ADB SUPPORT FOR GOVERNANCE IN TAJIKISTAN

1. Governance and corruption pose a significant challenge to development in Tajikistan.¹ Almost 80% of respondents to a United Nations Development Programme public opinion survey in 2010 considered the country to be corrupt. The survey indicated that farmers and entrepreneurs were the two segments of society most exposed to corruption on a daily basis. Most respondents considered public administration and public service bodies the most corrupt institutions in the country. The police, customs, and tax authorities topped the list.²

2. This report summarizes the state of governance in Tajikistan and describes the support provided by Asian Development Bank (ADB) in this regard during August 1998–October 2013 period covered by the country assistance program evaluation (CAPE) conducted by ADB’s Independent Evaluation Department. It summarizes the progress made in Tajikistan on governance during the CAPE years. It also presents the CAPE team’s conclusion that, while ADB support helped to increase transparency and accountability in two dimensions—public financial management (PFM) and procurement—its support for addressing anti-corruption initiatives was less evident during the early part of the CAPE period. The sector evaluation also found that ADB supported the demand side for good governance by encouraging the greater participation of communities and local government in development decision making but achieved limited success.

A. Status of Governance in Tajikistan

3. Strengthening accountability and transparency. Weak public sector governance underdeveloped laws and regulations, low public sector wages, and weak accountability are constraints to effective governance in Tajikistan.³ Other obstacles to good access to and better quality in public services are inefficiency and inequity in public spending and the absence of effective structural reforms needed to improve institutions, human resource management, and infrastructure.⁴ International agencies report that governance in the education and health sectors is also deteriorating and widening the socioeconomic disparity between the haves and the have-nots (footnote 2).

4. The rule of law is weak. The court system is overburdened, lacks capacity, and is susceptible to pressure by the executive branch and vulnerable to corruption. The judiciary has little independence, since the president has the prerogative to dismiss judges and prosecutors and appoint new ones. No formal and transparent procedures for recruiting judges are required, leaving the process and the judiciary vulnerable to political influence (footnote 2).

5. Oversight and control over public spending was diluted in 2006 when the country’s president limited the independence of the supreme audit body and the State Financial Control Committee to audit and review public expenditures. The processes were merged into anti-corruption agencies that all reported to the president. It took almost 2 years before measures to reverse this situation were put in place, and in the meantime this hurt the credibility of governance and confidence among investors. State-owned enterprises control major sectors of the economy function with insufficient accountability and transparency, despite some progress in agencies such as state power utility, Barki Tojik. The World Bank’s 2011 country economic memorandum states that widespread corruption at different points in the business chain is one of the three main constraints to business growth and increases the costs of doing business.⁵ A set of complex and

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non-transparent business regulations, weak property rights, and poor infrastructure damage the overall investment climate further. Although the internal audit reform, supported by ADB, is in the right direction, many public institutions “lack sound internal procedures and capacity to fight corruption.”

6. **Strengthening demand for transparent governance.** Civil society representation and oversight in governance are weak, and so is demand for transparency. Although nongovernment organizations have been mushrooming in Tajikistan, they are motivated by the availability of funds rather than by issues. They are also subject to harassment if they take positions that are perceived to be anti-government. Access to information is weak. A lack of actual freedom of expression, particularly in the press, the limited space for civil society, and the reluctance of the citizenry to challenge the government all significantly limit control and oversight of government actions (footnote 2).

7. **Strengthened capacity.** Development experience has shown that a strong, sustained governance framework in post-conflict contexts such as that in Tajikistan requires that the country build strong capacity in the PFM and procurement systems, the judiciary, and other institutions involved in economic reform. Strong capacity in areas such as these is also necessary for a country to make the shift from a centrally planned to a market economy, as Tajikistan has been attempting to do since its independence from the former Soviet Union. Tajikistan, however, suffers from weak capacity at three levels—institutional, organizational, and in human resources—and this constrains these shifts. Political economy issues, such as control of various sectors by different political factions, also left capacity fragmented during most of the CAPE period, and diminished political will for reform. Changing mindsets is another complex and difficult task in countries during periods of conflict recovery and economic transformation.

**B. ADB’s Approach to Governance in Tajikistan**

8. ADB and other international organizations such as the World Bank have treated governance as a crosscutting issue. This approach is consistent with ADB’s Second Governance and Anticorruption Action Plan, which outlines a comprehensive risk-based approach to managing governance and fighting corruption, refocusing efforts to achieve results in three priority areas in the sectors where ADB operates, namely: improving public financial management, strengthening procurement systems, and combating corruption.

9. Overall ADB support during the CAPE period was mainly aimed at the delivery of public services, infrastructure development, and financial system reform. This and the country context make its focus on controlling corruption as part of fiduciary duties in the three core governance areas of PFM, procurement, and anticorruption appear to have been a realistic choice. This is particularly true, given that multiple development partners were active in the area of governance. The 2010–2014 country partnership strategy includes a risk management plan, based on country- and sector-level risk assessments and risk management plans. ADB’s anti-corruption support during the evaluation period dealt mostly with strengthening transparency in the Tajikistan Agency for State Financial Control and Anti-Corruption and support for the creation of a supreme audit agency, which has recently been established consequent to a 2011 Law on the Supreme Audit Institution.

10. In collaboration with such other development partners as the World Bank and the European Union, ADB provided selective support for increasing transparency and integrity in the PFM and procurement system, thereby also decreasing entry points for corruption. Some early support during the CAPE period included the organization of a participatory governance assessment and the

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establishment of a legal database, including the dissemination of laws.\textsuperscript{7} Budget support provided by ADB 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 modernization of customs system and aid coordination helped to enhance transparency and increase accountability in these areas.

11. In key areas where ADB provided support, the independent international agency, Public Expenditure and Financial Accountability (PEFA) Assessment\textsuperscript{8} reports progress. For example, domestic revenues increased steadily between 2007 and 2012 as the tax and customs base improved along with their systems.\textsuperscript{9} According to PEFA, this trend is likely to continue as the reforms continue and gather pace. A new procurement law was passed in 2006, although implementation is weak and an independent complaints handling system is still needed. Progress on internal audits is in the right direction, particularly with the amount of training being applied. The electronic payment of pensions has been piloted and established, which has reduced the scope for corruption.

12. At a sector level, ADB projects have included greater focus on governance and corruption, although supervision and reporting needs strengthening in these areas.\textsuperscript{10} ADB also contributed to community-based governance mechanisms in several sectors. These included mechanisms such as the water users’ association in the agriculture sector and parent–teacher associations in the education sector, although sustainability issues plague these groups. ADB support contributed substantially to enhancing governance in the microfinance sector, although it achieved limited results through support for privatization, local government, and corporate governance.

C. Recent Progress in Improving Governance

13. The 2012 Worldwide Governance Indicators for Tajikistan suggest a worsening in many governance indicators during 2002–2012, but a slight improvement in the area of government effectiveness (Table). The PEFA survey of 2012 suggested that some progress had been made across the board since the previous PEFA report in 2007, but serious concerns remained.\textsuperscript{11}
Worldwide Governance Indicators for Tajikistan

<table>
<thead>
<tr>
<th>Indicator</th>
<th>1998</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voice and accountability</td>
<td>–1.5</td>
<td>–1.4</td>
</tr>
<tr>
<td>Rule of law</td>
<td>–1.6</td>
<td>–1.2</td>
</tr>
<tr>
<td>Regulatory quality</td>
<td>–1.4</td>
<td>–1.0</td>
</tr>
<tr>
<td>Political stability and absence of violence/terrorism</td>
<td>–2.0</td>
<td>–1.2</td>
</tr>
<tr>
<td>Government effectiveness</td>
<td>–1.5</td>
<td>–0.9</td>
</tr>
<tr>
<td>Control of corruption</td>
<td>–1.2</td>
<td>–1.2</td>
</tr>
</tbody>
</table>

– = negative.

Note: The composite measures of governance are in units of a standard normal distribution, with mean zero, standard deviation of one, and running approximately from –2.5 to 2.5, with higher values corresponding to better governance. For information on methodology, see http://info.worldbank.org/governance/wgi/index.aspx#doc


14. In the area of corruption, the government developed a national anti-corruption strategy for 2008–2012. The State Committee on Financial Control and Fighting Corruption was responsible for implementing the anti-corruption measures. An anti-corruption law became effective in December 2011. It lays out the concept for establishing an e-government system in the country to facilitate a more transparent system of governance. Nevertheless, effective implementation and progress have been limited.

15. The World Bank’s 2011 country economic memorandum on Tajikistan stated that the government had demonstrated its commitment to reforms, especially those needed to make the country an attractive destination for investments. A new tax code, a public–private partnership law, the Extractive Industries Transparency Initiative, a single window for business registration and customs procedures, a simplified permits law, and increasing protection of investors were all evidence of efforts designed to facilitate a larger private sector role in the country’s economic development. The memorandum added that the Government will need to exercise greater and more sustained political will to enforce and oversee the implementation of these laws to their full potential.