



Interim Country Partnership Strategy

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Tajikistan
2015

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 28 November 2014)

Currency unit	–	somoni (TJS)
TJS1.00	=	\$ 0.20
\$1.00	=	TJS5.0855

ABBREVIATIONS

ADB	–	Asian Development Bank
CAPE	–	country assistance program evaluation
CPS	–	country partnership strategy
GDP	–	gross domestic product
NDS	–	national development strategy

NOTE

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

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I. INTRODUCTION

1. ADB's country partnership strategy (CPS) for 2010–2014 will expire at the end of 2014. The next full CPS for 2016–2020, which will align with the government's new National Development Strategy (NDS) for 2016–2025, is being prepared. To bridge the gap between the current and new CPSs, the interim CPS extends the validity of the CPS, 2010–2014 to 2015.

II. DEVELOPMENT TRENDS AND ISSUES

2. **Economic performance.** In 2013, Tajikistan's real gross domestic product (GDP) growth declined marginally to 7.4% from 7.5% in 2012. Growth was fuelled by higher remittances, increased public investment, and a booming construction sector. In the medium-term, growth is expected to moderate in anticipation of further drops in export prices for aluminum and cotton and a fall in remittance inflows resulting from slower economic growth in the Russian Federation. The Asian Development Bank (ADB) forecasts GDP growth of 5.8% in 2015. Positive impacts on Tajikistan's economic outlook are expected from Central Asia Regional Economic Cooperation Program investments and Tajikistan's accession to the World Trade Organization. Nonetheless, Tajikistan remains vulnerable to exogenous shocks due to its heavy dependence on remittances—that accounted for 52% of GDP in 2013—as well as its low foreign exchange reserves and reliance on a very narrow base of export commodities.

3. **Recent political developments.** Presidential elections were held in November 2013. The incumbent, Emomali Rahmon, was reelected for a 7-year term with 83.6% of the vote. The president subsequently announced a major reshuffle in which two-thirds of his cabinet members were replaced. Parliamentary elections are scheduled for 2015.

4. **Poverty reduction and social development.** The percentage of the population living below the national poverty line declined from 47% in 2009 to 36% in 2013. Notwithstanding this progress, the incidence of poverty remains high, particularly in isolated rural and mountainous areas and in households headed by women. According to the United Nations Development Program's 2010 progress report, Tajikistan is unlikely to meet several of the Millennium Development Goals by 2015. While Tajikistan has achieved near-universal enrolment in primary and lower secondary education and has reduced child mortality, access to potable water sources and sewage and sanitation services remain limited. Moreover, the maternal mortality rate remains one of the highest in Central Asia.

5. **Major development challenge.** Tajikistan's consumption-driven growth model is unsustainable, and it does not encourage inclusive growth due to the uneven distribution of remittance inflows that finance consumption. Tajikistan's growth prospects will be shaped by its capacity to catalyze private sector development and diversify its exports. Measures are needed to lower business costs; increase access to finance; improve infrastructure; and strengthen the policy, legal, and regulatory environment for public–private partnerships.

6. **Highlights of previous ADB country strategy.** ADB's CPS for 2010–2014 focused on upgrading energy infrastructure, improving domestic and regional connectivity, and supporting private sector development.¹ Support for agriculture and social services was initially phased down due to ADB's relatively small resource envelope and the government's preference for large infrastructure projects. However, in 2013 and 2014, ADB's program was recalibrated to target more inclusive growth through investments in green finance, flood mitigation, irrigation, climate change resilience, and technical and vocational education and training. Regional

¹ ADB. 2010. *Country Partnership Strategy: Tajikistan, 2010–2014*. Manila.

cooperation, environmental sustainability, improved governance, and gender mainstreaming are common themes across all projects. Technical assistance grants focus on project preparation and implementation, institutional capacity building, and policy advisory activities. From January 2010 to September 2014, Tajikistan received Asian Development Fund grants amounting to \$612.2 million for eight projects.

7. **Assessment of ADB operations and lessons learned.** A 2014 country assistance program evaluation (CAPE) that examined ADB assistance to Tajikistan from August 1998 to October 2013 rated ADB's program *successful* overall.² The CAPE concluded ADB investments have (i) contributed to economic growth, poverty reduction, and food security; (ii) supported Tajikistan's transition to a market-based economy; (iii) strengthened regional cooperation; and (iv) enhanced access to basic social services and markets. However, the CAPE rated the sustainability of ADB's program *less likely* in all sectors except education and public sector management, given the inadequacy of budgeted funding for operations and maintenance and limited civil service capacity to manage critical infrastructure. The CAPE recommended enhancing ADB operations through (i) supporting inclusion-oriented project designs; (ii) strengthening dialogue on good governance; (iii) introducing measures to mitigate the risks of cross-border infrastructure investments; (iv) better integrating climate change and disaster risk management in ADB's CPSs and projects; and (v) prioritizing sustainability.

8. **Portfolio performance.** Tajikistan has one of ADB's best performing country portfolios. Since 2004, ADB and the World Bank have held joint country portfolio performance review meetings to address generic issues affecting portfolio performance. The latest joint review concluded joint portfolio performance remained satisfactory. However, further efforts will be necessary to strengthen the institutional capacity of implementing agencies; improve procurement procedures; and maintain and improve linkages to sector institutional frameworks.

III. THE TAJIKISTAN COUNTRY STRATEGY

9. **Government national strategy.** The government's NDS for 2006–2015 seeks to achieve sustainable economic growth, expand public access to social services, and reduce poverty. Specific long-term development priorities include (i) improving the public administration system and macroeconomic development; (ii) strengthening the investment climate and supporting the private sector and entrepreneurship; and (iii) increasing regional cooperation and integration with the global economy. The NDS is complemented by the Strategy for Improving the Welfare of the Population of Tajikistan for 2013–2015, which outlines specific medium-term actions to achieve Tajikistan's development priorities. A new NDS is under preparation for 2016–2025, which will reflect the post-2015 Millennium Development Goals.

IV. ADB COUNTRY STRATEGY

10. **Extension of the validity of the CPS, 2010–2014.** Under the interim CPS, ADB's assistance will continue to focus on energy, transport, private sector development, agriculture and natural resources, technical and vocational education and training, and rural and green finance. This focus complements the government's long-term NDS, the Strategy for Improving the Welfare of the Population of Tajikistan, and ADB's Midterm Review of Strategy 2020.³ Consultations with the government and stakeholders on future strategic directions are ongoing.

² ADB. 2014. *Country Assistance Program Evaluation. Tajikistan: Responding to the Changing Development Conditions*. Manila.

³ ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila.