ADB should assess the underlying project risks if it decides to provide support and, if possible, take steps to mitigate them.

---


D. Preparing for Climate Change

150. ADB’s support for disaster and risk management operations in Tajikistan has had three phases: post-disaster response, disaster prevention, and climate change adaptation. Phases 1 and 2 involved disaster response followed by conventional disaster management. ADB successfully helped the government rehabilitate damaged infrastructure. It also strengthened government and local community capacity for disaster prevention. Timely support for post-disaster operations minimized damage and facilitated economic growth (para. 48).

151. The third phase—climate change adaptation—must be undertaken in an environment in which the climate change agenda is relatively new and government capacity to effectively tackle the issue is underdeveloped. Tajikistan’s approach to climate change is high-level and centralized. Some progress has been made in raising climate change awareness.

152. Because climate-change science is at an early stage of development in Tajikistan, the extent and the characteristics of the impacts climate change will have on the country over the long term are still uncertain. A risk also exists that the climate change issue may be viewed as something that can be addressed by mobilizing additional external development partner support rather than as a crucial problem the government is obliged to address and help resolve itself through the required fundamental changes in its strategies, policies, plans, programs, and services. The CAPE identified issues and lessons on how climate change adaptation can be strengthened in Tajikistan (paras. 80–84):

(i) **Differing views by sectors and organizations.** The concerned ministries have generally accepted the likely risks posed by climate change, but their views on how to deal with it differ. For instance, the development and operational plans in the energy sector are based on the assumption that water flows will be the same for an extended period of time even though climate change is likely to shrink glaciers and thereby reduce the amount of glacial water contributing to these flows. While the risks of climate change are acknowledged as important at the local government level, they are seen as less relevant than the immediate needs of local communities, and priority is accorded to meeting near-term development challenges. All players have to be on the same page on climate change for consistent economic and social development.

(ii) **Importance of robust forecasts and proper timing of investments.** The international community has supported the downscaling of international climate change models to provide forecasts at the country level. Tajikistan needs credible climate-related forecasts to be able to plan and time the investments needed. If ADB is to finance physical infrastructure in the country, then it should have climate and related forecasts that are credible on which to base a project’s technical specifications.

(iii) **Prioritization (integrated risk management).** Climate change science may discover new serious risks in Tajikistan in addition to those already known to be posed by earthquakes, landslides, and drought. It needs to integrate adaptation to the potential future effects of climate change into its current disaster management and resilience-building activities when setting its development priorities.
153. **Recommendation:** ADB needs to enhance the integration of climate change and disaster risk activities and resilience into the country development agenda, ensure consistency and synergy over sectors and organizations, and support capacity building in and dissemination of climate change science. Disaster and risk management operations should be highlighted in the new CPS. All identified issues and lessons on the climate change adaptation should be carefully addressed in the next CPS and in project design.

### E. Sustaining Progress

154. The sustainability of ADB’s investments in Tajikistan may be threatened by financial and institutional constraints. It is therefore urgent that the country’s financial and institutional capacities for sustainability are increased. Otherwise, much of the country’s infrastructure and other assets could deteriorate before the end of its expected economic life.

155. **Recommendation:** ADB needs to prioritize sustainability when designing future development support. The strategy to improve sustainability has to be addressed at the CPS level. ADB should raise the government’s awareness of sustainability risks and help mitigate them through future support. This will require detailed financing plans that include cost estimates and financing projections for operations and maintenance, based on government strategies. ADB’s future investment in economic infrastructure should be closely linked to progress made in ensuring that asset management systems and financing are in place to meet the recurrent costs of operating, maintaining, and rehabilitating or replacing parts of the transport network and the power system when this is necessary. Since sustainability is a common concern for the international community involved in assisting Tajikistan, the members of the development coordination council and other development partners should support the central and local governments in making the necessary reforms.
Appendix
APPENDIX: LIST OF LINKED DOCUMENTS

1. ADB Loans and Grants to Tajikistan, August 1998–October 2013  

2. ADB Technical Assistance to Tajikistan, August 1998–October 2013  


4. Key Economic and Social Indicators, 1994–2012  
   http://www.adb.org/sites/default/files/linked-documents/4-Economic-Social-Indicators.pdf

5. Tajikistan’s Progress in Achieving the Millennium Development Goals  
   http://www.adb.org/sites/default/files/linked-documents/5-MDG-Progress.pdf

   http://www.adb.org/sites/default/files/linked-documents/6-Major-Thrusts-CSPs.pdf

7. ADB Support for Governance in Tajikistan  
   http://www.adb.org/sites/default/files/linked-documents/7-Governance.pdf

8. Assessment of Agriculture and Rural Development  

9. Assessment of Disaster and Risk Management Operations  

10. Assessment of the Energy Sector  

11. Assessment of Public Sector Management  

12. Assessment of Social Sector  

13. Assessment of Transport Sector and Trade Facilitation  

14. ADB Support for Gender Equity  

15. Results Chain and Evaluation Framework for ADB’s Development Contribution  

16. Impact of ADB Support for Trade Facilitation  

17. Stakeholder Perception of ADB Performance  
Country Assistance Program Evaluation for Tajikistan
This evaluation provides the first assessment of ADB strategies and programs in Tajikistan from 1998 to 2013 with the objective of improving the effectiveness of the development support ADB provides to the country.

About the Asian Development Bank
ADB’s vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region’s many successes, it remains home to two-thirds of the world’s poor: 1.6 billion people who live on less than $2 a day, with 733 million struggling on less than $1.25 a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

About the Independent Evaluation at Asian Development Bank
The Independent Evaluation Department evaluates the policies, strategies, operations, and special concerns of the Asian Development Bank relating to organizational and operational effectiveness. It contributes to development effectiveness by providing feedback on performance and through evaluation lessons.

Contact Information
Independent Evaluation at the
Asian Development Bank
6 ADB Avenue, Mandaluyong City
Philippines 1550
www.adb.org/evaluation
Email: evaluation@adb.org
Telephone: (+63-2) 632 4100
Fax: (+63-2) 636 2161

Scan with your QR-enabled device to read the online version

Printed on recycled paper