

**Non official Translation**

**NATIONAL DEVELOPMENT STRATEGY  
OF THE REPUBLIC OF TAJIKISTAN  
FOR THE PERIOD UP TO 2030**

**Dushanbe – 2016**

## **TABLE OF CONTENT**

### **LIST OF ABBREVIATIONS**

### **INTRODUCTION**

#### **1. TAJIKISTAN IN 2030**

1.1. Vision, mission, goals and objectives

1.2. Continuity of the development: Achievements of the National Development Strategy of the Republic of Tajikistan for the period up to 2015 and lessons learned

1.3. Development scenarios

1.4. NDS implementation stages

1.5. Strategy implementation financing sources

#### **2. CHALLENGES AND OPPORTUNITIES FOR DEVELOPMENT**

2.1. Challenges |

2.2. Opportunities

2.3. Demographic window of opportunities

#### **3. STRENGTHENING COUNTRY'S INSTITUTIONAL CAPACITY**

3.1. Effective system of public administration

3.2. Development of regions

#### **4. HUMAN CAPITAL DEVELOPMENT**

4.1. Education and science

4.2. Health care and longevity

4.3. Social protection

4.4. Culture

4.5. Environment for living

4.6. Reduction of social inequalities

#### **5. QUALITY OF ECONOMIC GROWTH AND EFFICIENCY OF THE REAL SECTOR OF ECONOMY**

5.1. Real sector of economy

5.2. Productive employment

5.3. Financial sector

5.4. Investment climate

#### **6. MONITORING AND EVALUATION OF NDS-2030**

### **Appendixes**

The main target indicators of NDS-2030

Social indicators of NDS-2030

Cross-sectoral indicators and international comparisons

## List of abbreviations

|          |   |
|----------|---|
| AIC      | - Agro-industrial complex   |
| CHP      | - Combined heat-and-power station   |
| DFI      | - Derivative financial instruments  |
| PN       | - Power networks  |
| EPS      | - Electric power system   |
| FDI      | - Foreign direct investment   |
| FEC      | - Fuel and energy complex   |
| FEZ      | - Free economic zones   |
| FOCL     | - Fiber-optic communication lines   |
| GDP      | - Gross Domestic Product  |
| GDI      | - Gender Development Index  |
| GII      | - Gender Inequality Index   |
| HDI      | - Human Development Index   |
| HEI      | - Higher Education institution  |
| HIV      | - Human Immunodeficiency Virus  |
| HPP      | - Hydropower plant  |
| HPU      | - Housing and public utilities  |
| ICT      | - Information and communication technologies  |
| IFIs     | - International financial institutions  |
| ILO      | - International Labour Organization   |
| IMF      | - International Monetary Fund   |
| IPO      | - Initial Public Offering   |
| LMDS     | - Labor market development strategy   |
| M&E      | - Monitoring and Evaluation   |
| MFI      | - Microfinance institutions   |
| MDGs     | - Millennium Development Goals  |
| MtDP     | - Mid-term Development Program  |
| Media    | - Media   |
| NBT      | - National Bank of Tajikistan   |
| NCD      | - Non-communicable diseases   |
| NDS      | - National Development Strategy   |
| NDS-2015 | - National Development Strategy of the Republic of Tajikistan for the period up to 2015 |
| NDS-2030 | - National Development Strategy of the Republic of Tajikistan for the period up to 2030 |
| OJSC     | - Open Joint Stock Company  |
| OSHC     | - Open Joint Stock Holding Company  |
| PFMS     | - Public Finance Management Strategy  |
| PRS      | - Poverty Reduction Strategy  |
| PPP      | - Public Private Partnership  |
| PTL      | - Power transmission line   |
| RES      | - Renewable energy sources  |

|      |  |
|------|--|
| R&D  | - Research and development                                       |
| RSE  | - Real sector of economy   |
| RT   | - Republic of Tajikistan   |
| SDGs | - Sustainable Development Goals                                  |
| SEA  | - Strategic Environmental Assessment                             |
| LSIS | - Living Standards Improvement Strategy Tajikistan for 2013-2015 |
| SHP  | - Small hydropower plant   |
| STIs | - Sexually transmitted infections                                |
| TPP  | - Thermal Power Plant  |
| WTO  | - World Trade Organization                                       |
| WUA  | - Water Users Association  |

## INTRODUCTION

National Development Strategy of the Republic of Tajikistan for the period up to 2030 (hereinafter - NDS-2030) was developed according to the provisions of the Constitution of the Republic of Tajikistan, the Republic of Tajikistan Law «On state forecasts, concepts, policies and programs of social-economic development of the Republic of Tajikistan» and in line with the long-term country development objectives and priorities, referred to in the Address of the Founder of Peace and National Accord, the Leader of the Nation, the President of the Republic of Tajikistan, His Excellency Emomali Rahmon to the Majlisi Oli of the Republic of Tajikistan in 2014 and 2015.

The given document has been drafted with due consideration of changes that have occurred in the country and in the world in recent years, and in particular, the impact of the global financial and economic crisis 2007-2009 on the national economy.

NDS-2030 also takes into consideration the Republic of Tajikistan's international commitments on the Agenda of the XXI century and Sustainable Development Goals (SDGs), approved at the 70th session of the UN General Assembly in September 2015.

The main focus of SDGs is the concept of Sustainable human development. Therefore, complete eradication of poverty, replacement of unsustainable and promotion of sustainable consumption and production patterns, as well as protection and sustainable use of natural resources to ensure further economic and social development are the main objectives and key factors of sustainable human development.

National consultations on SDGs Agenda provided an input to identify the main priorities of the country's development after 2015. In order to implement these priorities economic ideology, basic principles and a set of measures, specified in NDS-2030, have been used. They are: (1) education; (2) health care; (3) employment; (4) inequality; (5) combating corruption; (6) food security and nutrition; (7) good governance; (8) social welfare; (9) prevention of potential conflicts; (10) energy security, environmental protection and management of demographic processes.

NDS-2030 suggests that institutions, involved in coordination, and accountability of state administration bodies, business structures and civil society should play an important role for the implementation of these priorities. Activities of these institutions will be based on a national system of evaluation and forecasting of future development, short-term and long-term objectives and plans for implementation, accordingly.

Therefore, issues of strengthening institutional development towards ensuring efficient, transparent and anti-corruption based management and financial control through introduction of state of the art information technologies at all levels of public administration and, in general, the development of technocratic and meritocratic management models in the country have come to the fore in NDS-2030.

Aimed at strengthening the role of institutions, involved in coordination, and social accountability of businesses, measures have been considered to reduce

administrative burden on economic activity, reduce corruption component in the process of control and development of sectors of the national economy, including through the development of public-private partnership..

At the same time, in the context of insufficiently full-fledged civil society and businesses, coordination and accountability of state government bodies will be of major importance in order to ensure industrial and innovative development of national economy towards its diversification and competitiveness.

The development of institutions, involved in coordination and accountability also involves strengthening civil society's role in public control over the activities of the State and the business.

In general, this document serves as a directive action plan for all bodies of state administration and an indicative action plan for the private sector and civil society, and it is envisaged that the development of technical and financial assistance programmes for Tajikistan will be based on the National Development Strategy.

Ensuring country's sustainable development involves the selection of scientifically well-founded basic principles of the national economy and society future development. The following three basic principles of future development have been taken as a basis of the system approach, taken for the development of NDS-2030:

- (1) Prevention or reduction of vulnerability of future development;
- (2) Industrialization or increasing the efficiency of the use of national resources;
- (3) Innovativeness or innovation based development in all spheres of social and economic life of the country..

Rapidly changing geopolitical, geo-economic and technological picture of contemporary world sets an objective for our country to ensure preventive and sustainable economic development and national security.

In the long-term foreign policy objectives should be aimed at creating favorable external conditions for the development, strengthening foundations of the state, protection of rights and freedoms, interests and dignity of citizens of the country abroad, strengthening the position of the state in the international arena.

In turn, internal policy should be aimed at reducing country's economy vulnerability to potential external threats, exploring and developing effective mechanisms and internal sources for sustainable economic development, ensuring stable economic growth, productive employment, sustainable access to energy resources and conducive business environment. The economic potential of the country should be considered as the material basis of national security. In this respect, the rational use of human and natural capital, and strengthening institutional capacity of development towards better efficiency, diversification and competitiveness of the national economy, will determine the industrial future development and ensure the transition from agrarian-industrial to the industrial-agrarian based economy.

Democratic governance in the country, the rule of law, protection of rights and capacity building of human resources will be the important priority issues. Strengthening social welfare, ensuring access to safe food, improving water supply, sanitation and nutrition patterns, reducing all forms of social and gender inequality,

as well as environmental sustainability, will be considered as important areas in performance of legislative, executive and judicial institutions.

Ensuring country's long-term sustainable development is impossible without the use of innovations in all spheres of social and economic life. The strategic benchmarks of this development should take into account an increase in investment and economic activity in the Central Asian region, the role of Central Asian countries in the region and intensification of cooperation at large between countries in the framework of South-South cooperation. In the next decade, a new technological, economic and political cycle of the world economy will emerge. It will slow down the pace of global economic growth until the middle of the XXI century. We must be ready to adequately embrace this process and even today outline the areas of future growth model, and determine its qualitative features.

The main factor of this growth model is the human capital and its key strategic components - education and science - as the most important conditions of enhancing national security and national economic competitiveness. In this regard there is a need to be proactive and make a transition to a 12-year general education system and large-scale implementation of international educational standards in vocational training system. The state's role should be strengthened in the process of selection and provision of support in the priority areas of science and technology.

The basis of preventive, industrial and innovative development of the country will also be the natural capital. A large potential of hydropower resources, fresh water, favorable land and climate, flora, significant human resources, rich reserves of mineral resources and subsoil resources create conditions to boost the development of export-oriented and import-substituting industries, development of modern mining and processing industries, non-ferrous and ferrous metallurgy, environmentally sound agroindustrial complex. The rich historical and cultural heritage of Tajikistan, its distinct nature with unique lakes, rare animals and plants, as well as the high mountains are important conditions for the development of tourism and increasing contribution of this sector to the country's GDP.

Further development of hydropower capacity and implementation of regional transport and communication projects will allow Tajikistan to become a regional leader in the production and transiting cheap and environmentally clean energy, and to expand transit capabilities of the country, thereby to make a worthy contribution to the sustainable development of developing Southern and Southern-Eastern countries of Asian region, including Central Asian countries, as well as to intensify cooperation within the South-South corridor.

## 1. TAJIKISTAN IN 2030

### 1.1. Vision, mission, goal and objectives

**In 2030 Tajikistan** is steadily growing, competitive country that provides decent living standards for population, equal opportunities for each person to realize his or her potential based on equality, justice and respect for human dignity.

The vision of the country's future remains unchanged. It is the preservation of national unity, ensuring national security, implementation of the principles of social justice and economic efficiency, improvement of human wellbeing.

Mission or sense of progress is to create an independent, prosperous, politically and economically stable Tajikistan.

Over the past 15 years, Tajikistan has made a significant progress on the path of creating a sovereign, democratic, legal, secular, unitary and social state. In economic and social terms, this success is obvious and has been achieved largely due to the strong political will of the Government. However, XXI century with its rapidly changing external conditions for development sets new and, to the certain extent, ambitious tasks, for our nation, which accomplishment is especially crucial for consolidation of society and preservation of the identity of the nation and achieving a large-scale progress.

**The ultimate goal** of the long-term development of Tajikistan is to improve the standards of living of population based on sustainable economic development.

In order to achieve it, the following strategic development objectives are defined for the next 15 years:

- a) Ensure energy security and efficient use of electricity;
- b) Exit from communication dead-lock and turn country into a transit country;
- c) Ensure food security and people's access to good quality nutrition;
- d) Expand productive employment.

#### **The main activities to achieve set strategic goals are:**

In the field of ensuring energy security and efficient use of electrical energy there is a need to:

- Diversify energy generation sources that foresee the development of hydropower resources of small and large rivers, existing capacities of oil and gas and coal industries, new deposits of fossil fuels, technical capabilities for the use of alternative (renewable) energy sources (solar, wind, biological, geothermal), modernization of existing and construction of the new power plants and thermal power plants;

- Efficiently use existing energy capacity and electricity export potential;

- Modernize and technically re-equip oil and gas industry; develop new oil and gas fields;

- Ensure large-scale energy conservation and energy efficiency of the national economy;

- Develop internal and external energy infrastructure (electric networks and substations);



- Develop an effective system of risk management and monitoring of energy security, including unlimited and equal access to energy for all consumers;
- Ensure financially viable and sustainable operation of the energy sector;
- Ensure integrated water resources management.

In the area of exiting from communication dead lock and turning country into the transit country:

(1) In the transport sector:

- Construct and reconstruct transport infrastructure;
- Create transit transport corridors;
- Develop transport support provided to industrial areas of economic growth, primarily in the framework of investment projects of national importance;
- Develop transport sector, aimed at creating new jobs; improve the efficiency of national sectors of economy and quality of living of people;
- Ensure efficient operation of transport and transport infrastructure that contribute to the social-economic development of regions of the country;
- Preserve and develop a network of local airports, small and medium aviation to ensure air transport access to people in all regions;
- Ensure an access of people with disabilities to public transportation;
- Minimize negative impact of transportation industry on environment and human health.

(2) In the telecommunications sector:

- Develop the policy of inexpensive and reliable access to the Internet and telecommunications services, which plays an important role in the provision of public services and good governance;
- Increase the coverage of communication services;
- Strengthen the competitiveness of domestic telecommunications market and its further expansion at the level of the Central Asian countries through the development of transit telecommunication potential of the country;
- Create enabling environment for the development of regional and cross-border fiber-optic communication lines (FOCL);
- Ensure multiple use of transport corridors infrastructure and electricity networks in order to strengthen cross-border telecommunication infrastructure,
- Create favorable conditions for the development of info-communication technological parks network.

In the field of food security and people's access to good quality nutrition:

- Promote agrarian and water reforms;
- Ensure economic and physical access to food based on the stable growth of agricultural sector;
- Diversify agricultural production, as well as introduce innovations with minimum impact on the environment and quality of land; develop measures to replace hazardous chemicals with alternative, less dangerous, chemicals; increase the attractiveness of the sector, especially for dehkans farms via the development and strengthening the value chains;

- Increase an access to the improved seeds and fertilizers at the domestic market, and increase agricultural production through motivating people to use new agricultural practices and technologies;

- Create an effective system of risk management and monitoring of food security and adequate nutrition (support for production and import of essential food products, development of nutrition monitoring system, early warning and reserve stocks);

- Promote effective system of multi-sectoral approach to the improvement of adequate nutrition through policy coordination in the field of agriculture, public health, social protection, raising awareness about the value of nutrition and effective financing policy;

- Develop land and water resources management system on the basis of equitable and sustainable distribution for cultivation of essential agricultural crops;

- Ensure sustainable functioning of irrigation and drainage infrastructure maintenance and operation system, as a basis for sustainable operation of irrigated agriculture and food security, employment of rural population and poverty reduction on the ground;

- Rehabilitate irrigation and drainage systems in order to improve sufficiency of water supply for irrigated land, land-reclamation of saline lands and wetlands;

- Improve economic mechanisms to cover the cost of maintenance and operation of irrigation and drainage infrastructure, used for irrigation of lands; improve the state subsidies for electrical energy system for machine irrigation; reduce the negative impact of tariff policy in irrigation and drainage sector on the effectiveness of sector operation;

- Develop the market of agricultural products and overcome barriers to provide direct access to the market for agricultural producers;

- Address issues of handing over previous on-farm irrigation and drainage facilities to Water Users Associations (WUAs) and increase state support for the development and sustainable operation of these WUAs;

- Introduce an effective system in order to motivate the state to develop new and restore saline lands, wetlands and previously unused irrigated lands for agricultural use.

In the area of expanding productive employment:

- Support and develop small and medium enterprises in urban and rural areas as an effective way of increasing the number of jobs and solving social problems;

- Promote the development of «green employment», expansion and public support of environmental entrepreneurship system and environmental services market;

- Provide jobs to rural population through the development of new and fallow land;

- Develop educational network for professional skills development, retraining and professional development, taking into account the needs of women, youth and vulnerable segments of population, including persons with disabilities;

- Comprehensively motivate farmers and small businesses in the agricultural sector through the improvement of the legal system, especially for youth;

- Diversify foreign labor migration, based on gender perspective, and strengthen state regulation of migrants return process;
- Develop labor-intensive sectors of the economy, which products will be exported (AIC, textile, processing of mineral resources);
- Implement the state employment policy based on coordination with policy in education sector;
- Extensive use of telecommunications services in the process of exchanging data on creating jobs for young people and promoting entrepreneurship.

The country is facing the following three key challenges in the new stage of development: firstly, achievement of the level of socio-economic development, comparable with the countries of the middle segment with middle level of income, secondly, ensuring sustainable development through diversification and boosting competitiveness of the national economy, and thirdly, expanding and strengthening the middle class.

In order to address the first challenge it is required to:

- Maintain a steady pace of annual economic growth at the level of 7-8%;
- Increase the country's GDP by 3 fold and over;
- Increase the rate of GDP per capita by more than 2.5 fold;
- Reduce the level of poverty by more than 2 fold and eradicate extreme poverty;
- Significantly increase spending on social welfare of population.

In order to address the second challenge the key actions to be taken are:

- Ensure a high rate of industrial growth and increase its share in the country's GDP;

- Improve the efficiency of agriculture and increase its contribution to food security, including an adequate nutrition;

- Ensure the accelerated pace of growth of services of higher degree of complexity;

- Increase the diversification of the national economy (decrease the index of export concentration based on three basic products from 83% to 58%);

- Increase the competitiveness of the national economy (achieve ranking in the Global Competitiveness Assessment at the level of the transition from the resources based competition to performance based competition).

In order to address the third challenge it is essential to ensure the increase in the share of the middle class (in accordance with international methodology of assessment) up to 50% by 2030.

The key activities to address this challenge are:

- Contribute to population's income increase, especially among rural population, youth and women;

- Create conditions for decent and productive employment, including the employment of vulnerable stratum of population;

- Reduce inequalities in society.

In order to accomplish set tasks important conditions for future development are: (1) professional government, able to coordinate and regulate economic activities, ensure long-term sustainable and inclusive development; (2) further development of

mixed economy in the country, which boosts the development of private business and investment activity; (3) civil society involvement in the development process.

## **1.2. Continuity of development: achievements of the National Development Strategy of the Republic of Tajikistan for the period up to 2015 and the lessons learned.**

NDS-2030 is a strategic document of national development, which takes into account the experience of drafting and lessons learned from implementation of the previous National Development Strategy - NDS-2015.

NDS-2030 is a logical continuation and further development of priority areas of national development, laid down in the NDS-2015, namely: (1) public administration reform; (2) private sector development and investment raising; (3) human development.

NDS-2015 implementation experience has shown that a strategy represents a comprehensive approach to creating a national development system based on a clear vertical structure of all strategic documents, programs and plans. NDS is leading the reforms at all levels of government, both sectoral and territorial.

The following positive traits of NDS-2015 that make it stand out among other program documents are as follows:

(1) The long-term vision of social and economic development, which encompasses large-scale reform programs;

(2) Full coordination with international agenda and indicators of the Millennium Development Goals;

(3) Considering a set of issues from the perspective of a single integrated system through the use of cross-cutting dimensions, reflected throughout the document;

(4) Development of a specific system of ongoing monitoring through the monitoring of medium-term strategies that implement NDS;

(5) National Development Strategy served as a tool for engaging in a dialogue on the strategic directions of development with the business community, non-governmental organizations and development partners.

These distinctive traits have led to the fact that the long-term forecast, formulated in 2005-2007, has proved to be successful.

Macroeconomic and social data strongly support the following: of the seven adopted macroeconomic and social indicators of NDS-2015, target indicators have been achieved on the four most crucial ones:

- 2-fold poverty reduction (from 53% in 2007 to 31% in 2015);

- Ensured stable economic growth at the level of 7% per year on average;

- Achieved macroeconomic stability; Inflation has been reduced to single digits;

- The annual state budget increased by nearly 9-fold; its deficit remains at the level of 0.5% of GDP;

- Substantially increased revenues; increased the possibility of budgetary maneuver, which allows to channel more resources to the development of human potential.

During the period of NDS-2015 implementation, Tajikistan has made a significant progress in key sectors of economy, identified in the Strategy.

**Fuel and energy complex (FEC).** In order to ensure reliable energy supply in the country's economy, power generation sources diversification program was implemented based on the development of small hydropower and construction of thermal power plant and coal industry gained momentum for development. Construction and reconstruction of power plants, heat and power plants, transmission lines and substations, as well as the implementation of reforms in the energy sector made it possible to significantly improve electricity supply to the population, ensure stable operation of energy infrastructure and export electricity to the neighboring countries during the summer. In particular, construction and commissioning of Sangtuda-1» and «Sangtuda-2» hydropower plants have been completed, including central heating and power plant of the first priority in Dushanbe, power transmission lines «North-South», «Lolazor – Khatlon» and «Khujand-Aini».

A positive public-private partnerships experience in reaching a concession agreement and developing self-generated power supply has been gained in the energy sector. Projects have been implemented in order to create a unified energy system in the country, based on interconnection of south and north energy systems of the country. The measures have been taken to enhance the geological prospecting work in order to identify new deposits of energy resources. Rogun Hydroelectric Power Station Project's safe impact on the downstream countries has been recognized among the public and the international community. Its economic efficiency, environmental safety and financial viability have been justified.

**Industry.** The volume of industrial production increased, compared to 2007, by 20.3%. The number of industrial enterprises increased by 29.1%. Labour productivity increased by 26.7% in industry. It was achieved mainly due to the commissioning of new enterprises, equipped with advanced equipment and technology. There is a tendency to diversify the industry. Over the past seven years, more than 1,600 workshops and new industrial enterprises became operational in the country, including enterprises for the processing of ore and other industrial raw materials, raw cotton, industrial building materials and agricultural raw materials.

**Agro-industrial complex (AIC).** Nearly two out of three (2/3) existing industrial enterprises are involved in agribusiness in the Republic of Tajikistan. In the agricultural sector, due to the measures taken, including the development of new lands, the introduction of fallow land for agricultural use, land reclamation, increasing the area of orchards and vineyards, and the reform of the sector, in particular, dehkan farms's debts resolution, the volume of agricultural products dramatically increased and situation with food security improved. Average annual growth of gross agricultural production amounted to 8.6% during the period of implementation of NDS-2015. In 2015, agricultural sector, as the main link in the agro-industrial complex, generated 23.3% of country's GDP. In recent years, diversification of activities through re-sowing, production of competitive and highly profitable export products, expansion of cultivated areas and development of orchards and vineyards, have been observed in the sector.

**Transport sector.** 38 investment projects have been implemented, which resulted in the commissioning of 2,000 km roads, 240 bridges and 132 km of railways, 31.5 km of tunnels and avalanche protection corridors. As a result of the construction and rehabilitation of roads, bridges and tunnels and other transport infrastructure, an access was provided and facilitated to traffic and cargo transportation, domestic and international trade, which contributed to country's exit from transport communication dead-lock. Transit corridors and intermodal routes have been created, which currently provide connectivity between CIS countries and Afghanistan, Pakistan, India and other countries of the region.

**Telecommunication sector.** There are six major telecom operators that provide services according to GSM and CDMA standards in the country, and there are more than 20 Internet providers. More than 93% of the populated areas have an access to mobile communications in the country. The presence of several operators at the market created significant competition and spurred rapid introduction of advanced technologies at the market. The dynamics of increase in the number of subscribers indicate the progress in the sector. During the period from 2010 to 2015, the number of mobile subscribers has increased from 5.9 to 11.5 million.

**Banking – lending sector.** During the period of NDS-2015 implementation the volume of bank deposits and bank loans increased by 1.8-fold. The assets of lending institutions increased by 2-fold. The volume of assets of Microfinance Institutions (MFIs) has grown by 5.3 - fold and the volume of disbursed loans increased by 6-fold. The accessibility of banking services improved in the country. It was due to the development of bank branches network and other banks' off-balance operating units and MFIs across the country. The number of bank branches increased from 237 in 2009 to 344 in 2014, and the number of other operating units increased by almost twice.

The number of issued bank payment cards was 36872 in 2007, 49337 in 2008, 61210 in 2009 and 1107079 in 2014. The number increased by more than 30-fold, compared with 2007. Leasing and insurance companies, lombards and credit unions have also been developed. .

**Social sector.** The poverty rate was 31% in 2015. It dropped down from 53% in 2007. The level of extreme poverty has fallen from 20% in 2012 to 16.8% in 2014. The rate of maternal mortality during the childbirth decreased by 1.8 –fold and child mortality rate decreased by 2.7-fold. During the period of sustainable economic growth the rate of Human Development Index (HDI) of Tajikistan increased by 1.07% on average per year. Tajikistan ranks 129 out of 188 listed countries according to the HDI, with an index corresponding to the average level of human development - 0.624, and it has a significant potential to move up according to all the main parameters of the HDI. In 2014, the gender inequality index was 0.357 and Tajikistan ranks 69<sup>th</sup> out of 155 countries in the world.

Important transformations have occurred in education, health and social protection of population sectors. Infant, child and maternal mortality rates have been halved. Hundreds of educational institutions, hospitals, cultural and sport facilities have been built and became operational.

The most important lesson, learned from the implementation of the NDS-2015, was that during the process of monitoring and evaluation of the strategic document it is essential to evaluate the results of its implementation, not just to monitor the implementation of activities. Therefore, the key to successful implementation of NDS-2030 is the development of an effective national system of performance evaluation and forecasting the development.

Although significant progress has been made on the key priorities of NDS-2015, however, the issues of improving the efficiency of the use of national wealth, ensuring energy and food security, environmental sustainability, strengthening diversification of economic activity and competitiveness of the national economy require further mainstreaming. The implementation of the private sector development programs and public-private partnerships should be further improved. The reforms in public administration, human development and regional development require new approaches.

Achieving the country's development goals turned out to be not an easy process. This process strengthened mutual cooperation of the country and the international community, which contributed to considerable progress on MDGs target indicators.

**Despite the progress made on the MDGs, a significant number of problems is left unresolved.**

The quality of education and health services is far from perfect. Maternal and infant mortality rates, tuberculosis incidence remain relatively high, especially in the regions. The rise in HIV/STIs and noncommunicable diseases (NCDs) remains the pressing issue. An access to education services is still hindered by significant obstacles, such as poor increase in the number of preschool institutions, poor-quality of school infrastructure in the regions, low level of qualification of teachers. School attendance rate is low, especially in winter. A large number of rural schools and health facilities lack an access to improved sanitation or water supply sources.

One of the main factors that has a negative impact on the achievement of the SDGs is a shortage of electricity in fall -winter period and a limited market for its sale in spring and summer period. Creating opportunities for productive employment remains a key issue. If the latter is addressed, it will contribute to further poverty reduction.

Improving nutrition of the population remains a challenge. Chronic malnutrition still affects 26% of the population, and acute malnutrition (wasting) affects 10% of children under five. Many women and children also suffer from micronutrient deficiencies, and this is reflected in high levels of anemia and iodine deficiency. In Tajikistan the burden of malnutrition is significant from economic point of view and according to the estimates, it comprises 41 million US Dollar per year as a result of operational capability and productivity loss.

The problems of unequal access of women and men to tangible (land, finance, etc.) and non-tangible (education, health, etc.) types of resources are the constraining factors not only for the development of women but also for the development of society and economy as a whole. Harmonization of goals and objectives of adopted

socio-economic and gender policies and programs is an essential condition for the promotion of gender equality.

Environmental problems and vulnerabilities remain significant, especially in the context of mitigation and adaptation to climate change. These issues have become very important in the framework of the new SDGs, after 2015, which encompass efficient use of water resources, ensuring resilience of settlements, taking urgent actions on adaptation to climate change, protection of terrestrial ecosystems, land degradation, prevention and elimination of consequences of natural disasters as well as increased access to fresh water and sanitation. Rural population is more vulnerable to environmental degradation in Tajikistan.

In terms of regional development, significant differences remain in the quality of water used by urban and rural populations for economic and drinking purposes. Differences between the regions remain at the level of social infrastructure development. In addition, the relatively high demographic pressure in rural areas signals that employment and income problem is pressing in rural areas.

### **1.3. Development scenarios.**

Taking into account the extent of carrying out three main objectives, the following three individual scenarios are being considered: (1) inertial, (2) industrial and (3) industrial-innovative. The following preconditions have been used as a basis for the development of all three scenarios: a) goal setting and implementation of national priorities; b) demographic trends; c) efficient use of available resources and capabilities; g) investment opportunities; d) the effects of integration into the global and regional economies.

The main target indicators of the Strategy for the period up to 2030 have been identified according to the Revised Minimum Standard Model - Extended (RMSM-X), as well as on the basis of the estimated indicators of line ministries and agencies (see Appendix).

The inertial scenario has been developed based on the assumption that agricultural and industrial development model will remain to be used; fundamental infrastructure problems will be addressed gradually; high dependence on external shocks and import of goods will not change. Economic growth under this scenario will be stimulated by consumer and investment demand based on external funding sources, including remittances. In addition, the share of agricultural sector in GDP will dominate over the industry till the end of the forecasted period, with a certain decrease of the difference in five-year periods: 22-22.5% and 12-12.5% in 2016-2020, 22-22.5% and 15 -15.5% in 2021-2025 years, and 22,5-23% and 19-19,5% in 2026-2030, respectively. Under this scenario contribution of the service sector (excluding the construction sector) to GDP will gradually decrease from 39-39,5% (2016-2020) to 35-35,5% (2021-2025) and will reach the level of 30-30,5% by 2030. The share of the construction will grow from 15-15,5% to 15,5-16%. Spending on education and science will be stable at the level of 5-5.5%, and spending on health and social welfare of population will comprise 7,5% of GDP.

An average annual growth of GDP, under this scenario, is expected to decline from 6-7% to 4-5% during the entire forecasted period. The volume of GDP will have



a twice increase during the whole forecasted period. Its volume per capita will have a twice increase only. Under this development scenario, GDP growth rate for five-year periods will amount to 3-4% (2016-2020), 4-5% (2021-2025) and 5-6% (2026-2030), respectively.

Industrial development scenario envisages successful implementation of ongoing or already initiated energy and infrastructure projects, sustainable use of land and water, energy and other resources, as well as rehabilitation of existing and commissioning of new production capacities in industry and agriculture. This scenario foresees successful implementation of structural reforms in the real sector of economy and public administration system, creation of conditions for fair competition, elimination of unnecessary barriers for private sector development and investment raising, strengthening legislation in the field of comprehensive protection of property rights, improving the quality of vocational education system. Under this scenario the foundation of industrial and agricultural development model will be established. The national economy growth drivers will be the accelerated growth of industry based on commissioning of new capacities for electricity generation, extraction and coal mining, modernization of light and food industries, development of national ferrous metallurgy and further development of non-ferrous metallurgy, development of building materials industry, light and food industries. Under this scenario, the total volume of industrial production will increase by 4.2-fold, including the mining industry - by 5.7 - fold, processing industry - by 4.3 -fold, production and distribution of energy, gas and water - by 2.9 -fold.

Economic growth will be ensured through the expansion of internal extensive factors of production, stimulated by investment and consumer demand based on internal and external financing sources, including remittances. Spending on education and science will reach the level of 5.5-6%, and health and social welfare will be at the level of 8-9% of GDP. At the same time, the share of agricultural sector in GDP will decrease by more than 1.1-fold (during the period of 2016-2020 the decline will be from 23.3 to 21%, in 2021-2025 it will be 20.1%, and in 2026-2030 it will be 19-19.5%), while the share of industry in GDP will increase by 1.8 -fold till the end of the forecasted period (during the period of 2016-2020 the growth will be from 12.3% to 12.5-13.2%; during the period of 2021-2025 the growth will be 16%; during the period of 2026-2030 it will comprise 20-20.5%). The share of construction in GDP for five-year periods, foreseen in this scenario, will gradually increase from 16-16.5% (2016-2020) to 17-17.6% (2021-2025) and it will reach the level of 18.5-19.5% by 2030.

This scenario involves preventive development, based on internal sources of growth, increasing the participation of Tajikistan in regional economic integration processes, reduction of country's relative dependence on food imports, reorientation to the import of state-of-the-art technologies. GDP growth rate will be 6-7%; the volume of GDP, for the entire forecasted period, will increase by 2.6-fold; its volume per capita will increase by 2-fold. Under this development scenario, GDP growth rate for five-year periods will amount to 5-6% (2016-2020), 6-7% (2021-2025) and 7-8% (2026-2030), respectively.

Industrial and innovative scenario envisages the establishment of foundations of innovative development of country's economy, primarily based on reforms in education and training of skilled personnel for the sectors of economy. This scenario is feasible in cases of the development of innovative approaches aimed at solving economic and social issues, strengthening institutional development framework, improving the legal system and strengthening the protection of property rights, including intellectual property, which will boost the growth of both domestic private and foreign direct investments. This will contribute to the effective use of new integration opportunities and the development of the country's transit infrastructure, diversification of the national economy and significant increase in exports of goods and services. Under this scenario the sources of economic growth could be the effective use of human capital, capabilities of the new transit infrastructure and economic corridors, export-oriented and import-substituting development, increasing the exports of services and products with high value-added, development of organic farming, renewable and clean sources of energy as the basis of «green economy», expanding integrated water resources management arrangement, as well as the comprehensive development of tourism.

Economic growth will be mainly supported by internal sources and supplemented by the effective use of external sources of financing of the national economy. The share of net indirect taxes will stabilize in GDP structure, which will ensure a balanced budget. Spending on education and science will reach the level of 7%, and spending on health and social welfare will comprise 10% of GDP.

At the same time, the share of agricultural sector in GDP will decrease by 1.25-fold (in the period 2016-2020 the decline will be from 23.3 to 19.5-20.5%, in 2021-2025 the decline will amount to 18-18.5% and in 2026-2030 it will be 17-18%), while the share of industry in GDP will increase by almost 1.8 –fold till the end of the forecasted period (during the period of 2016-2020 the growth will be 12.3% to 13-13.5, in 2021-2025 it will be 16-16.5%, and in 2026-2030 the growth will comprise 20-21%). Under this scenario, the total volume of industrial production will increase by 5.1-fold, compared to 2015. In the mining sector the increase will be by 6.4 –fold. In the processing industry the increase will be by 5.5 –fold. The production and distribution of energy, gas and water will increase by 2.2-fold. The share of construction in GDP for five-year periods, under this scenario, will gradually increase from 16-16.5% (2016-2020) to 18-18.5% (2021-2025) and it will reach 19.2-20.2% by 2030.

Average annual GDP growth rates under this scenario are estimated at 8-9%. The volume of GDP for the entire forecasted period will increase by 3.5-fold and GDP per capita will increase by 2.7-fold. Under this development scenario, GDP growth rate for five-year periods may reach 7-8% in 2016-2020, 8-9% in 2021-2025, and 9-10% in 2026-2030.

The strategy allows for the sequential transition from one type of development to another while implementing envisaged activities. The Republic of Tajikistan economic development trends suggest that preconditions have been created for the implementation of the second scenario as the most feasible one. At the same time,

based on maximum concentration of efforts, expansion of institutions, improving the efficiency of bodies of state administration, strengthening the role of business and civil society in the implementation of the Strategy, conditions emerge for the transition to industrial-innovative development.

# Development scenarios for the period up to 2030

| Characteristics        | inertial   | industrial   | Industrial-innovative  |
|------------------------|--|--|--|
| General profile        | Agrarian-industrial model is preserved   | Successful implementation of existing and initiated energy and infrastructure projects   | The basis of innovative development of the country's economy will be created, the institutional base will be strengthened                          |
| Directivity of actions | Gradual solution of infrastructure problems, high dependence from external shocks and imports of goods do not change | Rational use of water, energy and other resources, expansion of existing production capacities in industry and agriculture sectors | The formation of innovative approaches to solving economic and social problems   |
| Stimulating the growth | Demand based on external sources of financing, including remittances   | Successful implementation of structural reforms in the RSE and the system of public administration                                 | Rational use of new integration opportunities, diversification of the national economy and a significant increase of exports of goods and services |

| Options                                     | inertial                    | industrial                 | Industrial-innovative      |
|---|-----------------------------|----------------------------|----------------------------|
| Cost on education and science to GDP        | 5-5.5%                      | 5.5-6%                     | 7%                         |
| Cost on health and social protection to GDP | 7,5%                        | 8-9%                       | 10%                        |
| The share of agrarian sector in GDP         | 22.5-23%                    | 19-19.5%                   | 17-18%                     |
| The share of industry in GDP                | 19-19.5%                    | 20-20,5%                   | 20-21%                     |
| The share of construction in GDP            | 15.5-16%                    | 18.5-19.5%                 | 19.2-20.2%                 |
| The share of net indirect taxes in GDP      | 12.5%                       | 12,5%                      | 12%                        |
| <i>Development trajectories</i>             |                             |                            |                            |
| GDP growth rate                             | 4%-5% (on average per year) | 6-7% (on average per year) | 8-9% (on average per year) |
| GDP growth for the period up to 2030        | 2 times                     | 2,7 times                  | 3,5 times                  |
| GDP per capita (by PPP)                     | 4000-5000 US Dollar         | 5500-6500 US Dollar        | 7000-7500 US Dollar        |

#### **1.4. NDS implementation periods**

NDS-2030 will be implemented through three medium-term stages. The following areas will be the priority at each of these stages:

- Increasing efficiency, diversification and competitiveness of the real sector of economy, including the fixed assets of enterprises and organizations, natural resources such as water, land, mineral resources, energy, transport, information and communication infrastructure, and others;
- Development of human capital;
- Strengthening institutional capacity of the country;
- Ensuring macroeconomic and social stability and balanced development of the regions.

More detailed information for each of these priorities is presented in the relevant sections of the NDS-2030.

##### **1. Transition to a new model of economic growth stage (2016-2020).**

This stage covers the period of NDS-2030 implementation based on the Mid-term Development Program for 2016-2020, with possible extension of this timeframe. The task of transition to a new model of economic growth, based on investments and development of export-oriented and import substituting production, will be the basis of this stage. The basis of this model is an effective institutional mechanisms that allow strengthening reforms in the area of training of personnel, who meet the requirements of the labor market, attracting investments in the real sector of the economy and infrastructure. This will ensure rapid growth of industry, agriculture and the financial sector, massive creation of new highly-productive jobs, access to new export markets and reduction of dependence on remittances. The new growth model will feed into significant increase in the share of formal employment and registered sector of the economy and will ensure the expansion of the revenue base of the budget due to the rapid growth of domestic taxes collection. The implementation of this model will be based on the balance of the main pillars of sustainable development: economic, social and environmental. It will help to expand economic and social opportunities for men and women.

Aimed at improving economic policy and institutional framework, the focus should be directed at:

- Institutional transformation of bodies, involved in structural policies and development of requirements for its implementation, taking into account the above mentioned basic principles, which is a fundamental requirement of transition to the new structural policy;
- Development of export orientation strengthening program and selective import substitution program based on specific comparative advantages and a set of tools and criteria for selection, expansion of country's export potential through the development of local raw materials;
- Development of an investment climate that leads to lower administrative transaction costs, especially in sectors, where spurt in growth has been defined;
- Development of modern infrastructure to support entrepreneurship and mechanisms to promote the establishment of new industries;

- Development of agrarian sector and institutional development in the water sector of the country;
- Development of requirements for professional training of personnel with involvement of potential employers.

The development of mining industry, energy, transport, telecommunications industry, food and light industry, building materials industry, tourism and the financial sector should gain momentum. In the framework of sectoral and regional development programs particular attention should be given to products that already have a comparative competitive advantage. At this stage it is essential to consider potential growth areas related to these sectors. Along with operational industrial enterprises (some of them will be reconstructed), new enterprises of mining and processing industry will become operational (ferrous and non-ferrous metallurgy, construction materials, light and food industry, chemical industry and other industries). In general, the number of new jobs will increase by 1.5-fold in industrial sector. Given the current needs and available financial resources in the field of national energy development, at this stage it is required to continue implementing small hydropower plants construction program in the framework of energy sources diversification and forms of their ownership, ensure financial recovery of energy system, based on improvement of payment discipline, restructuring of energy sector, adequate tariff policy, implementation of energy saving measures and increasing energy efficiency in all sectors of the national economy. Issue of energy generation diversification sources, based on the construction of thermal power plants, and the development of coal mining industry, as well as the implementation of projects to reduce energy loss and improve the efficiency of the use of available energy capacity will be of significant importance.

This stage will be associated with actions in the area of improving the quality of operation of existing types of transport to ensure large scale of the use of natural resources in the economic activity and development of new lands, stimulate increase of transit transportation, reduce transport costs and increase safety. A specific feature of this development stage will be setting up new arrangements for state social policy implementation towards upgrading management system in sectors that form human capital, institutionalization of industrial and social - entrepreneurship system. Social security and competition will be the key growth objectives. During this period, activities to conduct the required research and preparatory work will be organized to create a foundation for the accelerated development of the regions in the country. The reforms will be aimed at improving the efficiency of public administration at the level of regions and local government.

Institutional arrangements and basic steps for their development will be outlined in details in the Medium-Term Development Programme of the Republic of Tajikistan for the period to 2016-2020.

## **2. Investment based accelerated development stage (2021-2025).**

At this stage the maximum building of institutional capacity of the new growth model will be achieved, as part of the implementation of the Medium-Term

Development Program for the period to 2016-2020. Fast growth of investments in the real sector and infrastructure must become the basis of economic growth.

Investment growth will be achieved both through attracting foreign direct investment and domestic funds. This will be possible due to the increase of competitiveness and investment attractiveness of the economy, strengthening macroeconomic stability, as well the increase in efficiency of the financial sector. At this stage an important priority will be implementation of the Strategy On Energy Security, which aim should be the development of the energy sector in the context of growing demand from the population and the economy.

In order to address social, including gender gap, increase support of institutions, involved in social equality issues at the national, regional and local levels, available resources will be optimized and additional investment will be attracted.

The mobilization of financial resources of the subjects of the national economy, international banks and development partners, with a view of economic restructuring, will be the main objective of this stage of development.

Improving economic policy and institutional framework will be directed at:

- Increasing support for the production of products with comparative advantages;
- Rehabilitation and development of new production capacities in various sectors of the national economy;
- Domestic demand reorientation to the domestic production goods;
- Development of legislative and institutional framework for the national innovative programs;
- Training of personnel, who meet the requirements of the modern labor market;
- The use of advantages of an integrated water resources management system;
- Further development of financial market and increasing mobility of domestic capital.

In the field of hydropower reforms aimed at creating conditions for market arrangements operation that boost competitive environment will be completed. This will be a key stage in the full completion of construction of Rogun hydroelectric power station and ensuring energy security of the country. A balanced electric power supply market will be created within the Central Asian region and mutually beneficial cooperation will be expanded in this field. In the coal industry, while maintaining high oil prices and upgrading production facilities, accelerated development of existing deposits will begin. In the mining and metallurgical complex, exploitation of deposits, put into industrial development, will be started. This stage will be characterized by the development of agro-industrial clusters and enterprises for full processing of cotton fiber, raw leather, silk cocoons, grapes, fruit and other agricultural products. An increase in the level of industrial development of the country will be ensured through the development of traditional industrial enterprises of the Republic. In general, the number of new jobs will increase by 2.2-fold in the industry. The following triune task of this period will be addressed: the policy of import substitution with regard to the consumer goods, export diversification and expansion of investment opportunities of the national economy. The construction and

reconstruction of the planned transport corridors will be completed and Tajikistan will get out of the railway dead-lock, the way to the sea will be open, opportunities of transportation system operation will increase as a whole.

The reforms will be aimed at improving the efficiency and competitiveness of social sphere based on the first significant results of the implementation of new approaches to the management of human capital development. Key decisions will be linked to ensuring social justice and development of the middle class. In regions of the country measures will be taken to ensure infrastructure development, complete the establishment of institutional foundations of urbanization through the promotion of various clusters and economic corridors development, as well as the development of a system of medium and small towns, large urban settlements as sustainable «growth poles».

### **3. Completion of accelerated industrialization and building capacity for development based on knowledge and innovation stage (2026-2030).**

At this stage transition from investments based industrial growth strategy to knowledge and innovation based development should be ensured. Diversification of economic growth through intensification of agricultural production, moving up the value-added chains in the industry, modernization of the social sphere, accelerated development of the financial sector, tourism and business services will form the basis of this transition. The contributions will be increased to the economic growth of the human capital, effective institutions and advanced technologies. The faster growth of public and private expenditures will be ensured in such areas as vocational education, R&D and introduction of innovation. The use of modern technologies will be expanded, especially in field of information technology, telecommunications, biotechnology and alternative energy. An efficient transport and logistics infrastructure will be created and the development of international transit corridors will be completed.

In general, structural and institutional changes will be ensured and demonstrated through the increase of the share of industry and significant increase of the share of private investment (from 5% to 25%) in GDP.

The main focus will be on improving the quality of living in both urban and rural areas. Regions of Tajikistan will be the areas with favorable conditions for people's living, regardless of their age, gender, ethnicity, disability and favorable environmental conditions, with an effective economy and developed infrastructure, as well as the steadily increasing quality of human capital and living standards by 2030.

The reforms will be associated with increased levels of innovativeness in sectors that form human capital. Priorities will be associated with the provision of high standards human welfare, social well-being and harmony. Integration of the following stages of innovative cycle will be encouraged: basic and applied research, pilot and experimental production, commercialization of innovations.

Integrated Water Resources Management System will demonstrate its effectiveness. The agrarian and water reform will be mainly completed; transition to the system of soil fertility recovery, prevention of the main forms of soil degradation and agricultural production with the use of high technologies for the production will



be ensured. Country's fuel-and-energy complex will receive the status of country's budget-forming sector and hydropower will ensure expansion of country's export and transit capacity. This phase will include implementation of measures to promote long-term export-oriented economic growth by increasing production of final goods at the enterprises of nonferrous metallurgy, light and food industries, construction materials industry and others. The development of coal industry will be based on a system of open and environmentally acceptable method of coal deposits development and advanced processing of raw materials. In general, the number of new jobs will increase by almost 3-fold in the industry. Economic and natural potential will form the basis of national security.

Detailed information on the priorities, the main areas of activities and proposed reforms to accomplish set strategic objectives is given in the respective sections of the NDS-2030. Consistency and sequence in achieving goals of NDS-2030 will be ensured through the implementation of five-year mid-term development programs (targeted programs) for the periods to 2016-2020, 2021-2025 and 2026-2030, which reflect the stages of the long-term social and economic development.

### **1.5 Strategy implementation financing sources**

Implementation of goals and priorities of the Strategy will be ensured through all development sources.

One of the main sources of financing will be the funds of the state budget of the country, which will always specify the areas of activities with stated objectives and priorities in the framework of the development of medium-term budgets for the period of the Strategy implementation.

Unlike the NDS-2015, the private investments, both direct foreign and domestic investments, will play more significant role in the financing of the given Strategy. A radical improvement of the investment environment for foreign and domestic investors is envisaged for this course of action, outlined in the Strategy, which will have an effect on additional capabilities of budget.

Investment support of development partners, funds of multilateral organizations and their technical assistance for the development and implementation of the reforms, set out in the Strategy, will be highly important source of the country's program development. It is expected that development partners will increase funding via the provision of grant funds that meet the spirit of the new sustainable development goals. The volume of estimated funds that come from all sources of financing of the Strategy for the next 15 years is 118,1 billion dollars USA, of which 54,7 billion dollars USA (46.3 percent) will come from the private sector, 56.1 billion dollars USA (47.5 percent) will be the budgetary funds and development partners' contribution will be 7,3 billion dollars USA (6.2 percent).

## **2. CHALLENGES AND OPPORTUNITIES FOR DEVELOPMENT**

### **2.1. Challenges**

Tajikistan, as a country with open economy, is exposed to internal and external challenges that may affect the achievement of the objectives, set out in the Strategy, and the adjustment of development stages. The country can always benefit from the

challenge, if preventive adaptation measures are in place. Otherwise, challenges turn into threats.

Tajikistan faces the following main challenges:

- Low competitiveness of the national economy, followed by obsolete technological base and low level of innovative activity, energy-intensive and polluting technologies, high depreciation of fixed assets. In the country there is virtually no mechanism of «forcing» to use innovations and commercialization of scientific findings and developmental activities' results;

- Low share of domestic savings and investments, which prevent modernization of agriculture, industrialization and infrastructure development;

- Low efficiency of public administration, including in the area of strategic planning, which limits the possibilities of development and implementation of policy in the field of social-economic development;

- Insufficiently favorable business climate, demonstrated in excessive and inefficient regulation, corruption, excessive tax burden and burdensome tax administration, high level of monopolization, weak protection of property rights and the rights of entrepreneurs. Although Tajikistan is in the list of ten countries with the greatest progress in reforms aimed at supporting business, the Republic is ranked 132d in the rating of «Doing Business 2016», which indicates weakness of institutions development to support entrepreneurship. As a consequence, the investment and export potential of products with increased added value is not used to the full extent. Today, creating conducive environment for doing business, development of conditions for the protection and guarantee of property rights and attraction of direct investment, effective management of own assets are essential for the development of priority sectors of the economy;

- Decrease in the share of industry in GDP. In recent years, the share of industry decreased from 21.3% in 2006 to 16.8% in 2015 in total GDP. To date, the country lacks national industrial policy and there is a high consumption of materials and energy by individual industrial facilities, as well as the low profitability due to the lack of advanced processing of raw materials, low value-added products. At the same time, a job created in the industry might generate more income by 9.7 –fold, compared to the agricultural sector (2013) in Tajikistan;

- Underdevelopment and high wear and tear of infrastructure, particularly transport, energy and utility infrastructure, hinder investment, exports and economic growth;

- The growth of informal sector and informal employment, which discourages investment, reduces productivity, shrinks the revenue base of the budget, limits the effectiveness of state regulation and promotes corruption. The shadow (unofficial, informal) sector accounts for a significant share of the economy of Tajikistan, as in other Central Asian countries. According to the IMF estimates, the share of informal economy (excluding criminal economy) amounted to more than 30% of Tajikistan's GDP in 2008. Based on recent surveys, the average unofficial payment was 7.9% of companies' annual sales in 2014. In the structure of the shadow economy the share of tax underpayment is 17% of GDP;

- Poor level and inefficient use of human potential: although the coverage of population with general secondary education is increasing, there is a shortage of qualified technical specialists, unsatisfactory level of knowledge of foreign languages, excessive employment in agriculture, public sector and other sectors, and a significant share of the skilled workers has to look for a job outside the country;

- Insufficient link between the labor market and education system, weak motivation of young people to be engaged in professional activity. The need for productive employment and advancing competences is the main country's long term objective in the field of employment. At present, the country faces a challenge with ensuring employment for graduates of vocational education institutions. It is difficult to get the first employment. There is a relatively low percentage of graduates, who get employed according to their specialty. Employers at the labor market noted insufficiency of skills and poor quality of education of job seekers. Along with economic growth and boosting investment activity, the problem with the lack of skilled manpower for the leading sectors of the economy and small businesses can grow, regardless of available unemployed labor force that lacks required qualification. This leads to uneven economic development in the territorial context and as a result inequality of opportunities, which prevents people to get involved in productive employment;

- Insufficient involvement of youth, women, especially in rural areas, persons with disabilities in social and economic transformation;

- Inadequate efficiency of health care and social welfare systems, which reduces accessibility and quality of provided basic social services, especially for vulnerable social groups of population. The Government of Republic of Tajikistan is making significant efforts to adapt the social welfare system to changing environment in the country and tailor it to available financing. However, there are still problems left in the area of integrated social-economic relations system development, aimed at providing comprehensive support to persons with disabilities and senior citizens, disadvantaged children, mothers, who care for children with disabilities, pensioners and low-income families. Deepening of structural reforms at the new stage of development can have a significant impact on human well-being, choices and enjoyment of social rights of every person. This will result in gradual change in the demand for social services, which will require an appropriate change in approaches of social welfare system;

- Water infrastructure is lagging behind and does not meet the needs of the national economy and population growth. Tajikistan actually uses only 17-20% of water resources, accumulated in the country. The need for drinking water consumption and sanitation is less than 5.0% of the country's total water consumption. In more than half of the rural areas there is no centralized water supply system and sewerage network. The volume of water resources used for irrigation is around 90-92% of total volume of water intake for the needs of all sectors of the economy. In order to improve the situation there is a need for significant investment;

- Geographical remoteness from the sea and large sales markets, exacerbated by underdeveloped transportation services, available to get to these markets, limits

competitiveness of the national economy. At present, there is a need to make major adjustments in economic concept of transport operation based on purchasing power market trends. The success of the country and its regions will be largely defined by the level of transport services, provided to have economic relations with the major sales markets in the Eurasian region, south-eastern and north-western parts of «South – North» and «South – South» international corridors. Today, in Tajikistan railways is the only way to connect with foreign countries and regions through the territory of Uzbekistan. Not all regions are interconnected by railways within the country.

- High risk of natural disasters and vulnerability to climate change, which pose threats to sustainable development. Currently, natural disasters continue to cause significant damage, undermine the well-being of people and create a hazard to public safety. In the Republic of Tajikistan 3169 emergency situations occurred in Tajikistan during the period from 1997 to 2013. As a result, there were 1041 casualties and economic damage was around 2 billion Somoni. During the period of 2005-2014, annually, on average, 32 citizens of the country, per 1 million people, lost their houses due to natural disasters. At least 10% of the population is living on degraded lands. The issue of natural disasters risk requires broader and more people-centered preventive approach;

- Major change in the political and economic situation in the globe during the period 2014-2015 and decline in economic growth of key trade partners of Tajikistan;

- Increased developing countries' competition for financial resources, which due to the lack of an effective system of attracting foreign investment, reduces the international competitiveness of the economy of Tajikistan;

- High social cost of foreign labor migration. Remittances constitute over 40% of country's GDP. Annually not less than 600 thousand people get involved in labor migration. It is essential to make efforts to legalize labor migration and provide social protection of migrant workers in the country of their employment. No less important is the issue of the deepening of social problems in the migrants' families, remaining in the country, which result in the formation of vulnerable social institutions such as «wives of migrants» and «street children»;

- Decrease in the volume of remittances sent by migrant workers. This factor may affect the income of population as most of the families' income comes from remittances. Due to the decrease in the volume of remittances, sent by migrant workers, public spending reduces, respectively;

- Increase in fuel prices, especially in the countries of trading partners of Tajikistan, has an adverse affect on the economy of the republic.

## **2.2. Opportunities**

The following key opportunities that might contribute to the achievement of strategic objectives in Tajikistan are:

- Favorable geographic location and proximity to the states - regional leaders and integrated associations that can provide the impetus for the development of regional trade and transit;

- Expanding regional economic integration and development of up-to-date international transit infrastructure that can mitigate the effects of geographical

remoteness of Tajikistan and improve the competitiveness of the national economy and its investment attractiveness;

- Economic growth in the neighboring countries and the main trading partners creates additional conditions for the development of export-oriented industries, wide use of modern technologies, growth in production of import-substituting products and attracting investment;

- Availability of the resource potential for the development of export-oriented production clusters in the regions of the country;

- Availability of significant manpower resources and the potential for their further development, which, despite the slowdown in the growth of economically active population in most of the neighboring countries can serve as additional factor in increasing investment attractiveness of Tajikistan;

- Hydropower resources form the basis of energy potential of Tajikistan;

- Rapid development of mobile communication and information technologies, which provides opportunities for their use, both in the real sector of economy and in public administration for e-government development;

- Remained large volume of remittances, sent by individuals to the least developed regions / areas / settlements, plays the role of individual social assistance;

- Favorable climatic conditions; availability of rich cultural and historical heritage for tourism development;

- Young generation, open to innovations and new areas of development;

- Unused resources and capacity of competent, professional and business oriented women and girls, especially from non-governmental sector, focused on innovative approaches and technology.

### **2.3. Demographic window of opportunity**

Demographic processes, due to its interdependence with ongoing social and economic processes, are essential for the long-term development. Population of the republic will continue to grow in the period up to 2030 and might reach 11.5 million people. The expected growth in the number of working age population provides an opportunity to speed up economic growth in the country. The bulk of the population (about 60%) will be the working age population (15 to 64 years old), which will serve as an engine of economic growth, but only if highly qualified skilled labor potential is ensured. Many Asian countries that took advantage of the situation have reached a new stage of development, and if Tajikistan does not take some efforts, the «demographic window of opportunity» will turn into a «window of demographic threat». The share of young people up to 20 years old reached 45% in 2015. This category will be the backbone of the working population by 2030, therefore it is important to employ the youth labor potential. «Demographic window» will have a positive impact on both the social and economic development of the country as a whole, and the level of well-being and opportunities of individual families.

Since population of the country is growing rapidly, the growth of production also has to be high. This is essential in order to prevent a decline in the achieved standard of living of population, existing life-support systems and decline in their effectiveness. This task can not be accomplished based on traditional ineffective

management practices. There is a need for accelerated urbanization, large-scale housing construction, faster growth of investments in the communal, social and road based infrastructure.

An important condition for the development is the development of a national system of assessment and forecasting social processes and a system of interdepartmental coordination of evaluation and forecasting aimed at reduction of mortality and increasing life expectancy, ensuring universal access to reproductive health services by 2030, improving the culture of reproductive behavior, decreasing the risks and threats of loss of life, mortality as a result of controllable causes.

### **3. STRENGTHENING INSTITUTIONAL CAPACITY OF THE COUNTRY**

#### **3.1. An effective system of public administration**

The successful resolution of future development objectives is primarily subject to the effective functioning of public administration system based on practical combination of direct and indirect methods of social and economic processes regulation. Transparency and accountability of state institutions is an important factor, which can ensure preventive, industrial and innovative development of the country.

The creation of the most comfortable conditions for life, development of country's regions should be the fundamental principle in the activities of employees of state government bodies. In order to ensure this, there is a need to build capacity of public institutions and improve the system of cooperation with the private sector, civil society and development partners. Further strengthening of the judiciary, improvement of judicial process, enhancing the role of the court in order to protect the rights and freedoms of citizens, protect property rights, defend the interests of the state, ensure the rule of law and justice are important areas of development and strengthening of the Tajik statehood.

**The aim** of improving public administration system is an effective implementation of government functions and high-quality public services provision for the benefit of successful social-economic development of the country.

#### **The key challenges in public administration system**

The current public administration system is not fully focused on achieving the objectives of long-term social-economic development of the country, provided for in this Strategy. Many mechanisms, institutions and competences, which should play an important role in the industrial and innovative development, integration into the regional and global economy are insufficiently developed within the public administration system.

Excessive regulation, cases of unjustified and unlawful interference of state bodies in economic activity, excessive taxation of the registered sector of economy and a weak tax base to finance public functions at the local level and, therefore, corruption, predetermine the need of improving tax regulations and enforcement mechanisms, forms and methods of strategic and territorial planning and administration, methods of government regulation in the sphere of standardization and

certification, development of an effective system of public finance management and public property management.

The low capacity of public administration is especially obvious at the regional and local levels. Contribution of these levels to the social and economic development will increase due to urbanization, infrastructure modernization and increase of community's requests to improve the quality and access to social services. The level of potential, competence and quality of administrative processes at the local level is lagging far behind the national level.

The activity of state and local authorities is characterized by weak mechanism to ensure transparency. As a rule, people and organizations do not receive complete and timely information about decisions, made by public authorities. Although some progress has been made in the framework of expanding mechanisms of cooperation between government, business and civil society, these mechanisms are more effective at the national level. Sectoral and regional structures do not demonstrate efficiency.

**Specific areas of public administration face the following challenges:**

In public administration, challenges are as follows:

- A lack of unified list of state functions and standards of public services, the lack of effective organization for their provision and incompleteness of optimization process;

- The quality of public services, provided by the bodies of executive power, is at the low level and is poorly aimed at implementation of state social guarantees program. An access to services is particularly hindered for persons with disabilities;

- Executive bodies performance coordination system is inefficient, and mechanisms to evaluate the effectiveness of their performance are poorly defined at the central and local levels;

- Low level of implementation of electronic document management system in state administration bodies and electronic communication of state bodies with citizens and businesses;

- Insufficient development of the system of public control bodies; the lack of a clear division of powers;

- The weak cooperation between the State and business, Government and citizens in the process of national development, including the lack of effective consultative platforms for ongoing communications and achieving strategic objectives;

- Legislative framework for environmental management and protection and disaster risk management mechanism is far from perfect.

In civil service development field, challenges are:

- Civil service system faces a problem related to the replacement of highly qualified personnel due to the low attractiveness of civil service as an employer at the labor market;

- The criteria of selection and placement of personnel is not adequately used in the government; human resources management system needs to be improved;

- There is no system of incentives provision in order to attract and retain qualified professionals;

- In accordance with the unified wage scale, a new system of remuneration of civil servants does not provide sufficient level of remuneration offered to competent professionals and it is poorly linked to the mechanism of civil servants' performance evaluation;

- Unequal access of men and women to civil service, particularly to the decision-making level;

- Civil servants are poorly motivated to maintain transparency of executive authorities;

- Automated registry of civil servants needs to be improved.

In the area of public finance management development, there are the following challenges:

- Insufficient tax mechanisms' orientation towards economic development, associated with the burdensome administration for taxpayers, excessive level of pressure on the registered sector of economy and the widespread informal economy;

- Insufficient progress in the transition from the principle of estimates of costs based financing of ministries and agencies to the program based earmarked financing;

- The lack of the budget process link with with strategic planning;

- Insufficient development of budget revenues forecasting system and commitments in conjunction with macroeconomic forecasts;

- Fiscal decentralization process is lagging behind the reforms agenda in the public administration system and, in particular, the process of public finance management system reform;

- Quasi-fiscal operations of large state-owned enterprises (operating losses, growth of debt obligations, state guarantees, etc.) have a significant and negative impact on the sustainability of the state budget and the possibility to execute social functions by the state.

In the field of local government, challenges are:

- Functions and powers between the central and local executive bodies and local authorities need to be optimized in order to ensure effective use of public funds;

- Local governments do not have sufficient resources to execute delegated functions in order to tackle problems at the local level;

- The activities of local government in towns and villages (Jamoat), as the grass root closest level of government, do not fully meet the principles of local self-government.

In the area of ensuring the effectiveness of anti-corruption mechanisms, challenges are as follows:

- The mechanism of due diligence of normative legal acts, from anti-corruption perspective, requires improvement;

- A system of declaration of income and expenditure of civil servants needs to be improved;

- Salaries in the civil service remain very low;

- The system of public procurement at all levels requires transparency and clear regulation.



- Weak operation of mechanisms of cooperation between the public sector and civil society with involvement of community based councils and other consultative platforms.

Therefore, the following priorities are set in the area of improving public administration:

(1) Improving political, legal and economic institutions in order to ensure the fundamental rights for the inviolability of property and the development of human capital, equal access of women and men to decision-making processes that ensure the sustainable operation and development of the national economy;

(2) Establishment of strategic management system that allows to ensure coordinated progressive development of these institutions and implement preventive systematic approach in order to solve internal development problems and respond to external challenges;

(3) Development of mechanisms to ensure transparency of state and local authorities;

(4) Staffing public authorities with qualified and competent personnel, who can play a key role in the effective execution of government functions and implementation of state social guarantees;

(5) Strengthening the role of local authorities in determining areas of development of their accountable territorial-administrative units.

#### **The key areas of activities**

In the framework of NDS-2030 the main areas of activities in public administration reform will be the following:

In the field of public administration system improvement:

- Improvement of organizational structure and management functions by eliminating unnecessary links, improving administrative processes and minimizing costs;

- Introduction of mechanisms to evaluate the effectiveness of central and local executive bodies performance;

- Development of an effective system to attract investments;

- Carrying out system-oriented functional review of ministries and agencies in order to further optimize the state government functions;

- Making targeted and systematic efforts to improve administrative processes, accelerate decision making and improve their efficiency, especially in the area of cooperation with an investor, regulation and supervision, provision of public services;

- Introduction of risk-based methods in regulation and supervision system;

- Development of required elements of «e-government» in order to implement an «open data» policy;

- Improving coordination in the area of development and implementation of policy between the executive authorities and the central and regional level of public administration and the local government;

- Development of strategic planning system and improvement of policy coordination at the central and local levels of government;

- Widespread introduction of project management techniques;

- Introduction of an effective mechanism on anti-crisis management and managerial measures system for diagnostic, prevention, elimination and overcoming the crisis;
- Enhancing the role of economic methods of management, development of integrated system that meets the requirements of the market;
- Introduction of modern and innovative management practice based on information and communication networks, and creation of conditions for effective use of information resources in activities of state administration bodies;
- The use of functional principle in the development of the state bodies, which will limit the spread of narrow-sectoral management practices;
- Conducting regular information campaigns by public authorities in order to raise public awareness of access to information, including public services;
- Development of mechanisms to strengthen public control over the activities of executive bodies of state power and building of citizens' trust.

In the field of civil service development:

- Increasing the attractiveness of civil service for skilled employees and strengthening its competitive advantage as an employer, compared to the private sector;
- Development of economically feasible programs for the retention of qualified staff in the civil service;
- Improvement of mechanisms to increase the number of women, occupying senior positions in government bodies at various levels;
- Introduction of modern human resources management system in civil service and its automation;
- Improvement of mechanism of evaluation of performance and accountability of civil servants and its link with the system of remuneration of civil servants;
- Implementing a system - based personnel policy; development of an effective system of training and retraining of administrative staff and building capacity of personnel, as the most important intellectual and professional resource;
- Development of merit based model in civil service, taking into account the best practices.

In the area of public finance management development:

- Development of program based budgeting and introduction of «capacity budgeting» practice for the executive authorities;
- Linking the budget process with strategic planning;
- Improvement of tax administration with the aim to improve collection, reduce administrative burden for bona fide taxpayers, increase transparency and predictability of the tax system;
- Development of fiscal decentralization;
- Increasing transparency and accountability through making information available for public, including through the incorporation of quasi-fiscal operations in the financial statements, improvement of parliamentary oversight and civil society involvement in the budget process.

In the field of local governance:

- ✓ Redistribution of functions and powers in order to improve the efficiency of local authorities and local self-government, allocation of property and ensuring their financial autonomy;
  - ✓ Streamlining administrative-territorial division in accordance with redistributed functions and defining criteria for administrative-territorial division;
  - ✓ Implementation of the local government system at the level of cities, districts, towns and villages;
  - ✓ Strengthening regional institutional capacity for setting priorities, strengthening economic base and investment climate, implementation of project management, territorial and strategic planning, monitoring and analysis of the results of operation;
  - ✓ Ensuring an effective access of population to quality services, including through introduction of services outsourcing arrangements in the public administration system;
  - ✓ The use of pilot projects in order to implement standards in state and municipal services, provided to citizens and businesses at the regional level.
- In the area of ensuring the effectiveness of anti-corruption mechanisms:
- ✓ Ensuring transparency and accountability of public funds spending and resources use processes;
  - ✓ Further improvement of normative legal acts in the field of combating corruption, including the improvement of penal legislation and responsibilities for corruption;
  - ✓ Reform of wages of civil servants, aimed at, inter alia, limiting motivation for corruption;
  - ✓ Strengthening ethical control system and establishment of effective mechanisms to prevent conflicts of interest in the civil service;
  - ✓ Improving the system of declaration of income and expenditures of civil servants;
  - ✓ Development of mechanisms for rotation of senior civil servants, taking into account the need of corruption prevention;
  - ✓ Provision of more clear regulation and ensuring transparency of privatization process;
  - ✓ Clear regulation and automation of public procurement process, including procurement during the implementation of investment projects and procurement of companies, owned by the state;
  - ✓ Improving public financial control system, including internal and external audit;
  - ✓ Introduction of an effective system of anti-corruption expertise;
  - ✓ Increasing availability of information on the activities of public authorities, including the judicial system;
  - ✓ Adjustment of mechanisms for appointment of judges, their dismissal, strengthening of ethical control and implementation of assigning cases on a random basis among judges;

- ✓ Mainstreaming and improving resources allocation to carry out activities aimed at prevention of corruption;
- ✓ Expanding law enforcement agencies' activity on identification and investigation of complicated and large-scale corruption cases;
- ✓ Improving the efficiency of public advisory boards and other consultative platforms;
- ✓ Conducting large-scale advocacy activity to raise awareness of the destructive effect of corruption on the economy and society and changing the attitude of population, fostering zero tolerance to corruption in society;
- ✓ Involvement of key national development partners in the fight against corruption.

### **Expected results.**

The implementation of the planned measures to improve institutional development conditions under NDS will lead to the following results:

In public administration system as a whole:

- Political and legal institutions, including the judiciary system, create favorable conditions for socio-economic development, provide effective protection of property rights and human rights;

- Public administration system maintains a high level of economic security and ensures sustainable socio-economic development of the country;

- Developed and approved unified state system in the area of prevention of emergency cases; implemented national framework plan for disaster preparedness and response;

- Implemented strategic management policy, according to the plan, in close coordination with the budget process and the current activity of bodies of executive power;

- Well-established system of cooperation between development partners is in place in the country. It maintains the balance of interests of society in order to ensure coordinated operation of national development system.

- Developed «electronic government» system and operational «open data» policy;

- Ensured an effective access of population and businesses to public services in accordance with established standards throughout the country;

- Established professional body of motivated civil servants with the required competencies to execute public functions;

- Ensured distribution of power and resources between the central and local levels of government and local self-government;

- Fully developed local government with the necessary resources and powers.

In the area of public administration:

- Executive Office of the President of the Republic of Tajikistan fully performs the functions of the body, responsible for coordination of development policies and reforms;

- Strategic planning system operates at the central and local levels of government;

- Results-oriented national system for monitoring and evaluation of national policies and programs implementation effectively operates;
- Developed and successfully operational crisis management expert body;
- Executive authorities perform functions of «service center» that provides high quality public services to the population and business;
- Unified network of ICT operates as a basic infrastructure of «electronic government»;
- A single government portal operates in a coordinated manner;
- Wide use of electronic document management system within the public administration;
- Operational «automated register of public functions» and implemented standards for public service delivery;
- Introduced criteria for evaluation of the effectiveness of central and local executive bodies;
- Improved mechanism for public procurement through the automation of public procurement process.

In the field of civil service development:

- Automated human resource management system in the civil service and fully operational register of civil servants within ICT Unified Network;
- Improved mechanism for the evaluation of civil servants, and ensured link with the system of incentives provision to civil servants;
- Increased wage of civil servants up to a level that allows to attract and retain professionals with high level of qualification in the civil service;
- Upgraded training and human resource development system in the civil service, which provides building and development of competencies in high demand of public administration system;
- Increased proportion of women, occupying senior positions in civil service;

In the area of public finance management development:

- Improved public finance management system and implemented an effective budget planning system;
- Implemented effective mechanisms of tax administration;
- Introduced elements of fiscal decentralization;
- Operational system of state financial control, combining internal and external audits with elements of performance audit;
- Implemented and operational effective tax administration mechanisms ;
- Introduced elements of fiscal decentralization;
- Increased transparency and accountability of large state-owned enterprises.

In the field of local governance:

- Finalized process of division of functions and powers between the levels of state and local government, according to the principles of decentralization of power and provision of adequate resources for execution of delegated functions;
- Defined criteria of administrative and territorial management;

- Implemented system of local government at the city, district and Jamoat levels, followed by defining the property and its value in accordance with fiscal decentralization principles.

In the area of ensuring the effectiveness of anti-corruption mechanisms:

- Improved system of declaration of income and expenditure of civil servants in accordance with international standards;

- The level of wages in civil service system matches the private sector and provides a competitive advantage for employment in the civil service;

- Operational transparent system of public procurement;

- Ethical control and prevention of conflict of interests in civil service operates effectively;

- Implemented mechanisms for reducing corruption in the judicial system;

- Streamlined law enforcement agencies operation on investigation of large-scale and complicated cases of corruption;

- Wide use of mechanisms of cooperation between the public sector and civil society, with involvement of community councils and other advisory platforms in order to fight against corruption;

- The Republic of Tajikistan is in the group of countries with low level of corruption.

### **3.2. Development of regions**

The basis of balanced sustainable development of any country is the development of its regions. The analysis showed that reforms, implemented by the Government of the Republic of Tajikistan, have been largely concentrated at the central level, and therefore a lot of unresolved issues are at the «local level» (in the regions), which adversely affect total indicators of socio - economic development of the country. A striking proof of this is the fact that most of the Millennium Development Goals (MDGs) related to Tajikistan have been mainly achieved only in the capital - the city of Dushanbe.

The development of regions of the country is the most important for the implementation of economic reforms and is regarded as the end point of Government's efforts taken in the following priority areas: ensuring an adequate level of energy and food security, development of country's communication capabilities and expansion of productive employment.

The need for and direction of reforms in the context of regional development is associated with the following aspects:

- Alignment of regional differences and ensuring equal access to essential basic services for the whole population throughout the country (basic education, primary health care, the supply of all types of energy and fresh drinking water, adequate sewage systems, etc.);

- Development of highly qualified human capital;

- Creating favorable conditions for living of people and business operation in the regions of Tajikistan.

Programme of development of individual regions still does not serve as a real territory management tool for the following reasons:

- Low level of methodological analysis of the development status, available resources, risks and factors of development of the region;
- Insufficient link between development programs and the financial flows, investment and financial regional priorities and interests, development trends in the social sphere of the region.

### **The key issues**

The key issues to be addressed in all relatively prosperous and the most underdeveloped regions of the country in the long term are the following:

- Low efficiency of public administration at the regional level, local government, as well as the use of available domestic resources and capacity for development in regions;
- Poor human capital at the regional level;
- In the regions there is a need for significant investment in the rehabilitation and development of infrastructure (housing and public utilities, education, health, energy, transport, sport, leisure and environmental issues, in particular, the problems of chemical and uranium waste, etc.);
- Weak financial base of local budgets.

**The priorities for the development of the regions** are identified as follows:

- (1) **Balanced development of regions** with special emphasis on the territorial alignment of basic indicators of living standards and improving the quality of human capital in the regions;
- (2) **Integrated development of rural areas;**
- (3) **Urbanization and promotion of urban development processes, including in the small towns;**
- (4) **Development of territorial and industrial clusters** (areas of new industrialization and integration, free trade zones, business incubators, technological parks, innovation centers) and the development of economic corridors;
- (5) **Spatial expansion of the labor market.**

### **The key areas of activity**

In the area of balanced regional development with a special emphasis on territorial alignment of basic indicators of living standards and improving the quality of human capital in the regions, the main areas of activity for regional development are:

- ✓ Drafting a comprehensive national Strategy for the development of regions in Tajikistan based on the analysis of capacity and needs of the regions, their investment and other opportunities, as well as the comparative competitive advantages;
- ✓ Coordination and synchronization of sectoral and regional development programs / strategies;
- ✓ Improving the efficiency of the system to ensure the quality of life and health of population. In order to implement this, conditions will be created to increase the availability and alignment of quality of social services in regions;
- ✓ Monitoring the quality of human capital through the regular assessment of the HDI and GII in regions of the country by using a common methodology.

In the field of integrated development of rural areas:

✓ Defining own priorities in each region, based on the available capacity, situation at the labor market and specifics of the socio-economic and demographic development, real opportunities to solve priority issues in the medium and long term;

✓ Implementation of measures to develop an infrastructure that connects regions through building roads, railways, airports, systems of communications that facilitate movement of goods, services, capital and people at the local, national and international levels;

✓ Development and implementation of effective regional environmental policy, which will focus on reduction of anthropogenic impacts on the environment, improving quality of land and drinking water.

In the area of urbanization and promotion of urban development processes, including in the small towns:

✓ Development of the institutional framework for further urbanization, such as urban development planning, effective housing and land policy, streamlining land and property ownership rights and their registration;

✓ Development of housing market and promotion of construction of residential and commercial real estate and infrastructure in towns;

✓ Development of small towns as centers of innovative activity;

✓ Improving housing and communal services (HCS) in settlements (water supply, sewerage, gas, heat, electricity supply, collection and disposal of household waste), which will help to create new jobs in the regions, contribute to the solution of a number of environmental problems, and increase the attractiveness of the regions due to the improved quality of life.

✓ Contributing to the development of up-to-date retail networks and provision of consumer services.

In the area of development of territorial and industrial clusters and economic corridors:

✓ Creating conditions for the development of different energy, industrial, transport and logistics, food and education based clusters in regions of the country, which will serve as integral elements of the existing global and regional value chains and a factor of improving competitiveness of the national economy;

✓ Accelerated development of free economic zones and territories of new industrialization;

✓ Building capacity of economic corridors that connect the regions of Tajikistan with Central Asian countries, China, Afghanistan, Pakistan, India, Southeast Asia, Russia, the Middle East and other regions.

In the area of the spatial expansion of the labor market:

✓ Developing mechanisms in order to stimulate initiative activity of the population, various social groups and organizations, aimed at sustainable development in a particular Oblast, district, town or village;

✓ Diversification of economic activities in the regions;

✓ Expanding short-term employment programs, taking into account the needs and interests of men and women, youth, persons with disabilities and other social groups.



### **Expected results.**

The development of regions of the country is the most important level of implementation of economic reforms and is considered as the end point of Government's efforts taken in the priority areas. The expected results are the following:

- Ensured enjoyment of fundamental human rights - the rights for decent life and good quality of life in all regions of the country, based on the policy of alignment of regional differences and provision of access to the the population in the regions to the following essential basic services: basic education, primary health care, the supply of all kinds of energy and fresh drinking water, proper sewerage systems etc.;

- All types of economic activities in regions are taken into account and contribute to the stable tax revenues at the level of local government that provides high-quality services in a rapid manner and addresses emerging social-economic and environmental problems with due consideration to the opinion of population;

- In regions of the country institutional foundations of urbanization are established as a result of improved quality of urban development, implemented sound land policy, strengthened rights of ownership, as well as radically improved housing and communal services and facilities of engineering and technical infrastructure of settlements;

- In regions of the country a continuous access is ensured to all kinds of energy resources at a reasonable price and good quality. All regions of the country are connected with paved roads that are accessible all the year-round. Broadband Internet and stable mobile communication create an opportunity to work based on remote access;

- Multi-structural rural economy is developed in rural areas, under which agricultural enterprises jointly with farms together supply food to the city and successfully interact with private farms that supply high quality organic agricultural products to the local markets;

- Regular monitoring of planned activities effectiveness and assessment of public administration performance are conducted at the local level and local governance of settlements and villages level, including independent monitoring performed by active civil society;

- Improved environmental management in the regions: expanded areas of forests and gardens, clean rivers and reservoirs; detected and neutralized emissions of industrial and mining enterprises; recycled urban waste and is a valuable source of raw materials for further processing;

- Implemented comprehensive state program of regional development in Tajikistan.

## **4. DEVELOPMENT OF HUMAN CAPITAL**

Human capital is an important factor of the development of production and economy. Its quality is closely linked to the development of all sectors. It ranks first among the long-term factors of the future development of the economy (compared to

the natural resource, real and financial capital). Therefore, the development of human capital is defined as the priority of the Government of the Republic of Tajikistan.

The key principles of this course of action are related to the pursuit of a comprehensive solution to the problems of human capital development and the quality of life, as well as the creation of sustainable preconditions to form a knowledge –driven economy. Key objectives for the development of human capital in the long term will be:

- Promotion of social inclusion by improving an access to quality services, including education, health, social welfare, water supply and sanitation;
- Creating a favorable investment climate in the social sphere.

The vision of the desired future development of human capital is as follows:

a) the number of resident population is around 12 million people. The average life expectancy is at least 76 years. Not less than 99% of adult population has at least general secondary education. At least 50% of population, employed in the economy, has higher education. Productivity growth and wages, occupational health and safety are ensured in all major sectors of the economy, including the public sector;

b) As for the main characteristics of the quality of life such as health, material well-being, employment, gender equality, social safety and social security, the country has achieved the level of middle-income countries. The share of low-income population is less than 12%;

c) Development of the processes of customization of services, maintaining the diversity and opportunity to make a choice in education, health care, through promotion of competition, institutional reform;

g) A breakthrough in the field of education, fundamental and applied science is ensured. The established system of continuous general and vocational education shapes «strong» staff and meets the needs of the economy. Profile universities, recognized within the global scientific - educational space, are operational and «knowledge - driven economy» is emerging;

d) Cultural level of population is improved and modernization of cultural space is ensured. Creative initiatives receive support. The link between traditional culture and innovative projects is ensured. Investments are made for the development of infrastructure of art and cultural entertainment;

e) Environment contributes to the improvement of public health, the extension of active life period.

**Priorities in human capital development are:**

**(1) Education and science reform**, which will be aimed at ensuring equality and access to education, improving the quality of education at all levels, financial stability and efficiency of the education sector, creation and development of national professional network of research and development with an emphasis on resource-saving technologies in the conditions of labor intensive and mountainous country; strengthening and effective implementation of the country's scientific potential.

**(2) Ensuring public health in the context of quality of life** involves a systemic change in health care; improving an access to, quality and efficiency of

health care services; development of health care resources; implementation of healthy lifestyle models.

**(3) Improving social welfare of the population** involves institutional modernization of social welfare system; ensuring the long-term sustainability of the pension system; combination of courses of action of protecting and stimulating opportunities nature to ensure social welfare of vulnerable stratum of population.

**(4) Increasing cultural values in behavior** based on modernization of state culture and art support system, preservation of cultural and linguistic diversity, growth of youth human capital assets, increasing their creative potential and facilitating their exposure to the achievements of culture and art; creating a culture of innovative entrepreneurship; ensuring the development of common cultural space based on the preservation, revival and development of national traditions and cultural achievements over the years of independence, universal human values.

**(5) Creating favorable environment for living** through improvement of an access to housing; development of public utilities; accessibility of drinking water supply systems, sanitation and hygiene, promotion of incentives for population and businesses in order to protect the environment; development of disaster risk management system.

**(6) Reduction of social disparities**, including the development of a system to ensure inclusive development and reduce inequalities, gender inequality and ensure the welfare of children.

#### **4.1. Education and science**

The need for the development of sustainable competencies and innovations becomes a crucial prerequisite for real and lasting progress. At the same time, it is not just about improving an access to education and innovation, but also the quality of education and the impact of science.

The long-term prospects of education system development in the Republic should be based on the following key principles and requirements:

- All levels of education must meet quality standards;
- Pre-school education should contribute to the early development of children, be affordable for the general public;
- School education that creates a foundation of human capital should not only provide knowledge but also shape the competence, skills, ensure the formation of innovative type of thinking and provide patriotic education;
- The quality and scope of vocational education should ensure competitiveness of the country's economy;
- A close link should be ensured between education system and labor market, which creates a balance in the supply of specialists of different level and labor market requirements;
- Creating potential for innovations and self-sustaining research and development activities, which closely connected to production;
- Intensification of research work on biodiversity, climate change adaptation and resilience of mountain (flow generating) ecosystems;

- Education system at all levels should contribute to the development of knowledge and skills, essential to promote sustainable development.

Continued population growth will increase the number of children and youth. The number of children from 3 to 6 years old will amount to 1137.4 thousand people by 2030. This number will increase by 255 thousand people, compared to 2015. The coverage of children with pre-school education should increase from 12% to 50%, including in urban areas - 70%, and in rural areas - 30%. The number of children in the age of primary and secondary education will grow at an average annual rate of 2.3%, their number will reach 2.58 million people by 2030. Not less than 30% of high school graduates (annually about 58 thousand people) should get enrolled at the primary and secondary vocational education institutions and therefore there will be a need to have a double increase of the capacity of this level of education. Due to the need of developing a system of retraining / professional development of mid-level professionals, workers, and labor migrant, a double increase of the network load should be expected, and taking into account the requirements for improving the quality of teaching, the need for serious upgrade of the system becomes obvious.

Higher education should be balanced with other levels, reflecting the needs of the labor market. The need for resource and energy efficiency, introduction of new environmentally friendly technologies for sustainable development requires appropriate education and training. In the framework of education structure optimization it will be essential to increase the number of graduates with engineering, technical and natural sciences background. In general, the coverage of higher education should be increased by 30%.

The development of sectoral retraining programs will help to train people to work in the priority areas. At present, skills of at least 35-40% of employees, on average, do not meet the labor market requirements. It will be essential to involve not less than 115 thousand people, on average, per year to go through retraining programs over the next 5 years.

Improving national capacity of research and development, development of national «research schools» will be aimed at ensuring innovative and technological breakthrough.

### **Education and science system contribute to human capital development.**

The key resources for education system and science development should be: innovation and competence; involvement of the private sector in educational process; participation of parents in the process of education; effective management based on the feedback, as well as a close link with the real sector of the economy.

The breakthrough institutional growth points will be:

- Alternative forms of pre-school education (including non-public);
- Children and Youth Creativity Centers as extra-curriculum educational institution;
- Inclusive educational system;
- Development of targeted assistance system for low-income households to motivate children's education;
- Support provision to gifted young people and capacity building youth projects;

- Scientific, educational and industrial clusters in the priority sectors of the economy - agriculture, energy and transport.

### **The key problems of education and science system**

- The level of set objectives in education system does not meet its capabilities. It is not capable to fully function as a key resource of social-economic development and improvement of the welfare of citizens;

- There is still a segment of school-age children not covered by education (especially in the senior school) and primary vocational education (especially in rural areas, particularly girls);

- Risks of increasing educational inequality, including gender inequality;

- The improvement of educational level by extending the duration of training and improvement of the efficiency of educational process require greater amount of resources, which calls for appropriate support model and development of the system;

- The need for continuous professional development for all under the conditions of insufficiently developed institutional framework;

- Degrading R & D staff age structure towards the predominance of «aged» employees.

Among the factors, hindering the progress in education, are the following: low access to good quality school education, especially in rural areas, for vulnerable groups of population; underdeveloped regulatory framework for creating a competitive environment within education system; lack of attractiveness of primary and secondary vocational education institutions for young people; underdeveloped systems of business community's participation in activities on vocational training system reform.

### **Priorities.**

In order to ensure a breakthrough in the development of education system and science the following priorities have been identified:

(1) ensuring equality and access to education;

(2) improving the quality of education at all levels;

(3) enhancing financial sustainability and efficiency in the education sector;

(4) development of national scientific - research and development centers;

(5) strengthening and effective implementation of the country's scientific potential.

### **The key areas of activity**

The key areas of priority actions in the field of education and science are defined as follows:

In the area of ensuring gender equality and access to education:

- A set of measures for the construction and reconstruction of public pre-schools and schools in urban and rural areas is accompanied by the development of appropriate infrastructure (heat, power, water supply, sanitation and hygiene, information and road communications);

- Improvement of mechanisms to increase an access to different levels of education for girls and women, ethnic minorities;

- Creating competitive environment in the field of education;

- Stimulating the development of inclusive education support system, including the development of a barrier-free infrastructure, preparing appropriate teaching materials and developing personnel training systems;

- Development of incentives package and social welfare capabilities, including through the provision of food (for primary school students) and updated textbooks (priority should be given to - orphans, children from low-income families and children with special needs), development of targeted assistance system aimed at provision of assistance to poor households in order to motivate education of children;

- Development of a system to support increase in technological equipment provision for the learning process;

- Organizing a system of supplementary vocational education, retraining and professional development for all age groups through the support of public-private partnership in the field of non-formal-education, financing professional development programs in the public sector, establishment of the body of educational consultants;

- Creating a system to identify and support gifted children and youth.

In the area of improving the quality of education at all levels based on the preparation, adoption and implementation of a new mechanism for evaluation of educational institutions performance, taking into account international best practice and a transparent system of financing, state support, provided to educational institutions, particularly higher educational institutions, based on the results of their performance evaluation:

In the field of general education:

- Ensuring the effectiveness of the system of professional development and retraining of teaching staff, promoting the attractiveness and efficiency of educational activities;

- Development of unified system of students' knowledge testing, including for the purpose of international comparisons;

- Development of mechanisms to evaluate the quality of education at the institutional level (social and professional expertise, the system of self-assessment of institutions and continuous monitoring of the state and trends in education development with regard to the criteria of inclusiveness and competitiveness);

- Ensuring introduction and monitoring of state requirements and state standards on the quality of pre-school and general education;

- Ensuring broadband access to the Internet in all schools and improving availability of computers in classrooms;

- Providing online content of most of the subjects, and the widespread introduction of interactive learning by using information and telecommunication technologies;

- Development and implementation of programs aimed at improving the knowledge of foreign languages;

- Development of extra-curriculum education for children through the establishment of Children and Youth Creativity Centers aimed at developing knowledge and skills, improving cooperation between the state and non-state

supplementary education institutions, including sharing experience, implementation and use of best practices and techniques, and carrying out joint activities;

- Development of innovation support mechanisms, large scale competitions, contests and olympic competitions in schools.

In the field of vocational and higher education:

- Development of teaching staff certification and accreditation of educational institutions;

- Ensuring flexibility of educational programs, including through module based programs introduction;

- Ensuring the link between professional knowledge and practical skills (development of education and qualification standards for various professions with the involvement of enterprises and organizations; implementation of education system on the basis of large-scale enterprises; establishment of production based learning platforms);

- Provision of support for the development of primary and secondary vocational education in line with the priorities of country's economic development (strengthening material-technical base, relations with enterprises and organizations - future employers of graduates, developing and enhancing effectiveness of youth career counseling system, establishment of regional technical specialties competition system - World Skills Tajikistan);

- Strengthening sectoral specialization of universities, followed by building high capacity for obtaining results in academic and research work;

- Identifying the needs and introduction of new educational programs, aimed at training and retraining for the use of technologies related to the environment, energy and resource efficiency, in order to develop personnel for «green employment»;

- Development of sustainable package of actions /incentives towards ensuring access of people with disabilities to quality professional education;

- Strengthening scientific components and international integration of vocational education.

In the area of financial sustainability and efficiency in the education sector:

- ✓ Development of stable regulatory framework and practice of public-private partnerships development in education sector;

- ✓ Formation of sustainable system to stimulate the growth of investment at all stages / levels of education;

- ✓ Introduction of results based management mechanism, i.e., introducing procedures to ensure effectiveness of education development programs, financed by the budget;

- ✓ Ensuring transparency of financial - economic management processes in educational institutions, including through the introduction of mechanisms and forms of public reporting on performance of institutions.

In the area of the development of national research and development centers:

- ✓ Establishment and support provision to integrated scientific and educational institutions, universities and inter-university complex, scientific business training centers;

✓ Development of innovative infrastructure - network for technology transfer, technological intermediaries, systems of expertise, certification, standardization and accreditation;

✓ Development and implementation of international education and research cooperation system;

✓ Science and business cooperation support;

✓ Development and ensuring operation of public-private R & D consortium, promoting dissemination / transfer of applied innovation and development, commercialization of research results;

✓ Inter-sectoral actions aimed at strengthening scientific - research work - expanding mechanisms to stimulate innovation (both in large and small enterprises), development and implementation of country's own technological policy priority system;

In the area of strengthening and effective implementation of the country's scientific potential:

✓ Development and implementation of the long-term concept to strengthen capacity of science in the country for the period to 2030;

✓ Sectoral prioritization of fundamental research with an increase in the concentration of scientific potential;

✓ Development of incentives package to involve young professionals in science and maximum possible extension of employment period for scientists and experts of the older age groups;

✓ Supporting the development of international scientific cooperation;

✓ Taking the required measures to bring the scientific capacity in line with international requirements and eliminate barriers related to the recognition of academic degrees of graduates of foreign institutions and universities.

#### **Expected results.**

- Ensured growth of enrollment in preschools and schools, regardless of place of residence and the level of household income;

- 100% of children (boys and girls) of an appropriate age will have a completed secondary education by 2030;

- 20% increase will be ensured in the number of qualified teachers, including through international cooperation in the framework of training of teachers, by 2030;

- Ensured provision of free supplementary education services for at least 50% of children from 5 to 18 years old;

- Reduced gap in the level of professional education of men and women, rural and urban population;

- Ensured participation of at least 30% of working age population in continued education;

- Introduced independent evaluation of the quality of education;

- Improved qualifications of teachers and ensured better motivation of teaching staff, especially in rural areas;

- Strengthened and improved school infrastructure, laboratories and other teaching equipment;



- Provided better access and quality of education for children with disabilities and special needs;
- Ensured better use of public funds for education;
- The most important standards are complied with in the scientific area - the proportion of total expenditure in science, in relation to GDP (not less than 1,5%), the ratio of wages of employees in science and scientific services and the economy as a whole (not less than 1,25: 1), the share of employed in research and development is maintained at the level, not less than 0,6-0,65%, the share of companies leading the R & D is not less than 15%.

In general, the expected results will help to create conditions to expand mechanisms for «knowledge driven economy» development.

#### **4.2. Health and longevity**

The reforms in the health care system are aimed at providing population with an access to health care and nutrition services. Special efforts are being made to introduce new high-tech services. In 2015, average life expectancy at birth was 73.5 years (including 71.7 for men and 75.5 for women) in Tajikistan.

The Republic of Tajikistan state budget expenditures on health care increased by 6.3-fold during the period 2007-2015 years. At present total government spending on health care is 2.1% of GDP, which is comparable to the costs of countries with a similar per capita GDP.

The growth of revenue and the number of middle-class will increase requirements to the quality and diversification of medical services.

The burden of non-communicable diseases will increase due to the aging of population, and persisting problems of negative impact of tobacco, decreased physical activity, poor nutrition and unhealthy alcohol use.

The long term objective is to improve and maintain 100% of coverage of population with primary health care.

Key reforms in health care will be directed at ensuring sustainability and access of all groups of population to recreational, therapeutic and rehabilitative medicine. In order to achieve national development priorities in the health care, the level of total expenditure in this sector will have to be increased on 2-2.5 percentage points of GDP by 2030. At the same time the objective will be to significantly improve the quality of diagnosis and all types of medical care, as well as to reorient the sector towards preventive medicine.

Ensuring health of population is a cross-cutting issue, which resolution depends on health at birth, literacy of population, life-style, ecological state of environment, working conditions, adequate nutrition, well-being and efficiency of the health system. Therefore, it will be important to seek for integrated approaches and solutions..

#### **The breakthrough institutional growth points (key decisions) will be:**

- Primary health care institutions;
- Development of public-private partnership system in health care sector;
- Development and implementation of a comprehensive approach in health care provision and biosafety in the framework of «One Health» Concept;

- Targeted healthy lifestyle program;
- Targeted children's sports development programs;
- Development of inter-territorial medical-rehabilitation cluster based on recreational potential of the republic.

**The key problems:**

- Poor performance of the health system, which requires constant upgrading of technology and professional development of medical personnel;
- Poor staff motivation to work;
- Insufficient state financing to maintain a high level of state guarantees, a significant proportion of private funding;
- The gap in access to and medical services provision, by the specialized types of medical assistance, to rural and urban populations;
- Insufficient system of national system of veterinary and sanitary and phytosanitary control of food products;
- Low motivational activity of population to promote healthy lifestyles, prevent diseases.

**Priorities.**

An important factor in improving human capital to ensure health and longevity will be the implementation of the following priorities:

- (1) systemic change in health care;
- (2) improving accessibility, quality and efficiency of health services;
- (3) development of health care resources;
- (4) introduction of healthy lifestyle models.

**The key areas of activity:**

The key areas of activity in ensuring health and longevity are as follows:

In the area of systemic changes in health care sector:

- Introduction of insurance based financing arrangements;
- Establishment of sustainable regulatory framework and development of public-private partnership practice in the health care sector;
- Development of competitive environment at the medical services market;
- Creating a system of state guarantees for the provision of free medical assistance, which will allow to cover costs of emergency health care and treatment of socially important diseases and provide an access to health services for socially vulnerable groups of population;
- Supporting the establishment of large high-tech specialized scientific-practical medical centers, which will operate based on mixed financing;
- Development and implementation of mechanisms for the protection of the rights of patients and medical staff.

In the area of improving an access to, quality and efficiency of health care services:

- ✓ Preparation, adoption and implementation of a new mechanism for assessment of effectiveness of doctors' and hospitals' performance based on international experience, transparent system of financing and state support provided to health care institutions based on evaluation of their performance;

- ✓ Modernization of primary health care institutions and emergency care, particularly in rural areas;
  - ✓ Ensuring better coordination of health care and social welfare system;
  - ✓ Modernization of infrastructure for drinking water supply, sanitation and hygiene, power supply, power supply systems, especially in rural areas and small towns as an important component in ensuring the quality and access to the health care;
  - ✓ Implementation of a set of measures aimed at enhancing children's health and reducing infant and child mortality;
  - ✓ Strengthening the system of improving reproductive and maternal health;
  - ✓ Development of preventive care system and the fight against infectious diseases and malnutrition;
  - ✓ Formation and development of schemes / model of drug supply, improving the quality, effectiveness of drugs;
  - ✓ Supporting the establishment of specialized centers for health rehabilitation /recovery, including for persons with disabilities (persons with disabilities);
  - ✓ Encouraging the development of specific forms of small businesses, including measures to support individuals, who provide care to persons with disabilities;
  - ✓ Targeted programs development and media coverage to promote tolerance and respect for persons with disabilities in society.
- In the area of health care resources development:
- ✓ Expanding and optimizing the development of outpatient system, diagnostic centers and hospitals across the country;
  - ✓ Introduction of clinical audit as a quality assurance measure, including certification and licensing of health care institutions;
  - ✓ Development and introduction of standards of medical services for the diagnosis and treatment of the most common diseases;
  - ✓ Implementation of an effective system of financial flows monitoring in health sector sector;
  - ✓ Improving the system of training of personnel and payment for health care services provision in health facilities;
  - ✓ Capacity building, improvement of the national surveillance system, including forecasting, early warning and response to the epidemic;
  - ✓ Development and implementation of health management information systems for collection, storage and sharing patients data (unified health management information system that operates on the basis of DHIS2 online at the village level; the electronic registers to monitor health of pregnant women and socially significant diseases);
  - ✓ Ensuring access of health care providers to resources and information so that they could carry out high-quality professional activity.
  - ✓ Creation and development of regional centers for tourists and recreational activities;
  - ✓ Stimulating growth of scientific research development, development of long-term financing model for research developments in health care system.

In the area of healthy lifestyle models implementation:

- ✓ Development and implementation of preventive measures system;
- ✓ Encouraging investment flows in physical training and sports;
- ✓ Improving an access to information on nutrition in order to improve care and nutrition practices, and the use of nutritional food and drink, such as iodized salt;
- ✓ Improving hygiene and sanitation practices among the population to prevent diseases and nutritional disorder;
- ✓ Creating national practices to ensure food safety, integrated into the global system, through which the development of veterinary and sanitary and phytosanitary services will be ensured;
- ✓ Monitoring and encouraging reduction of water, air and soil pollution.

### **Expected results.**

- Issues of paid and free of charge medical services, provided in public health facilities, are legally and methodically addressed and as a result, a better protection of patients' rights is ensured on the basis of the program of state guarantees for the provision of health care services to population, the introduction of health insurance system;
- Improved access to quality health care services, including to the low-income population and in rural areas;
- Approximately more than 90% of justified and approved standards for the provision of many types of medical services are in use;
- Reduced morbidity and mortality as a result of infectious diseases and parasitic diseases, including vaccine manageable and the most common zoonoses diseases (especially among the population in rural areas);
- Reduced premature mortality from non-communicable diseases, including among the low-income population and in rural areas;
- Reduced prevalence of chronic and acute malnutrition (stunting and wasting) and micronutrient deficiency among the population, especially among children and women of reproductive age;
- Improved feeding and care practices at the household level, such as exclusive breastfeeding of children under 6 months old;
- Improved system of training of medical personnel and significant increase in the level of training of professionals;
- Improved mechanism of drug supply, quality and efficacy of medicine and pharmaceutical activities;
- Enhanced role of medical science in the improvement of public health practices;
- Innovative technologies are implemented in the health care system;
- Rehabilitation and social integration of people with disabilities are ensured;
- The number of children with disabilities, who have received rehabilitation services in specialized institutions for children with disabilities, will be at least 50% of the total number of children with a disability, by 2030;
- Maternal mortality rate will be reduced to 20 cases per 100 thousand live births.

- The amount of health funding is increased up to 4.4% of GDP and further selection, development, training and retention of health personnel is ensured;
- The number of people, who don't have a sustainable access to safe water supply, waste water disposal and improved sanitation is halved.

In general, the achievement of expected results will contribute to the development of mechanisms for the increased life expectancy of the population, regardless of region of residence.

### **4.3. Social welfare**

The social welfare system creates conditions for the development of human capital.

#### **The main problems**

- An increase in the social burden of the budget and threatening the fiscal sustainability in the long term;
- Limited opportunities for social security of low-income families, including children;
- Undeveloped minimum social standards for the provision of social services;
- Underdeveloped institutional framework of the pension insurance system.

#### **Priorities**

The main priorities in the development of **social welfare system** are:

- (1) institutional modernization of social welfare systems;
- (2) long-term sustainability of pension system;
- (3) combination of courses of actions of protecting and stimulating opportunities nature in the process of ensuring social welfare of vulnerable groups of population.

#### **The key areas of activity**

In the area of institutional modernization of social welfare systems:

- Creation and development of mechanisms to strengthen targeting and increase the level of social welfare of low-income families;
- Development of unified electronic database of recipients of social benefits;
- Development and introduction of a «single window» system in the process of registration and management of certain forms of social security, development and introduction of social services financing mechanism;
- Development and implementation of social minimum standards, taking into account regional specifics;
- Development of mechanism to promote orientation of money transfer system to the investment in human capital;
- Development of a system for non-state assets involvement (both organizational and financial) in social welfare;
- Development and implementation of sustainable system of psychological, medical and educational consultations.

In the area of ensuring the long-term sustainability of pension system:

- Improving the system of regulation of pension savings market participants, including through the introduction of risk-based supervision elements;

- Creating legal and institutional conditions for pension savings' investment into the long-term financial instruments, including investment in infrastructure in the framework of public - private partnership projects;

- Ensuring transition to the insurance based accumulative pension, including pensions for migrant workers.

In the field of combination of courses of action to protect and stimulate opportunities in the social welfare of vulnerable groups of population:

- Development of social welfare system for senior citizen via improving the quality and accessibility of social services for the elderly people, introducing minimum social standards of social services, provided to senior citizens, creating and implementing gerontological services for health care and other specialized services provided to elderly people, developing per capita financing system for social services provided to senior citizens in residential institutions, developing flexible employment arrangements for senior citizens;

- Development of social security system for persons with disabilities through the establishment of a system for the prevention of increase of new cases of child disability, the development of medical - genetic services for the early detection of congenital malformations, the development of programmes for integration of disabled people into the society – creating barrier-free environment in the framework of urban development projects, including involvement in sports and recreational activities, encouraging measures to support individuals, who provide care to disabled people (development of special forms of small business);

- Social protection of families and children, who were in difficult life situations, in particular children – orphans, through the provision of social benefits and social services on the basis of evaluation of needs, development and implementation of minimum standards of social services, development and implementation of child socialization programmes for students of residential institutions, boarding schools and provision of support to them as soon as they graduate from these institutions; the development of a system for social housing construction / provision.

### **Expected results**

- Tools and mechanisms for poverty monitoring, identification of low income and under-privileged persons are in place, including at the local level;

- Developed unified electronic database of recipients of social benefits and services, with the breakdown by gender, age and a type of settlement;

- Formed and effectively functioning accumulative pension system;

- Created “single window” for the registration and management of services to ensure social security of population;

- Increased pensions and benefits, while maintaining fiscal sustainability; ensured ratio between pension / salary is not lower than the minimum level - 40%, according to the international standards;

- Improved targeting and increased access to social welfare and social services, provided to socially vulnerable groups of citizens;

- Barrier-free environment is created for inclusion and active participation of vulnerable groups in the economic and social life of the society;

- Created conditions for socialization and integration of vulnerable groups in the society (senior citizens, graduates of boarding schools, and others) through rehabilitation at the community level;

- Created sustainable system of training of specialists in the social area.

#### **4.4. Culture**

Raising cultural level of the population, development of a network of cultural institutions and national system of art will be the key objectives of social progress.

The breakthrough institutional growth points will be the following:

- Establishment and effective operation of the Council of Culture under the President of the Republic of Tajikistan;

- Regulatory legal framework that takes into account the development of the processes of globalization and social-cultural changes in the country;

- Development of creative cluster - a group of commercial enterprises, including television, press, movie production, sound recordings;

- The inflow of investment into the development of culture support system;

- Cooperation and integration of institutions of general and supplementary education, culture and tourism;

- Establishment of the Youth Community Foundation, a non-profit Foundation, which main function is accumulation of extra-budgetary funds to support and implement youth projects and initiatives.

#### **The key issues.**

- Due to the increase in the share of persons with higher education, developed cultural demands and interests, available database of cultural institutions does not meet the demand;

- The rich national heritage, which has a great educational potential and valuable elements of the world literature, is not adequately reflected in the national literature, movies, animation, scientific and educational programs;

- Underdeveloped system of production of cultural products for children;

- Reduction of youth human capital, according to the quality criteria to a greater extent, increasing its differentiation within the country, talented and initiative young people “brain-drain” to other countries;

- Underdeveloped behavioral patterns, based on positive values of innovation, legal consciousness, as well as developed competencies in demand that enable to adapt to changing living conditions.

#### **Priorities.**

The main priority areas of actions aimed at **enhancing cultural values of conduct** are:

- (1) upgrading culture and art state support system; preservation of cultural and linguistic diversity;

- (2) growth of youth human capital, building its creative potential and promotion of exposure to the achievements of culture and art;

- (3) creating a culture of innovative entrepreneurship;

(4) ensuring the development of the country's cultural space in terms of preservation, revival and development of national traditions and cultural achievements over the years of independence, universal values.

**The key areas of activities.**

In the field of upgrading the state system to support culture and art:

- ✓ Development of the regulatory framework on guarantees for the protection and maintenance of cultural heritage sites;

- ✓ Encouraging introduction of the public-private partnership system to finance major projects for the development of cultural infrastructure and creative industries, including with the participation of foreign investors;

- ✓ Supporting the accelerated growth of culture and art institutions in rural areas in the remote regions of the country;

- ✓ Development of programs for the conservation and development of cultures of national minorities;

- ✓ Development of support systems and promotion of national brands in the field of art of the Republic;

- ✓ Preparing a package of incentives to develop creative teams, a system of identification and support provision to talented people.

In the area of growth of youth human capital, increasing their creative potential and facilitating exposure to the achievements of culture and art:

- ✓ Development and implementation of institutional reform in the area of implementation of youth policies, taking into account gender aspect;

- ✓ Development and implementation of a series of trainings and specific programs and innovative practices of civil and patriotic education;

- ✓ Implementation of targeted programs aimed at strengthening social cohesion among young people, programs on religious extremism prevention;

- ✓ Development and implementation of programs to shape public opinion condemning all forms of violence against women and girls.

In the area of developing a culture of innovative entrepreneurship:

- ✓ Development of information and consultative support system for innovative entrepreneurship;

- ✓ Modernization of innovation infrastructure (technological parks, technologies), development of infrastructure, conducive to the emergence of start-ups;

- ✓ Popularization of advantages and logic of innovative development.

In the field of development of the country's common cultural space in terms of preservation, revival and development of national traditions and cultural achievements over the years of independence, universal values:

- ✓ Development of legal and regulatory framework, institutional and economic basis of development of the sector through the development and implementation of targeted programs;

- ✓ Development of the system of popularization of material and immaterial patrimony (tangible and intangible cultural heritage) of Tajik people such as historical and cultural monuments, oral traditions and means of their expression, including language of arts, traditions, ceremonies, knowledge and skills associated



with traditional crafts, unique manuscripts and their inclusion in the list of cultural heritage of UNESCO.

**Expected results.**

- Strengthening infrastructure of culture and arts system;
- Developed and expanded capabilities to save, multiply cultural heritage / traditions of the country;
- Formed young generation of the country that is competitive in the social and cultural spheres and has a set of much-in-demand competencies;
- Increased the potential of youth activity and youth's contribution to social stability and progress;
- Improved conditions for the preservation and development of cultures of national minority;
- Increased level of innovative entrepreneurial culture of the population.

**4.5. Environment for life.**

Important demographic and environmental challenges faced by the country include growing demand for housing and living conditions, pollution of the environment and a low level of ecosystem management, biodiversity conservation, land degradation, vulnerability to climate change, access to fresh water and sanitation, as well as household waste disposal.

The main long-term policy objectives, aimed at improving the living conditions of the population, are related to the increase in the availability of living space by 2030, the expansion of access to individual housing, especially for young families, the improvement of the quality of housing, both through the quality construction of new housing, and overhaul of the existing residential properties. Improving the living conditions of the population through better access to public services, with a focus on rural areas, increasing the stability and improving the quality of public services provided to the population, improving the financial stability of housing and utilities enterprises, creating safety areas from the perspective of natural disaster risk prevention.

**Favorable environment for life.**

The long-term vision of Housing and Utilities Sector Development Strategy is to ensure full access for all citizens of Tajikistan to sustainable, affordable in terms of price and quality, services, based on the principles of market economy, which meet up-to-date sanitation and environmental requirements. Issues of natural disasters risk management system and the effective management of natural resources are also an integral part of this Strategy. At the same time, it will be important to promote activities towards resource saving, adaptation to climate change and taking into account the provisions of the Sendai Framework Program for Disaster Risk Reduction.

**The key problems.**

- There is only a small proportion of families, with the highest income, can really take advantage of the housing market in order to improve their living conditions;
- Residential sector, despite all the efforts to reform it, so far hasn't become a

sector of the economy, attractive for investment of private businesses;

- Deterioration of infrastructure, housing and utilities sector;
- Provided services do not meet the needs of the population; they are resource- and energy-inefficient;
- Inequalities in access of urban and rural populations to safe drinking water supply systems, sanitation and hygiene, heating and electricity supply in residential sector;
- High risk of natural disasters, including as a result of climate change.

#### **Priorities.**

The main priority areas of activities in order to **create a comfortable environment for life** are:

- (1) Increasing an access to housing;
- (2) Development of public utilities system;
- (3) Increasing an access to drinking water supply system, sanitation and hygiene;
- (4) Strengthening incentives for the protection of the environment among the population and economic entities;
- (5) Development of natural disaster risk management system

#### **The main areas of activities.**

In the area of improving access to housing:

- ✓ Development of the primary market for mortgage lending, including through the development and implementation of mortgage lending standards, stimulating the technical and financial sustainability of banking activities;
- ✓ Creation of conditions for the development of a secondary market for mortgage financing and securitization of mortgage loans;
- ✓ Encouraging accumulation of savings by population with the aim of purchasing houses, including with the help of construction and savings cooperatives;
- ✓ Integrated development of the real estate market, which includes the need to improve the legal framework for securing land tenure rights for housing construction, to increase the supply of urban land for housing, to ensure the availability of its sufficient portion for households with mid-level incomes, to develop national standards and financing programs for urban planning, land management and zoning to ensure a sufficient supply of affordable housing;
- ✓ Creating support system for an access to housing, including for young families, young professionals;
- ✓ Revising the principles and rules of urban development (reconstruction and new construction, centralized and autonomous sources of public services, monitoring of safety standards, energy efficiency and earthquake resistance).

In the field of development of public utilities system:

- ✓ Gradual restructuring of existing public utilities service management system, with due consideration of ownership of objects of utility services;
- ✓ Development of regulatory and legal framework to promote the development of competition in the area of maintenance of residential properties with a view of decreasing the cost of services;

✓ Establishment of mechanisms to stimulate mobilization of long-term financial resources through different sources for the development of urban and rural engineering and communal infrastructure;

✓ Improving tariff regulation system within housing and utilities system with a view of increasing its investment attractiveness and public-private partnership projects implementation;

✓ Formation of accumulative funds to finance overhaul of apartment buildings; development of a system of involving local governments in regulation of housing and municipal relations;

✓ Development of a set of arrangements to ensure financial sustainability of housing and utility services provision, taking into account costs affordability for all citizens.

In the area of increasing availability of drinking water supply, sanitation and hygiene, with a focus on the needs of women and girls, as well as vulnerable individuals:

✓ Development of a system of regulatory legal and policy developments in the area of management of drinking water supply, sanitation and hygiene, with a focus on the needs of women and girls, as well as vulnerable persons;

✓ Development and promotion of investment projects to finance the construction / rehabilitation of water supply and sewerage systems, on-farm water supply systems and wells, expansion of urban water supply networks;

✓ Expansion of international cooperation and provision of support to strengthen national capacities in the field of water supply and sanitation (including rainwater harvesting, desalination of water, increasing water use efficiency, wastewater treatment and the use of water disposal and reuse technologies);

✓ Strengthening measures to improve sanitation and hygiene education.

In the area of increasing incentives for population and economic entities to preserve the environment:

✓ Development of a package of incentives to conserve water, gas and electricity;

✓ Developing and ensuring implementation of environmental requirements in the use of private transport, food, waste management;

✓ Drafting and disseminating the Code of nature conservation, mechanisms of adaptation to climate change, with expansion of international cooperation in this area.

In the field of the development of natural disaster risk management system:

✓ Building national institutional capacity for natural disasters forecasting, preparedness, mitigation;

✓ Integration of actions to reduce the risk of natural and environmental disasters in the system of sectoral management of the country;

✓ Development and implementation of mechanisms to reduce social vulnerability due to natural disasters;

✓ Development and introduction of gender - sensitive information support system and population's training in the area of forecasting, protection and recovery after natural disasters;

✓ Development of the system of mainstreaming climate change issues, prevention of natural disasters in the regional strategic documents, strengthening local capacity for emergencies and natural disasters risk management.

#### **Expected results.**

All Tajik citizens have an access to sustainable, affordable and good quality housing services in line with up-to-date sanitary and environmental requirements, and based on the principles of market economy;

- Improved access of population to water and sanitation, especially in rural areas;

- Reduced use of solid fuels for cooking, especially in rural areas;

- The average level of housing per capita will be at least 17 m<sup>2</sup> (per person) by 2030;

- Lending and financial mechanisms for housing construction and development of municipal infrastructure are in place;

- Created competitive environment in the field of management of housing facilities and objects of communal infrastructure;

- Improved environmental conditions for living, including for low-income people in rural and mountainous areas;

- Mitigated consequences of high environmental risks, enhanced resilience and the ability to forecast natural disasters.

#### **4.6. The reduction of social inequality.**

Social inequality has extremely negative economic and political consequences. It reduces the quality of growth and prevents investment activity. Moreover, social inequality hinders implementation of industrial and industrial-innovative development scenarios. The level of income inequality and social inequality remains high in Tajikistan. Location greatly affects the ability to access the services, education, health care, self-fulfillment. Elimination of the causes of inequality and the transformation of structural barriers into new opportunities for overcoming it is a key condition for ensuring a strong, sustainable, balanced and inclusive economic growth.

At the same time, women and children are vulnerable due to insufficient effectiveness of existing arrangements to ensure and protect their rights and interests. Inequality in opportunities of rural women is especially high not only because of higher gender stereotypes and limited choices in the area of employment, but also a relatively low quality of infrastructure, which affects access to resources and opportunities. There is a need to further improve an activity with involvement of children, who found themselves in difficult life situations - orphans and children with disabilities, minors in conflict with the law.

Ensuring inclusive, stable and sustainable economic growth is an important goal of sustainable development.

**Ensuring equality of opportunities and reducing social inequality in Tajikistan.**

#### **The main problems.**

- A high level of polarization of income and opportunities in society, unsustainable growth and uneven geographic distribution of economic opportunities;
- Foreign labor migration of men has direct gender implications, including the problem of abandoned women and children, particularly in rural areas;
- Significant amount of unpaid domestic labour of women is due to their reproductive functions, insufficient development of social infrastructure, especially in rural areas;
- Expressions of various forms of violence against women, which cause enormous physical and psychological harm to women and girls, limit their opportunities for personal fulfillment, but also entails great economic costs both for themselves and for society as a whole;
- Limited social inclusion of vulnerable categories of children (orphans and children without parental support, children with disabilities and children at social risk).

#### **Priorities.**

The following priorities are identified to ensure **equal opportunities and to reduce social inequality**:

- (1) development of a system on ensuring inclusive development and reduction of inequality;
- (2) reduction of gender inequalities through improving the policy to ensure de facto gender equality; prevention of all forms of violence against women and girls;
- (3) ensuring welfare of children.

#### **The main areas of activity.**

The following has been defined as the main areas of activities to ensure **equal opportunities and to reduce social inequalities**:

#### **In the area of development of inclusive development and inequality reduction system:**

- ✓ Development of a system of universal access to quality public social services (taking into account the needs and capabilities of the poor and middle class);
- ✓ Promotion of transparency and accountability of public authorities, support provision for public monitoring of implementation of commitments on redistribution of social services and their quality, development of social dialogue system;
- ✓ Establishment of mechanisms to support regional initiatives, including the human capital development programs and inter-regional integration;
- ✓ Development and implementation of national reporting on the diagnosis of growth and inclusive development.

#### **In the field of improving policies to ensure de facto gender equality:**

- ✓ Improvement of the legislation in order to introduce the state guarantees to create equal opportunities for women and men;
- ✓ Development of institutional mechanisms to incorporate national and international commitments on gender equality and empowerment of women in sectoral policies;
- ✓ Strengthening the mechanisms for ensuring legal literacy and social inclusion of women, including rural women;

✓ Enhancing gender capacity and gender sensitivity of employees of all branches of government;

✓ Introduction of gender based budgeting in the budget process.

In the area of **prevention of all forms of violence against women and girls:**

✓ Development of the legal and regulatory framework for the prevention of violence against women and provision of assistance to victims of violence;

✓ Development of institutions on coordination and expanding activities of state bodies in the field of prevention of violence and assistance provision to victims of violence;

✓ Expanding the range of activities to ensure an access and quality of services provided to women and girls, affected by violence;

✓ Improving gender statistics and establishment of consolidated database for all types of violence;

✓ Development and implementation of programs in order to change the perception and behavior that justifies violence against women and girls.

In the field of **child welfare:**

✓ Develop a practice of national reporting on child welfare and social inclusion of children with disabilities, orphans, children from low-income families, children in conflict with the law;

✓ Institutional development of the state system of protection of child's rights, development of a policy on improving the situation of children (introduction of the concept of "justice for children" to the legislation);

✓ Development of child ill-being prevention system;

✓ Establishment of the Institute for the protection of child rights (Ombudsman) and carrying out legal reform regarding juvenile justice..

#### **Expected results.**

- Developed mechanisms to ensure inclusive development (including tax and budget preferences);

- Developed social dialogue system;

- Effective legal, institutional, organizational and financial mechanisms are in place in order to promote gender equality and empower women and girls;

- Incorporated national and international commitments on gender equality and empowerment of women and girls in the sectoral policies;

- New structures have been set up to coordinate and expand the activities of government agencies, in partnership with the civilian sector, in the area of violence prevention and assistance to victims of violence;

- Reduced number of cases of all forms of violence and improved an access and quality of services for women and girls, affected by violence;

- State and non-state media is effective in shaping public opinion to overcome gender stereotypes and to change the perception and behavior that justifies violence against women and girls;

- Created a system of child ill-being prevention;

- Successful operation of institutes for the protection of child rights and juvenile justice.

## **5. QUALITY OF ECONOMIC GROWTH AND EFFICIENCY OF THE REAL SECTOR OF ECONOMY**

The global economy is entering a period of slowdown in the growth that affects the largest trade, economic and investment partners of Tajikistan. There is a change in the trajectory of their development, which creates new problems and opens up additional opportunities for further development of the economy of Tajikistan. In these conditions, maintaining a stable economic growth rate, ensuring diversification and competitiveness of the national economy appear to be the most important tasks. At the same time, today, the country needs a new model of development based on stimulating investment and new technologies in the **real sector of the economy (RSE), a policy of productive employment, a resource-based financial system and, most importantly, an adequate investment climate.** In the upcoming years these sectors will determine the quality of future growth and areas of structural reforms aimed at improving the efficiency of the use of national wealth, represented by the human, natural, physical and financial capital. The new model of development should ensure accelerated growth of industry, agriculture and the financial sector, create conditions to enter new export markets, limit inefficient consumer imports and reduce dependence on remittances.

### **5.1. The real sector.**

In order to ensure successful transition from stabilization policy to the country's long-term sustainable social-economic development policy, it is particularly important to draft a sound strategy for the development of the real sector of the national economy, reflecting a qualitatively new state of managerial culture and public consciousness in general, and ensuring taking effective preventive measures in response to challenges of Modernity.

Sustainable, coordinated and preventive functioning and development of all segments of the RSE is a guarantor of ensuring energy, food, transport and communication, and, consequently, economic security of the country.

Implementation of strategic objectives in the real sector of economy will create a material basis for productive employment, diversification of production and exports, improve accessibility and quality of social services for all segments of the population, which is directly linked to the achievement of all MDGs objectives in Tajikistan.

The development of the real sector of the national economy requires the efficient use of national wealth represented by the human, natural and physical capital, as well as the expansion of innovative activity.

### **The key problems.**

Despite the successes, achieved in the recovery and development of RSE, a number of problems remain relevant and substantial, which increases the risk of transition to high-tech and efficient sectors of the real sector, and creates preconditions for the emergence of new challenges and threats to energy, food, transport and, consequently, economic security of the country. Insufficient development level of RSE does not allow Tajikistan to position itself in the global competitiveness ranking, even at the level of transition from resources based competition to performance based competition.

The most significant **common and specific problems of RSE**, which remain relevant and substantial, are:

**Common problems:**

- Continuing difficulties of the period of drastic market transformations;
- Inefficient management of natural resources, expressed in growth of natural resource intensive production, environmental pollution and the high level of unproductive losses, primarily electric energy;
  - The shortage of electricity in the autumn-winter period of time due to the limited capabilities to collect water during this period;
  - At the initial phase of the transition to integrated water resources management;
    - Increasing the negative environmental impact of the mining enterprises;
    - The continuing technical and technological underdevelopment, the high degree of physical and moral wear and tear of industrial and agricultural equipment and infrastructure objects in the context of rising prices for energy resources and other material and technical resources;
  - Insufficient investment attractiveness of RSE (except for the production of aluminum, electricity and cotton, mining, transport communications);
  - RSE sectors are characterized by a low level of innovative activity. They do not create a demand for new knowledge and technology, which is not conducive for a active operation of scientific and educational institutions, as an integral part of the national innovative system. The exclusive role of the state and international foundations in supporting scientific-research area does not ensure adequate dynamics of innovative economic growth;
  - The tendency remains in the growth of volume of industrial emissions and pollution of ground-water resources in industrial regions, negative environmental impact of mining enterprises;
  - The low level of development, insufficient competitiveness and weak diversification of the processing industry;
  - There is a shortage of qualified specialists, both top managers and middle level managers, caused by the problems of education and the continuing brain-drain of qualified personnel;
  - Poor coordination of activities of state bodies, involved in management and regulation of RSE as a whole, and its segments in particular, to coordinate activity of sector subsystems of fuel and energy complex, rural producers and processing companies, which leads to inefficient use of energy resources, undeveloped system of processing of agricultural products, disruptions in the supply of raw materials and its low quality. Agribusiness recycles only 20% of country's agricultural products;
  - Forecasts of climate change are not taken into account in the medium and long term perspective, as well as its impact on the country's sustainable development and economic sectors in the future.

**Specific problems:**

In the fuel-energy complex:



- The continuing isolation of Tajikistan's energy systems from the Central Asian energy system exacerbates the seasonal shortage of electricity (power) in Tajikistan, and significantly limits the ability to use export potential of the electric power, which is a destabilizing factor of the country's energy and economic security. Damage, caused by imposing restrictions on the supply of electricity in winter, is 200 million dollars USA per year, according to the World Bank estimates;

- Low level of reliability of electricity supply and barriers to connect new consumers;

- Insufficient use of local fuel and energy resources to fill in the seasonal electricity shortage;

- Low energy efficiency of production and consumer sector;

- Insufficiently effective regulatory framework in the fuel and energy sector of the country;

- Inadequate tariff policy in the electric power industry, which is a barrier to the development of private entrepreneurship in RSE, creates prerequisites for expanding the shadow business, does not stimulate energy saving and energy efficiency processes;

- Weak diversification of power generating sources (HPPs generate 96% of the total installed capacity of power plants), and the use of solar, wind and biomass energy in the economic turnover.

In the agricultural sector:

- A weak mechanism for public financial support of agricultural enterprises;

- Obstacles to the consolidation of land plots that make it difficult to invest in setting up large, high-performance agribusinesses;

- Outdated material and technical base of agrarian and industrial complex, followed by limited access of its enterprises to information on potential sales markets, lengthy and costly foreign trade operations pose a threat to food security;

- Imperfect mechanism of regulation of land related relations in the agricultural sector, including unequal access of women to land and weak irrigation system, which lead to soil fertility degradation, deterioration of land-reclamation, and inefficient use of pastures contributed to deterioration of their ecological condition;

- Inadequate water resources management in agrarian and industrial complex, also due to the integrated water resources management;

- Continuing high dependence of country's economy on imports of food products, equipment, accessories, fossil fuels, wood, etc .;

- Significant risks for the development of agribusiness due to the long-term global climate change;

- Low level of environmental sustainability of agricultural development, associated with increased degradation of land and water resources, primarily arable land due to erosion, pollution, salinization, water-logging, increased groundwater levels, decreased forest areas, land withdrawal from agricultural use, as well as climate change factors.

In industry:

- Imperfect tax system, and inadequate mechanisms of financial and lending support of investment and innovative activity;
- The low level of intra, inter-sectoral and inter-territorial cooperation and integration, undeveloped cluster approach;
- Poor quality and high energy, labor and material consumption, which predetermines its low competitiveness;
- Imperfect mechanisms of industrial waste management.

In the transport and telecommunication sectors:

- Non-compliance with the requirements of international safety standards and the operation of transport to ensure the accelerated development of the RSE enterprises;
- Poor development of local air services and their land infrastructure;
- Limited budgetary opportunities for the development of the industry and, as a consequence, its dependence on foreign financing in conditions of complex geographical terrain;
- Remoteness from the sea routes and developed transport corridors;
- High cost of cargo transportation and transportation tariffs;
- Practical lack of transport and logistics centers network;
- Poor development of public-private partnership system in the transport sector;
- Road transport structure in the context of low density and quality of roads;
- Increase in air pollution in cities (in industrial areas) is accompanied by relevant authorities' inadequate control over emissions from vehicles and the quality of inspections for compliance of vehicles with environmental standards and regulations;
- The remaining limitations in the development and spatial expansion of the communication market and information services.

### **Priorities in the development of RSE.**

A common priority in the development of RSE is an effective contribution to ensuring country's energy and food security, developing country's communication capabilities, increasing the competitiveness of the national economy and strengthening social stability through integrated development of the country's natural and resources potential, including integrated water resources management, promoting preventive sustainable development of sectors, their modernization and diversification, which involve the use of innovative technologies.

Specific priorities are:

(1) In the fuel and energy complex:

- Ensuring reliable energy supply of the country's economy based on efficient use of energy resources;
- Ensuring transition of country's hydropower to the budget-forming sector of the country, its crucial role in poverty reduction, promoting not only its own development, but also other sectors of the economy;
- Further development of small hydropower and other renewable energy sources for both poverty reduction and ensuring access of the population, especially

in rural areas, to social benefits, and the overall development of the economy, especially small business;

- Ensuring the transition of Tajikistan from the regional and world leader in potential hydropower reserves to the leaders in terms of efficiency in the development and use of the country's energy potential and, on this basis, promoting the interests of the national energy sector in foreign markets, both through appropriate energy diplomacy and market-based mechanisms.

(2) In AIC:

- Expansion of the contribution to ensure availability and adequacy of food, their quality and security based on the transition to a high level of industrialization and preventive sustainable development of the agricultural sector, through the introduction of innovative and environmentally friendly technologies;

- Increasing the efficiency of land and water and human resources use on the basis of improving reclamation-irrigation condition of agricultural lands and ensuring productive employment of the rural population;

- Reconstruction and rehabilitation of irrigation infrastructure and introduction of state-of-the-art energy-saving irrigation technologies.

(3) In the industry:

- Improving competitiveness and value added chain in industrial sectors;

- Growth in the volume of production and sale of industrial products, competitive at the domestic and foreign markets;

- Organizing an effective system of personnel development, who is able to create and develop industrial technology, produce innovative products;

- Development of institutional framework for sustainable and preventive development of industrial sectors, development of innovative highly productive clusters.

- Development of national system of selective import substitution based on the processing of local resources, primarily in the agricultural sector (processing of fruit and vegetable products and increasing their production), construction sector, light and food industries.

(4) In the transport and telecommunication sectors:

- Effective use of financial resources, including resources attracted from foreign sources for the construction of new and reconstruction of existing transportation facilities, which cover not only the domestic demand for transportation services, but also the acceleration of the country's integration into the global economy;

- Maximizing the benefits from the development of transcontinental transit infrastructure;

- Comprehensive expansion of the network of all types of transport and introduction of fleet structure, optimization of its operation to ensure industrial and innovative development of the national economy and meeting human needs;

- Ensuring development in accordance with up-to-date requirements of transport and logistics centers network and maintenance system;

- Establishment of an independent regulator, in line with WTO obligations, in the telecommunications sector;
- Overcoming digital gap between different regions, especially in rural and remote areas;
- Institutional strengthening of telecommunications sector in order to attract private sector investment.

**The main areas of activity.**

In order to solve the main problems in the framework of the strategic priorities of RSE, activities will be carried out in the following areas:

- ✓ Creating attractive tax, regulatory and legal conditions for the implementation of investment projects in the real sector of the economy;
- ✓ Development of an effective system to facilitate the implementation of investment projects;
- ✓ Formation and development of industrial-innovative orientation clusters, within which cooperation of educational institutions and enterprises of RSE will ensure the development of research and innovative activities, cluster membership will facilitate access to new technologies;
- ✓ Promoting national interests in the generation of optimal energy flows in Central and South Asia through the development of hydropower potential, rehabilitation of of the previous energy infrastructure and establishment of new energy infrastructure and ensuring its effective use on the basis of economic and technological integration with the system of power supply in the regions;
- ✓ Development of legislation and regulations aimed at energy saving and energy efficiency;
- ✓ Promoting modernization and technological upgrade, innovation, energy and resource saving innovative technologies;
- ✓ Diversification based electric power development to align seasonal fluctuation of power generation, including through the use of renewable energy sources;
- ✓ Modernization of electric grid in order to reduce losses, improve the reliability of power supply and increase opportunities for the use of various renewable energy sources;
- ✓ Transition to integrated water resources management;
- ✓ Development of logistics infrastructure;
- ✓ Practical implementation of measures for advanced processing of local raw materials;
- ✓ Stimulating innovative and investment activity, increasing the efficiency of R & D;
- ✓ Encouraging the development of national brands and improving the image and marketing products of RSE enterprises of Tajikistan at the domestic and international markets;
- ✓ Development of certification systems and introduction of international quality standards;
- ✓ Simplification of export-import procedures;

✓ Encouraging the establishment of non-governmental institutions to boost exports;

✓ Development and implementation of measures to reduce the level of industrial and transport emissions and pollution of land and water resources, improving industrial production waste management and use of chemicals mechanisms;

✓ Promoting the development of competitive production chains and clusters in the RSE that provide import substitution and export promotion;

✓ Creating essential conditions for further rapid development of construction sector and building materials industry, including through the use of local mineral resources base and extractive industry waste;

✓ Facilitating RSE enterprises integration processes based on creating conditions for equal cooperation in the area of high technologies through the establishment of joint ventures, industrial parks and expanding the activities of the FEZ;

✓ Organizing an effective system for the development of personnel, capable of effective management, creation and development of competitive innovative technologies in such sectors as energy, agriculture, industry, transport and communications;

✓ Protection and provision of support to domestic producers based on WTO regulations, development of a system of measures for the protection of the domestic market from counterfeit products, used in the energy, industry, agriculture and by the public;

✓ Development of competitive production chains and clusters in agro-industrial complex to ensure import substitution and export promotion;

✓ Adaptation of agro-industrial complex to long-term climate changes and implementation of measures to promote international certification of the quality of exported agricultural products;

✓ Development and implementation of measures aimed at creating additional demand for electricity in agro-industrial complex in summer;

✓ Development and implementation of measures on construction and reconstruction of transport and telecommunications lines to expand communication capabilities of the country;

✓ Bringing rail, road, air lines and all types of transport in line with international standards, including the development of alternative and special types of transport communications, ensuring accelerated development of RSE enterprises;

✓ Strengthening cross-border telecommunications infrastructure.

### **Expected results**

It is expected that implementation of planned activities in RSE will achieve the following results:

✓ Increased share of industry in the structure of country's GDP, which provides for transition from agrarian-industrial based economy to the industrial-agrarian based economy;

✓ Increased share of processing industry in the structure of the industry;

✓ Increased number of new jobs by 3-fold in the industry;

✓ Ensured development of electric energy sector in the country, based on the concept of 10/10/10/10, including:

1) Increased design capacity of the electric power system to 10 GW;  
2) Annual electricity export to neighboring countries reached 10 billion kilowatt hours;

3) Ensured diversification of capacity of the country's electric power system by at least 10% through increasing the capacity of other energy sources, including coal, oil, gas and renewable energy sources;

4) Electricity losses in the country are reduced to 10%.

- Created conditions for domestic energy diversification based on the development of the coal, and oil and gas subsystems of the fuel and energy complex and the development of renewable energy sources;

- Ensured high level of reliability of energy supply to the population and the production industry; the seasonal shortage of capacities in the electric power industry has been addressed; the dependence on import of basic food products has been significantly reduced;

- Increased energy efficiency and manageability of all sectors of the national economy by introducing energy-saving technologies and increasing energy efficiency; ensured energy saving up to 500 million kW of hours of electricity;

- Developed the required human resources for present energy and industrial management, effective management of RSE;

- Ensured financial stability and transparency of the energy sector and increased investment attractiveness of RSE;

- Created preconditions for the optimal structure of the fuel and energy balance of the country with a decrease in the share of imported energy resources in the structure of domestic consumption, and increased share of non-fuel energy resources through wider use of renewable energy source (solar, wind, biological, geothermal);

- Created conditions and transport and logistics infrastructure for the development of industrial, energy, agrarian and tourist businesses in rural areas, in decentralized energy supply zones and regions of the country with unique natural conditions that will provide new jobs, availability, accessibility and adequacy of food products, decrease in the number of migrant workers, the formation and development of middle class in rural areas;

- Disseminated positive experience in the implementation of social programs aimed at energy supply efficiency and food provision to vulnerable segments of the population, mitigating the energy poverty of the rural population and ensuring productive employment based on the diversification of energy sources in the country's regions;

- Reduced RSE industries' negative impact on the environment through increasing their innovative activities and implementing the cluster approach in their development;

- Created conditions for the formation of eco-oriented model of social-economic development;

- Ensured growth of import-substituting and export production in the RSE through measures aimed at provision of assistance to the potential investors, development of cooperation, value chains and clustering;
- Ensured growth of the volume and the quality and accessibility of transport services in the area of domestic and international transportation; increased safety of transport system as a whole;
- Created international communication, transport and economic corridors and logistics centers, and expanded communication capabilities of the country;
- Services of railways, road, air lines and other types of transportation are brought into conformity with international standards;
- Developed network of cable railways and monorails in mountainous regions of the country in order to accelerate the development of enterprises in the extractive industries and tourism;
- Expanded capabilities of pipeline transportation; developed network of existing and construction of new transmission lines in the regions of the country and beyond for the purpose of industrial development of deposits of fuel and energy resources and other minerals, development of export potential of RSE;
- Established independent and transparent regulators of the electric power, telecommunications and television and radio broadcasting industries;
- Developed cross-border telecommunications infrastructure through the multi-use of infrastructure of transport corridors and electric networks;
- Strengthened development of the country's transit telecommunication potential and the carrying capacity of the Internet traffic.

Achieving the expected results will contribute to the fact that the RSE of Tajikistan will become a modern, high-tech, efficient, sustainably developing, capable of effective innovations, modernization and technical re-equipment, producing a competitive new generation products, demanded by the market, with minimal environmental impact, ready for the challenges of a new technological wave of the forthcoming period.

The fuel and energy complex and transport sector should become growth drivers of the growth of RSE and the national economy as a whole. Overcoming the shortage of electricity and reducing the cost of freight and transportation tariffs will create opportunities for sustainable economic growth of the country and, above all, for the real sector of economy. Energy and transportation services should become more accessible geographically. It will be especially important for the development of the country's export potential, the development of industrial entrepreneurship and the development of the country's transit potential.

RSE should become a sector, the most important component of which will be not only natural-resource, but also industrial-innovative and human potentials.

## **5.2. Productive employment**

The reality of the republic is that there is a „three-component “ labor market, which almost equally and proportionally formed by formal employment, informal employment and labor migration (largely informal and uncontrolled).

The need for simultaneous quantitative growth of sustainable productive employment and labor productivity, ensuring effective social protection will be the **main development objective** in the labor sphere in Tajikistan in the long-run period.

In this Strategy, the concept of productive employment is considered and presented in accordance with the provisions of the ILO Convention on the Promotion of Employment and Protection against Unemployment. At the same time, productive employment considers issues of interrelation of economic growth and poverty reduction, protecting the interests and rights of workers as an important and effective tool to improve the level and quality of life of the population in the country. The concept of productive employment implies employment, which provides income in the form of wages or revenue from entrepreneurial activity in the production of goods and services.

Ensuring productive employment will contribute to increase in consumption, savings and investment. The population of working age will be 6.8 million people by 2030. The total number of employees should increase to 70% of the working population by 2030. The shift from the dominance of employment in agriculture should become an important part of the reform in the field of employment and productivity growth and should be associated with the restructuring of the real sector (industrial or industrial-innovative scenario). The share of employed in the service sector will increase from 27.6 to 60%, in industry - from 3.3 to 15-20%. This means that about 70% of the increase in labor resources in the rural areas of the republic will be employed in industrial sectors, in the social sphere, and will be studying at the vocational schools during the period of 2016-2030. Formal employment will increase from 40 to 70% of the total number of employed people in the republic.

Ensuring rational patterns of production will be achieved through the introduction of new energy-saving and resource saving technologies, reducing waste and CO<sub>2</sub> emissions, thus developing capabilities for «green employment» (i.e., a combination of decent work and the use of clean technologies).

Developing a new growth model will create conditions for mass creation of new high-performance jobs, higher-than-anticipated growth of formal employment and the registered sector of the economy. It is important to provide productive employment in export-oriented industries that can have significant multiplying effects on other sectors and the economy as a whole, for example, the textile and food industries, the chemical and engineering industries, transport and communications services, education and health care, tourism. The breakthrough institutional points of growth, in this case, can be the targeted territorial programs that promote employment; Effective short-term employment programs, especially for young people and women; Assistance in the retraining of migrants; Establishment of employment centers, followed by the development of social contract arrangements.

**The key problems:**

- Discrepancy between the high growth of working population and insufficient pace of creation of decent jobs;
- Large volume of informal sector employment and low wages in the formal sector;



- Gender disparities in employment and the increased use of child labor;
- Imbalance in the market of educational services and the labor market;
- Poor quality education and skills of the workforce, especially among women and rural population;
- High dependence on the labor market condition in one or two foreign countries;
- High external labor migration «washes out» country's qualified personnel and specialists.

**In the area of productive employment policy, the following priorities have been identified:**

- (1) stimulating the creation of productive jobs;
- (2) development of a competitive domestic labor market;
- (3) increasing the impact of vocational education;
- (4) increasing the share of formal employment in the economy;
- (5) diversification of external labor migration.

**The key areas of activities**

The following is defined as the main areas of activities in the field of development of labor market and employment:

In the field of stimulating the creation of productive jobs:

- Provision of support to small and medium-sized businesses in order to create employment in high-tech innovative sectors, in the social sphere, including taking into account the empowerment of youth and women;
- Development of a package of incentives and opportunities for productive employment of persons with disabilities;
- Cross-sectoral actions aimed at developing national capacity for labor market assessment and forecasting (including in the regional context), population resettlement systems and production location, stimulating the development of a network of local transport links that promote the creation of new industries and workplaces, especially in regions with a high level unemployed and poor population.

In the area of creating competitive domestic labor market:

- Introduction of public-private partnership tools and principles of program-earmarked financing of regional employment promotion programs;
- Improving the quality of competitive environment through optimization of sectoral privileges and preferences;
- Development of a national system to promote the growth of labor productivity;
- Development of labor market infrastructure;
- Implementation of special programs aimed at increasing employment prospects for people with special needs (women, persons with disabilities, returning low skilled migrants);
- Strengthening social support mechanisms for unemployed people.

In the field of increasing the impact of vocational training:

- Creation of competitive environment, including the development of educational institutions;
- Development of the system of engineering - technical education;

- Development of programs and mechanisms for assessing the competencies of specialists (national system for mapping competencies);

- Development of sustainable mechanisms to ensure an access of youth / graduates of educational institutions to the systems of employment promotion/ job search.

In the area of increasing the share of formal employment in the economy:

- Development of incentives package for legal business activity, including the development of tax support system for the growth of legal labor activity;

- Cross-sectoral activity aimed at improving the business environment, including towards the development of the regulatory and legal framework for the protection of the rights of owners and hired labor, the development of «public order» system, and the social responsibility of business.

In the field of diversification of external labor migration:

- Development of a gender-sensitive system of pre-departure training for migrant workers and members of their families, including legal and information support, short-term vocational and language training based on resource centers;

- Development of programs for legal and socially protected labor migration.

### **Expected results**

It is assumed that the implementation of the planned measures to promote employment, which provides productive employment and conditions for the development of human capital, will lead to the following results:

- Ensured balance of quantity and quality of the working population and jobs; reduced number of population without job (unemployed or inactive);

- Increased level of employment of men and women in sectors with rapid development prospects;

- Strengthened mechanism of analysis and forecasting of labor market, taking into account the demographic structure of gender groups; labor market information is updated at least twice a year;

- Established national system to promote sustainable growth of labor productivity;

- Ensured reduction of territorial disparities of employment; reduced pressure on internal migration;

- Improved employment of people with special employment problems (people with disabilities, parents of disabled children, single mothers, persons of pre-retirement age, single mothers, returning low-skilled migrants, etc.);

- Reduced level of youth unemployment;

- Ensured consistent reduction of informal employment, bringing the share of formal employment to at least 70% of the total number of employed people;

- In 2030 at least 50% of men and women, of total employed people, will have professional education;

- The level of working people with disabilities, of the total number of people with disabilities, will be at least 15% by 2030;

- Increased awareness and professional training to work at the foreign labor markets;

- Increased social security of migrant workers and their family members.

### **5.3. Financial sector**

In 2030 Tajikistan's financial sector presents a modern dynamic system of competitive financial institutions, capable of providing a wide range of proper and innovative financial services and products to consumers, thus creating favorable conditions for stable development of the national economy and resistant to external shocks.

#### **The main problems:**

- Financial sector has not yet emerged as a basis of financing the national economy;
- Inefficient use of internal capacity for mobilizing domestic savings, and the mechanism for their transformation into loans and investments;
- Low level of capitalization of existing financial institutions (banks, MFIs, insurance companies, etc.). They offer mainly a narrow range of financial products, mostly short-term, which do not match the needs of the real sector to improve their productive capacity;
- Down-sized architecture of the financial sector, where banks dominate; the securities market is limited; there is no secondary segment, including circulation of valuable corporate securities;
- Channels of availability of financing for the RSE enterprises are limited and poorly diversified;
- High level of dollarization remains in the financial sector;
- High degree of the use of cash prevails in payments settlement between economic entities ;
- Sectors' sensitivity to global currency fluctuations limits access to external financial resources;
- Regional unevenness in the availability of financial services;
- High prices for financial services, including high interest rates on loans.
- High levels of risks inherent in the activities of financial institutions;
- Low level of corporate governance.

The following priorities are identified for the **development of modern financial sector** as a system of competitive financial institutions, capable of providing a wide range of high-quality and innovative financial services and products, creating favorable conditions for the stable development of the national economy and resistant to external shocks:

- (1) Building capacity and competitiveness of financial institutions and development of financial sector infrastructure;
- (2) Ensuring availability and diversification of channels of the long-term financing of RSE;
- (3) Expanding the list of offered financial products and services of innovative nature;
- (4) Developing human resource capacity of financial institutions at all levels of the banking system;
- (5) Deepening institutional reforms in the financial sector.

(6) Improving financial and economic management mechanism for environmental resources management.

**The key areas of activity.**

The following main areas of activities are defined in the field of financial sector reform:

In the area of capacity building and competitiveness of financial institutions and development of financial sector infrastructure:

✓ Developing capacity of the banking system by increasing its capitalization and improving the human resource management system;

✓ Introduction of modern risk management systems and monitoring methods based on risk assessment in financial institutions;

✓ Improving the system of prudential regulation, consolidated supervision, gradual transition to the inflation targeting mode;

✓ Improving the effectiveness of applied tools for indirect regulation in the area of policy on maintaining price stability and coherent monetary policy;

✓ Creating a mega-regulator in the financial sector;

✓ Building capacity and competitiveness of financial and lending institutions (banks, Microfinance institutions, insurance and leasing companies, stock exchanges, etc.) through introduction of a system for international standards of activities, increasing minimum requirements to capital, tighter reserve requirements to boost financial stability, development of up-to-date risk management system;

✓ Creating a framework to reduce fees for the provision of financial services and reduction of operating costs through the introduction of innovative business processes, transition to flexible organizational structures, upgrading the technical base of financial institutions, the widespread use of modern innovative methods for the management of bank accounts (remote, including internet banking and mobile communication and payment systems), the widespread use of electronic means of payment, increasing the availability, safety and quality of payment services and systems, and the development of technical base and infrastructure of payment systems;

✓ Expanding consolidation process of all financial market segments, growth of mergers and acquisitions in order to improve the stability of financial institutions;

✓ Recovery of large banks;

✓ Assistance provision for the restructuring of existing problem banks;

✓ Improvement of lending system and culture;

✓ Establishment of the loan guarantee fund and its new mechanisms, including those involving MFIs;

✓ Establishment and development of securities market, including secondary market, the accumulative pension system, the venture financing infrastructure for the progressive enterprises and industries of the RSE;

✓ Development and implementation of incentives to increase the spread of non-cash payments, especially in retail trade;

✓ Facilitating the opening of branches of lending institutions and other types of operational regional units of lending institutions;

✓ Facilitating the spread of retail banking services in rural areas and among the low-income families, including the provision of financial services via cellular mobile phones;

✓ Strengthening financial market liberalization, simplifying licensing and facilitating the entry of foreign participants into the market;

✓ Deepening the integration of financial sector into effective mechanisms of global partnership, access to the regional and global financial markets, participation at the various regional stock exchanges;

✓ Strengthening the preventive activity of lending institutions in order to reduce systemic risks of financial market;

✓ Intensifying efforts in the area of obtaining international country credit rating by Tajikistan;

✓ Based on the development of agriculture, long-term financial opportunities with a low interest rate in RSE should be discussed by individual and international banks.

In the area of accessibility and diversification of channels for long-term financing of RSE:

✓ Development of inter-bank lending market;

✓ Development of a three-tier lending system;

✓ Creation of conditions for the operation of the primary and secondary securities market, as the main channel for long-term financing of the development of RSE;

✓ Accelerated development of leasing companies.

In the field of expanding the list of offered financial products and services of innovative nature:

✓ Development of new refinancing and liquidity management tools, both at the level of the NBT, second-tier banks and MFIs;

✓ Development and widespread use of innovative tools to attract savings to deposit;

✓ Ensuring the development of securities market, using IPO tool for placement of securities at the domestic and foreign stock exchanges and innovative types of securities as financial derivatives;

✓ Development of the government bonds market, with various maturities, including those denominated in foreign exchange, with the aim of generating a yield without risky market curve and developing currency hedging instruments;

✓ Development and widespread use of tools for insurance of currency and other risks of long-term lending of the real economy, including hedging and co-financing;

✓ Development and wide use of Islamic banking and stock instruments of financing;

✓ Improving availability of financing services for the vulnerable stratum of population, especially women and youth.

In the area of strengthening the human resources of financial institutions at all levels of the banking system:

- ✓ Training of professional personnel for the financial sector in accordance with international standards through the system of universities, taking into account the revision of curriculum;
- ✓ Developing retraining courses, expanding operation of training centers under financial institutions;
- ✓ Strengthening of relations with foreign financial and lending institutions in the field of banking, with involvement of leading experts;
- ✓ Development and implementation of the state program on increasing financial literacy of the population.

In the area of deepening institutional reforms in the financial sector:

- ✓ Further improvement of the regulatory framework of financial sector aimed at increasing transparency and credibility of financial institutions, the rights of consumers of financial services, especially the banking system;
- ✓ Adoption of new normative legal documents on the development and implementation of a system of compensating mechanisms for the development of the pension savings system;
- ✓ Development of the market for independent auditors and strengthening evaluation of the activities of small and medium-sized enterprises by independent auditors;
- ✓ Improving prudential regulation and supervision of insurance organizations in accordance with international standards;
- ✓ Gradual increase in the minimum amount of guarantee compensation for compulsory deposit insurance of individuals, taking into account the stability of the banking system;
- ✓ Expansion of the system of collective guaranteeing (insurance) of deposits of individuals to increase public confidence in banks and other financial institutions;
- ✓ Strengthening fair competition in the financial sector, protecting the rights and interests of investors, consumers of financial services, increasing public awareness about the services of the financial sector;
- ✓ Revising tax legislation aimed at shaping new investment behavior of the population;
- ✓ Strengthening public financial and economic support for business, taking into account compliance with environmental requirements, the development of «environmentally friendly» production and innovation (development of environmental insurance, taxes, loans, subsidies, tariffs, duties, and etc.);
- ✓ Deepening of integration processes in the banking sector.

#### **Expected results**

The implementation of the planned actions will achieve the following results:

- ✓ Enhanced competitiveness of financial institutions, taking into account the liberalization of the financial services market within the framework of the WTO obligations;
- ✓ Ensured aggregate financing of the national economy up to 55-70% of GDP, including through the growth of the share of bank loans to 40-50% of GDP;

- ✓ Achieved growth of long-term financing of the RSE by 3-4 fold; its crucial shortage has been eliminated;
- ✓ Ensured growth of loans and reduction of market interest rate; extended lending terms and increased issuance of securities by RSE companies;
- ✓ At least 50% of households are covered by banking services;
- ✓ The share of non-cash payments is at least 50% in the retail trade;
- ✓ At least 30% of houses is procured at the primary market through mortgage lending tools.
- ✓ Financial framework is set up for the transition to an industrial-agrarian type of economy;
- ✓ Introduced a system of early detection and taking preventive measures in case of systemic risk increase at the financial market;
- ✓ Increased international country credit ratings;
- ✓ Formed a three-tier lending system, consisting of a set of banks, Microfinance lending institutions and non-banking organizations;
- ✓ Reduced share of direct financing through the channel of public expenditure and increased share of indirect support through the establishment of development banks and support of the priority sectors of RSE in Tajikistan;
- ✓ Expanded IPO financial instrument and derivative financial instruments (DFI).
- ✓ Islamic banking tool for financing RSE is widely used;
- ✓ The state program is developed and implemented in order to improve financial literacy of population;
- ✓ The amount of guarantees related to the long-term bank deposits has been increased in the legislation and additional measures have been expanded for the protection of depositors through their insurance;
- ✓ Improved mechanism of attracting budgetary and extra-budgetary funds to achieve sustainable development parameters and ensure environmental safety;
- ✓ Improved mechanism of compensation for damage, caused to the environment as a result of production and economic activities;
- ✓ Improved mechanism for the widespread use of electronic payment instruments in order to increase the share of non-cash payments;
- ✓ Harmonized country's legislation in the financial sector in line with the countries of the Eurasian Union the region.

#### **5.4. Investment climate**

In the context of economic slowdown, many countries of the world have resorted to improve the investment climate as a mean to accelerate economic growth and its quality. In such conditions state authorities act as agents of competition for investments and offer investors their «product», which is the «investment climate».

With this in mind, the government will continue institutional reforms in order to improve the business environment and investment climate by strengthening the legal framework, developing a system for contracts execution and corporate governance, ensuring ownership rights, eliminating unnecessary administrative barriers, as well as increasing the investment potential and reducing investment risks.

The effectiveness of the business environment is largely depend on the actions of the local executive bodies of state power and is improved by the establishment of Ombudsman Institute to protect the rights of entrepreneurs in order to address the issues at the national level.

**The main problems in the area of boosting business environment and investment climate are:**

- The limited domestic market and weak international trade and economic integration, due to the relative remoteness from the world's major consumer markets and major trade and transport routes;
- Insufficient development of industrial infrastructure and seasonal problems with electricity and a high level of bureaucratization of public administration;
- Administrative barriers to the development of business and the lack of self-financing mechanism (credit unions, mutual insurance companies, and others.);
- Insufficient development of investment infrastructure (banking, information and analytical, consulting and other) and shortcomings in mechanisms for securing property rights, poor development of contractual relations;
- Imperfect tax incentives system and underdeveloped mechanisms of financial and lending support and insurance of business risks, volatility at the foreign exchange market and inflation;
- Low effectiveness of state support mechanisms and regulation of business at the national and regional levels;
- The complexity of the procedures (tariff and non tariff barriers) for imports and exports and the lack of appropriate regional cooperation in the trade and exchange of environmental information;
- Inadequate link of external assistance projects with the priority measures of national and sectoral strategies and regional development programs.

**Priorities in improving the investment climate are as follows:**

- (1) Development of industrial entrepreneurship and industry for the processing of domestic raw materials, implementation of investment projects, followed by the introduction of advanced technologies and increasing the country's export potential;
- (2) Reduction of administrative barriers and creation of infrastructure for the development and support of small and medium-sized enterprises at the national and local levels;
- (3) Development of information system of entrepreneurship in industry and promotion of business incubators development, taking into account the needs of men and women, rural entrepreneurs;
- (4) Strengthening protection of property rights, promoting competition and establishment of Ombudsman Institute for the protection of entrepreneurs' rights;
- (5) The use of public-private partnership mechanism in the energy sector, construction and reconstruction of highways, railway infrastructure and airports reconstruction, housing and public utilities, education and health;
- (6) Improving the mechanisms for cooperation between the Government and development partners through the use of best practices of the international process of



the Global Partnership for Effective Development Cooperation (GPEDC) in Tajikistan;

(7) Provision of support and motivation of producers and exporters of domestic products.

**The main areas of activity** in the field of business environment and investment climate development include:

- Improvement of legislation in the field of investment, international trade and the introduction of international quality standards and product safety;

- Improving targeting mechanisms and targeted attraction of foreign aid to address national, sectoral and regional priorities through increased and better use of foreign aid management information system;

- Increasing financing through the state institution «Entrepreneurship Support Fund», including supporting women's entrepreneurship and capacity building of the authority, involved in raising investment, improving the efficiency of the PPP Council and the PPP Projects Implementation Unit (PIU);

- Development and implementation of programs, concepts and strategies for the development of entrepreneurship, taking into account gender perspective, investment and exports;

- Improvement of the Tax Code of the Republic of Tajikistan with a view to simplifying tax administration and reducing the tax burden on business entities;

- Development of a multi-level institutional system to support entrepreneurship according to the created regional - sectoral clusters for the development of entrepreneurship, specialized funds and support for the establishment of infrastructure organizations;

- Implementation of the policy of encouraging foreign direct investment as one of the main conditions for industrial-innovative development of the economy;

- Improving the protection of the rights of entrepreneurs, both at the level of the judiciary and through the establishment of Ombudsman Institute to protect the rights of entrepreneurs;

- Consistent implementation of the policy of reducing the administrative burden of introducing a business and creating a system of administrative support for medium and large private sector investment projects, according to the «single window» principle;

- Development of small businesses in rural areas and mountainous regions of the country through the use of local raw materials and integrated processing of agricultural products;

- Establishment and development of a full-fledged stock market;

- Improvement of normative legal acts and regulations on the development of environmental friendly business and increasing the attractiveness of environmental investments;

- Improving and strengthening Investment Activity Management Institute at the national and regional levels;

- Introduction of an installment plan for the payment of VAT for machinery and technological equipment, a significant expansion of the list of imported industrial goods that are exempted from VAT;

- Development of a program for the development of public-private partnerships (PPP), providing for a clear goals, objectives and priority areas for its development;

- Improvement of the regulatory framework in the field of PPPs and the integration of the Law «On concessions» into the Law «On the PPPs»;

- Development of forms and procedures to track PPPs projects as well as indicators for monitoring of projects, implemented through public-private partnerships;

- Provision of incentives to initiate and implement projects through PPP by representatives of local executive bodies of state power;

- Establishment of PPP projects development fund (preparation and support), including through extra-budgetary sources, not prohibited by law;

- Introduction of economically justified system of setting tariffs for transport services and other infrastructure, built according to PPP schemes;

- Development of forms of investment agreements and establishment of a clear procedure to reach these agreements;

- Development of an arrangement for public offering of projects to investors;

- Establishment of an adequate system to protect socially vulnerable groups of population in the framework of PPP projects implementation.

**Expected results in the field of creating business environment and investment climate are the following:**

- Created stable and efficient competitive environment in order to attract private investment, promote entrepreneurship that boosts export of domestic products;

- Reduced administrative barriers for the development of small and medium-sized businesses, and created the most favorable environment for these businesses development;

- Established Institute of the Ombudsman for the protection of the rights of entrepreneurs;

- Developed financial market, the secondary market of securities, liberalized and diversified insurance markets;

- Created sovereign lending market in Tajikistan;

- Effective system of state regulation of the economy and liberalization of economic sectors to attract investments are in place;

- Tajikistan is integrated into the global economy through activating membership in the WTO, the ratification of the New York and Apostolic Conventions, the promotion of regional projects such as CASA 1000, the construction of gas pipelines, the system of regional railways and highways;

- In Tajikistan, a food safety management system (Hazard Analysis and Critical Control Points) has been introduced that provides control over all stages of food production, at any point in the production, storage and sale of products, where hazardous situations might take place.

- Established multi-level institutional framework for supporting entrepreneurship, including women's entrepreneurship, based on territorial - sectoral clusters of business development, specialized funds and support for the development of infrastructure organizations;
- Improved system of keeping track of environmental concerns (costs) during the development of business environment and improvement of investment climate;
- Increased efficiency of interaction between business structures and public authorities through the introduction of a simplified system of administrative support and support for private sector investment projects;
- Developed a comprehensive program on PPP development and adopted the Law «On PPP»;
- Created a system of incentives, state support and guarantees to attract private sector resources in the implementation of PPP projects;
- Mechanisms for PPP projects co-financing by the state are in place;
- Minimized administrative and transaction costs and risks of PPP, including costs for initiation, preparation and implementation of PPP projects;
- Trained specialists in the field of PPPs and can prepare and accompany potential projects;
- Ensured institutional development of such institutions as the State Institution “PPP Projects Implementation Unit (PIU)” and organizations - customers (central and local executive bodies of state power);
- Established development Fund (preparation and support) for PPP projects;
- Created PPP projects register;
- Developed indicators and methodology for PPP projects evaluation;
- Reduced costs of business to execute their tax obligations..

## **6. MONITORING AND EVALUATION OF NDS-2030**

The main objective of monitoring and evaluation (M&E) is to continue and intensify the process of ensuring independent and transparent, aimed at achieving the outcomes, implementation of activities in order to achieve the goals and objectives of the NDS-2030. Experience in the implementation of the NDS-2015 and mid-term strategies (PRS 2007-2009, PRS 2010-2012, Living Standards Improvement Strategy Tajikistan for 2013-2015) has generally shown sufficient effectiveness of the adopted and implemented M&E system, during which the Majlisi Namoyandagon Majlisi Oli of the Republic of Tajikistan, Executive Office of the President of the Republic of Tajikistan, the Government of the Republic of Tajikistan, executive bodies of state power at various sectoral and territorial levels, local self-government bodies, civil society organizations, business structures and development partners of Tajikistan have taken part.

In order to ensure coordination of cooperation of all stakeholders in the issues of national development of the Republic of Tajikistan, the National Development Council under the President of the Republic of Tajikistan (NDC) has been established according to the Decree of the President of the Republic of Tajikistan. The NDC defines the overall reform strategy and is established to ensure cooperation of state

bodies, the private sector and the civil society in the implementation of the Country Development Strategies. This ensured the unity of such interrelated elements as the measurement of progress and the implementation of the proposed actions; mechanism for monitoring the progress; collection of all necessary data, as well as the preparation of interim and final reports.

More efficient coordination of donor activities, providing technical and financial support to the country, as well as contributing to the development of strategies and reforms, which was facilitated by the establishment of the Donors Coordination Council (DCC), has been achieved.

The experience of conducting M&E of previous development strategies has shown that, despite significant positive changes in this area, there were certain shortcomings, such as:

- The lack of coordinated approach to the formation of a system of national development, reflecting the hierarchy of strategic documents, programs and plans;
- The lack of coordination of the regulatory legal base, regulating the activities of various structures;
- The lack of a mechanism for systematic cooperation between all local stakeholders and development partners at the routine level;
- Insufficient and untimely development of preventive measures in pre-crisis situations;
- Poor gender mainstreaming and lack of gender indicators;
- Inadequate elaboration of the indicators of the «green» economy and inclusive growth;
- The lack of sources of information, required for planning and monitoring of performance indicators.

Therefore, it is obvious that there is a need for several levels of monitoring: at the level of projects/programs (to compare planned results with actual ones); at sector level (to monitor specific sectoral indicators); at the regional level (to assess regional development indicators); at the national level (to consolidate the results of M&E at other levels).

M&E should be based on the regular monitoring of approved indicators that meet the criteria of measurability, adequacy, low cost of information collection, direct reflection of intermediate results, in order to answer the following questions: whether the planned activities have been implemented; whether the objective forecasted parameters have been achieved; what were the interim results of the policy measures, contained in the Matrix of Actions.

The Majlisi Namoyandagon Majlisi Oli of the Republic of Tajikistan ensures the appropriate legitimacy of NDS-2030.

M&E of NDS-2030 will be carried out under the supervision and in coordination with the Ministry of Economic Development and Trade of the Republic of Tajikistan.

The Ministry of Economic Development and Trade of the Republic of Tajikistan, jointly with the relevant sectoral and local authorities, civil society organizations and business entities, as well as with the involvement of development

partners will carry out M&E and submit the five-year progress reports on NDS-2030 implementation to the NDC.

**NDS-2030 M&E objectives are:**

- (1) Demonstrate how much the country has progressed in achieving its goals.
- (2) How effective were the results achieved in relation to the costs.
- (3) Identify advantages (to strengthen) and shortcomings (to eliminate) of the results of Mid-term development programs implementation within the framework of NDS-2030.
- (4) Determine the degree of involvement of all stakeholders in the implementation of the NDS-2030.
- (5) Evaluate capacity, built for the development of the country after 2030.

M&E Reports on NDS-2030 are considered by the Government of the Republic of Tajikistan in the framework of the NDC with the participation of Tajikistan's development partners.

M&E Reports are drafted according to the analysis of the dynamics of the two levels system of indicators:

- a) International level indicators for international comparisons;
- b) National indicators (macro-indicators and indicators, approved by the state statistical reports, as well as nationalized MDGs to compare with the main priorities of blocks and sections of the NDS-2030) will be used to identify specific changes, trends and challenges during the implementation of the NDS-2030 as well as to identify strengths and weaknesses, opportunities and risks.

National indicators will include: indicators to track (time-bound and actions based) implementation of measures taken; and impact indicators (evaluation indicators), used for qualitative and quantitative assessment of changes, which will serve as an information base for decision-making and justification of new priorities.

NDS-2030 tracking indicators (every five years) will be based on the indicators of the results of the mid-term development programs implementation in Tajikistan (2016-2020, 2021-2025, 2026-2030).

The main data set, primarily quantitative (disaggregated by gender), will be submitted by the Agency on Statistics under the President of the Republic of Tajikistan (the specific reporting forms will be developed for relevant government and non-government organizations), as well as other ministries and agencies (based on their respective areas of operation), which will be fully responsible for the reliability of collected data. At the same time, the use of the findings of experts' studies will play an important role.

The tasks and role of the local executive bodies of state power in the M&E system are the following: collection of information on NDS-2030 activities implementation in their territories; analysis of the process of implementation of national priorities and course of actions of the Strategy in the regions; suggestions submission to the Government of the Republic of Tajikistan, the Local Development Committee under the President of the Republic of Tajikistan, as well as the relevant sectoral ministries and agencies.

Involvement of the civil society and self-government bodies will be a mandatory condition for M&E of NDS-2030, especially in those areas that are not covered by official statistics.

The collection of public proposals and comments on all policies and practices of the implementation of the NDS-2030 is open and public. All the stakeholders and the whole society will be provided with an access (including through the media) to the results of monitoring and evaluation of the NDS-2030.

**The M&E system will also include an appropriate system of reporting on the results of NDS-2030 implementation and its stages.** Reports on the implementation of the medium-term development programs in Tajikistan (2016-2020; 2021-2025; and 2026-2030) will be intermediate reports on the implementation of NDS-2030 in both the sector and the region. The relevant local executive bodies of state power will provide sector related reports on the implementation of the Mid-term Development Program of Tajikistan to the line ministries and agencies.

To this end, responsible bodies / persons, in charge of coordinating the process of M&E in their agencies, as well as responsible for summarizing information and preparing reports on the implementation of the mid-term development programs in order to further submit it (after approval by management) to the Ministry of Economic Development and Trade of the Republic of Tajikistan, will be identified in all local sectoral agencies and local authorities. **The Ministry consolidates and analyzes all received information**, with the involvement of all stakeholders (representatives of civil society, business entities and international development partners). If needed, the Ministry of Economic Development and Trade of the Republic of Tajikistan can carry out monitoring, on a random basis, of submitted reports on the implementation of the mid-term development programs of Tajikistan (with the involvement of representatives of civil society, businesses entities and international development partners).

Finalized reports on the implementation of the mid-term development programs of Tajikistan (as a result of monitoring the progress of NDS-2030 stages implementation) and the Report on the assessment of the implementation of the NDS-2030 should be submitted for discussion and approval to the National Development Council.

M&E will be financed by the state budget. It is also advisable to attract donor funds and receive contribution of civil society organizations and business structures to strengthen institutional capacity of the M&E system.

The Government of the Republic of Tajikistan, in cooperation with all relevant stakeholders, will take a number of measures to further strengthen and continuously build capacity and effectiveness of the M&E system.

The Government of the Republic of Tajikistan, taking into account annual monitoring and evaluation of changes at the global markets and their impact on diverse sectors of the national economy, will finalize the provisions of the NDS-2030.

## The main target indicators of NDS-2030

| Indicators   | Unit of measurement | 2015                   | Industrial scenario |               |               | Industrial-innovative scenario |             |                |
|--|---------------------|------------------------|---------------------|---------------|---------------|--------------------------------|-------------|----------------|
|  |                     |                        | 2020                | 2025          | 2030          | 2020                           | 2025        | 2030           |
| The number of population (end of year)                 | Thousand people     | 8547,4<br>(01.01.2016) | 9500                | 10490         | 11580         | 9500                           | 10490       | 11580          |
| GDP per capita   | Somoni              | 5663                   | 8430                | 12297         | 17754         | 8869                           | 14302       | 23131          |
| Real GDP growth rate, on average per year              | %                   | 6,0                    | 6,7                 | 6,9           | 7,8           | 7,5                            | 8,9         | 9,6            |
| Gross domestic savings to GDP                          | %                   | 18,0                   | 22                  | 26            | 28            | 30                             | 35          | 40             |
| The share of private investment in GDP                 | %                   | 5                      | 10                  | 15            | 18            | 12                             | 20          | 25             |
| The share of industry in GDP                           | %                   | 12,3                   | 12,5-<br>13,2       | 16            | 20-<br>20,5   | 13-<br>13,5                    | 16-<br>16,5 | 20-21,0        |
| Including:   |                     |                        |                     |               |               |                                |             |                |
| - Extractive industry                                  | %                   |                        | 11-12               | 11-<br>11,5   | 9-10          | 11-<br>11,5                    | 10-<br>10,5 | 8-9            |
| - Processing industry                                  | %                   |                        | 72-74               | 74-75         | 76-<br>75,5   | 73-74                          | 75-76       | 78-78,5        |
| - Production and distribution of gas, water and energy |                     |                        | 15-16               | 14,0-<br>14,5 | 14-<br>14,5   | 15-<br>15,5                    | 14-<br>14,5 | 13-13,5        |
| The share of agriculture in GDP                        | %                   | 23,3                   | 21                  | 20,1          | 19-<br>19,5   | 19,5-<br>20,5                  | 18-<br>18,5 | 17-18          |
| The share of services in GDP (excluding construction)  | %                   | -                      | 37-37,5             | 34-<br>34,2   | 28,5-<br>29,5 | 38-<br>38,5                    | 35-<br>35,5 | 30-30,6        |
| Including construction                                 | %                   |                        | 16-16,5             | 17-           | 18,5-<br>18,5 | 16-<br>16-                     | 18-<br>18-  | 19,2-<br>19,2- |

|  |                                 |      |       |  |       |       |       |       |       |
|--|---------------------------------|------|-------|--|-------|-------|-------|-------|-------|
| <b>Net indirect taxes in GDP</b>                           |                                 |      |       |  | 17,6  | 19,5  | 16,5  | 18,5  | 20,2  |
|  | %                               | 13,4 | 12,6  |  | 12,5  | 12,5  | 12,3  | 12    | 12    |
| <b>Electricity generation, total</b>                       | bln. kW.<br>hour                | 17,1 | 26,2  |  | 37,5  | 40,7  | 26,2  | 37,6  | 45    |
| <b>HPP electric power generation</b>                       | bln. kW.<br>hour                | 16,8 | 24,5  |  | 34,4  | 37,6  | 24,5  | 34,5  | 41,6  |
| <b>Electricity generation per capita</b>                   | thous. kW.<br>hour /<br>person. | 2,02 | 2,78  |  | 3,64  | 3,67  | 2,78  | 3,65  | 4,06  |
| <b>The growth of industrial production (2015)</b>          | %                               | 100  | 160   |  | 260   | 400   | 200   | 400   | 510   |
| <b>Monetization (according to GDP broad money measure)</b> | %                               | 22,3 | 32-34 |  | 36-38 | 40-42 | 44-46 | 48-50 | 52-56 |
| <b>Loans to GDP</b>  | %                               | 23,2 | 30-32 |  | 34-36 | 38-40 | 39-41 | 43-46 | 48-50 |
| <b>Capitalisation (securities) to GDP</b>                  | %                               | 0    | 6-8   |  | 8-10  | 10-12 | 8-10  | 12-14 | 16-20 |
| <b>Oil extraction</b>                                      | thous. tons                     | 24,6 | 25,0  |  | 30,0  | 36,0  | 30,6  | 37,5  | 45,0  |
| <b>Gas production</b>                                      | thous. m <sup>3</sup>           | 4102 | 4600  |  | 5000  | 6000  | 5750  | 6250  | 7500  |
| <b>Coal mining</b>   | mln. tons                       | 1,04 | 4,05  |  | 6,9   | 10,4  | 5,3   | 10,3  | 15,1  |
| <b>Cargo turnover</b>                                      | bln. t. km                      | 6,32 | 7,9   |  | 9,2   | 12,3  | 8,0   | 10,2  | 14,9  |
| <b>Passenger traffic</b>                                   | bln.<br>passengers.<br>km       | 10,6 | 13,2  |  | 15,5  | 20,6  | 13,3  | 17,0  | 24,8  |



**Social indicators of NDS-2030**

| Indicator  | Unit of measurement | 2015         | Forecast                             |                   |                        |
|--|---------------------|--------------|--------------------------------------|-------------------|------------------------|
|  |                     |              | 2020                                 | 2025              | 2030                   |
| Life expectancy at birth, including<br>- Men<br>- Women  | years               | 73,5         | 75,7                                 | 77,8              | 80,0                   |
|  |                     | 71,7         | 73,8                                 | 75,9              | 78,0                   |
| The share of middle-class  | %                   | 75,5         | 77,7                                 | 80,0              | 82,2                   |
| Creating a new full-time productive jobs   | places              | 22,4         | 30                                   | 40                | 50                     |
|  |                     | 61<br>thous. | Annually not less than 100 thousand. |                   |                        |
| The share of persons with vocational education among the working population, including women                           | %                   | 26           | Not less than 30                     | Not less than 50  | Not less than 60       |
|  |                     | 20           | Not less than 24                     | Not less than 40  | Not less than 50       |
| Real wage growth (average annual growth)   | %                   | 0,6          | 5                                    |                   |                        |
| The ratio of women's wages to men's wages  | %                   | 62           | 65                                   | 70                | 75                     |
| Developed (available) standard specifications and standards for the provision of services to the vulnerable population | units               | 6            | 10                                   | 12                | 15                     |
| The share of social security and health care institutions, which buildings are adapted for people with disabilities    | %                   | 50           | 100                                  | 100               | 100                    |
| Coverage of children from three to six years old with pre-school education   | % of the age group  | 12           | 30                                   | 40                | 50                     |
| The average number of years of study in school   | years               | 9,6          | 10                                   | 11                | 12                     |
| Total expenditure on science   | % of GDP            | 0,15         | Not less than 0,8                    | Not less than 1,2 | Not less than 1,5      |
| The share of people, employed in R & D, in total employment  | %                   | 0,15         | Not less than 0,3                    | Not less than 0,5 | Not less than 0,6-0,65 |

|  |                               |       |       |        |        |
|--|-------------------------------|-------|-------|--------|--------|
| <b>The proportion of regions that use per capita financing in the health care system</b> | <b>number /%</b>              | 18/28 | 60/92 | 65/100 | 65/100 |
| <b>The growth of real pensions (average annual growth)</b>                               | <b>%</b>                      | -     | 6     |        |        |
| <b>The level of housing provision</b>  | <b>m<sup>2</sup> / person</b> | 12    | 13    | 15     | 17     |

**Cross-sectoral indicators and international comparisons**

| Indicators   | Unit of measurement | 2015   | Forecast  |   |   |
|--|---------------------|--|---|---|---|
|  |                     |  | 2020  | 2025  | 2030  |
| The poverty rate   | %                   | 31   | 20  | 18  | 15  |
| The extreme poverty rate   | %                   | 15,7   | -   | -   | 0   |
| Human capital development  | index               | 67,24<br>(ranked 65)                           | Not below<br>60                                       | Not below<br>55                                       | Not below<br>50                                       |
| Human Development Index (HDI)  | index               | 0,624  | 0,667   | In the group with high levels of human development    |   |
| Gender Inequality Index (GII)  | rating              | 69 out of 155 countries                        | Not less than 60                                      | Not less than 55                                      | Not less than 50                                      |
| Gender Development Index (GDI)   | group               | 3d group according to the level of development | In the 2d group according to the level of development | In the 2d group according to the level of development | In the 2d group according to the level of development |
| Losses in the Human Development Index as a result of the inequality              | %                   | 19   | 18  | 17  | 16  |
| The share of employment in the informal sector                                   | %                   | 40   | 37  | 35  | 30  |
| The level of food self-sufficiency   | %                   | 55   | 60  | 65  | 70  |
| Economic affordability of food (public expenditure on food of the total revenue) | %                   | 55-56  | 22-50   | 47-45   | 42-40   |
| Doing business   | Rating              | 132d out of 189 countries                      | Not below 80  | Not below 70  | Not below 60  |

|  |                     |   |   |  |
|--|---------------------|---|---|--|
| <p><b>The quality of public administration:</b><br/> <b>Consideration of public opinion and public accountability</b><br/> <b>Political stability and the lack of violence</b><br/> <b>Government effectiveness</b><br/> <b>The quality of legislation</b><br/> <b>The rule of law</b><br/> <b>Control of corruption</b><br/> <b>Ensuring the transparency of the state budget</b></p> | <p><b>Index</b></p> | <p>7,11<br/>14,69<br/>14,83<br/>14,83<br/>9,95<br/>10,05<br/>25 out of<br/>100<br/>requirements</p> | <p>In the group of reformers</p>  | <p>Leader of the Central Asian countries<br/><br/>In the group of leaders of the CIS countries</p> |
| <p><b>Competitiveness of the national economy</b></p>  | <p><b>index</b></p> | <p>4,03<br/>(Rating of competition based on resource)</p>   | <p>Rating of transition from the competition based on the resources to competition based on performance</p> | <p>Rating of competition based on performance</p>  |
| <p><b>Ratio of men and women in loan recipients of Microfinance Institutions</b></p>   | <p><b>%</b></p>     | <p>34</p>   | <p>36</p>   | <p>40</p>  |
| <p><b>Environmental sustainability</b></p>   | <p><b>index</b></p> | <p>31,34<br/>(154 out of 178 countries)</p>   | <p>In the group of leaders of Central Asian countries</p>   | <p>In the group of leaders of Central Asian countries</p>  |