

## TAJIKISTAN

### JOINT COUNTRY PARTNERSHIP STRATEGY


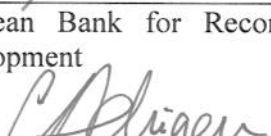
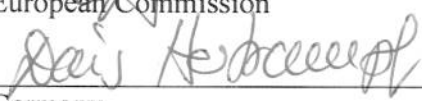

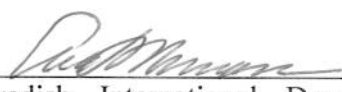

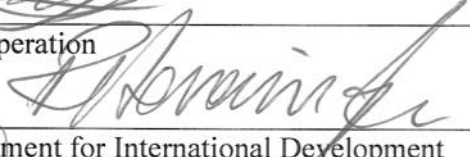
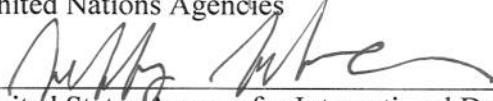
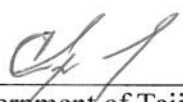
Following the June 2007 Tajikistan Development Forum in Dushanbe, the twelve development partners named below decided to develop a Joint Country Partnership Strategy (JCPS) with the aim of enhancing aid efficiency and effectiveness.

This document, the result of extensive collaboration among JCPS partners, has three main objectives: *first*, to affirm JCPS partners' common commitment to support Tajikistan's overall development goals and strategy—as described in its National Development Strategy (NDS), 2006-15 and related Poverty Reduction Strategies; *second*, to outline a shared strategic vision and operational framework for more effective coordination and management of JCPS partners' resource flows to the country; and *third*, to define the measures needed to achieve agreed development outcomes, including the benchmarks by which shared principles of aid effectiveness will be monitored.

The development partner signatories below share the overall objectives and directions of the JCPS and plan to cooperate closely with the Government of Tajikistan in furthering its goals. Similarly, the Government of Tajikistan plans to coordinate closely with JCPS development partners in improving aid efficiency and effectiveness.

This document reflects the shared intentions of the twelve development partners and the Government of Tajikistan, but is neither a pledge of new funds nor otherwise legally binding.

Dushanbe, 02 November, 2009

  
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Asian Development Bank  
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European Bank for Reconstruction and Development  
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Organization for Security and Cooperation in Europe Office in Tajikistan  
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United States Agency for International Development  
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World Bank Group  
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Government of Tajikistan

# TAJIKISTAN

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## JOINT COUNTRY PARTNERSHIP STRATEGY 2010 - 2012

This Joint Country Partnership Strategy was prepared by the Aga Khan Foundation, Tajikistan, Asian Development Bank, European Bank for Reconstruction and Development, European Commission, Germany, Organization for Security and Cooperation in Europe Office in Tajikistan, Swedish International Development Cooperation Agency, Swiss Cooperation, UK Department for International Development, United Nations Agencies, United States Agency for International Development, and World Bank Group

NOVEMBER 2009

## LIST OF ABBREVIATIONS

AKDN	–	Aga Khan Development Network
ADB	–	Asian Development Bank
CAREC	–	Central Asia Regional Economic Cooperation
DCC	–	Donor Coordination Council
DfID	–	Department for International Development, UK
EBRD	–	European Bank for Reconstruction and Development
EC	–	European Commission
FDI	–	Foreign Direct Investment
GDP	–	Gross Domestic Product
GTZ	–	Gesellschaft für Technische Zusammenarbeit, Germany
IDB	–	Islamic Development Bank
IMF	–	International Monetary Fund
JCPS	–	Joint Country Partnership Strategy
MDG	–	Millennium Development Goal
MTEF	–	Medium Term Expenditure Framework
NBT	–	National Bank of Tajikistan
NDS	–	National Development Strategy
NGO	–	Non-governmental Organization
OSCE	–	Organization for Security and Cooperation in Europe Office
PIP	–	Public Investment Program
PIU	–	Project Implementation Unit
PMU	–	Project Management Unit
PPP	–	Public-Private Partnership
PRSP	–	Poverty Reduction Strategy Paper
SCISPM	–	State Committee on Investments and State Property Management
SCO	–	Swiss Cooperation Office
SIDA	–	Swedish International Development Cooperation Agency
SOE	–	State-Owned Enterprise
TA	–	Technical Assistance
TLSS	–	Tajikistan Living Standards Survey
UN	–	United Nations
UNICEF	–	United Nations Children's Fund
UNDP	–	United Nations Development Program
USAID	–	United States Agency for International Development
WB	–	World Bank
WFP	–	World Food Program
WHO	–	World Health Organization

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## EXECUTIVE SUMMARY

### INTRODUCTION:

JCPS' three main objectives are: *first*, to affirm partners' common commitment to support Tajikistan's development goals—as described in its National Development Strategy (NDS) and related Poverty Reduction Strategies (PRS); *second*, to outline a shared strategic vision and operational framework for more effective coordination and management of JCPS partners' resource flows—including measures to improve their predictability, reduce transaction costs, promote programmatic approaches, encourage an agreed division of labor, and strengthen mutual accountability; and *third*, to define the measures needed to achieve agreed development outcomes, including the benchmarks by which shared principles of aid effectiveness will be monitored.

### COUNTRY CONTEXT:

Tajikistan's principal development challenges—in addition to its remote location, small size, limited resource endowment, and Soviet legacy—include: reducing poverty; restoring and maintaining macroeconomic stability; managing external debt; strengthening physical infrastructure; deepening human capital; accelerating reforms; and regional cooperation.

### TAJIKISTAN'S STRATEGY

PRS-2's principal real sector and structural reform priorities, embedded in the long-term NDS, will remain relevant well beyond 2009. It is expected that, suitably modified and updated in the light of experience, they will form the core of the planned PRS-3, 2010-12 that is now under preparation.

### JCPS SUPPORT, 2010-12:

JCPS partners' assistance during 2010-12, based on PRS-3, is expected to concentrate on three broad areas: (a) support for broad-based economic growth—by increasing productivity in agriculture, realizing export potential in energy, improving connectivity in transport, and strengthening other physical infrastructure required to enable growth; (b) support for human development—by enhancing education and health and by addressing vulnerability through improved social protection; and (c) support for good governance—by reforming public administration (including the civil service and wages) and public financial management, promoting private and financial sector development, and strengthening the rule of law.

### ALIGNMENT PRIORITIES:

In line with the fourth of the agreed shared principles of aid effectiveness, the overall JCPS and Government goal for improved alignment may be summarized as follows: One Strategy (*i.e.* the NDS/PRS-3); One Coordinating Mechanism; and One Monitoring & Evaluation and Results Framework.

## TAJIKISTAN: JOINT COUNTRY PARTNERSHIP STRATEGY, 2010-12

### I. INTRODUCTION

1. **Background.** Although external aid to Tajikistan has increased considerably over the past decade—from about \$100 million in 1997, then mainly for post-civil war humanitarian and relief activities, to over \$270 million in 2006, now mainly for economic and social development—it remains modest in *per capita* terms and relative to the country's needs. Moreover, resource flows are viewed as uncertain, in amount and timing, and, owing partly to the Tajik authorities' limited absorptive capacity, their development impact as slight. There is also a perception—confirmed by the findings of a recent study<sup>1</sup>—that aid efficiency and effectiveness could be improved significantly, if there were better coordination between development partners and with the Government as well as enhanced government capability. This conclusion is especially pertinent, given the growing number of development partners, including several new ones such as China, Iran, and Kazakhstan<sup>2</sup>.

2. The goal of improving aid efficiency and effectiveness in Tajikistan is a shared responsibility of both development partners—individually and as a group—and the Government. It is also an obligation under the terms of the 2005 Paris Declaration on Aid Effectiveness and, more recently, the 2008 Accra Agenda for Action, which together emphasized: country ownership of development strategies and programs; alignment of donors' efforts with these programs; harmonized donor interventions to reduce overall transaction costs; and, managing for results as well as mutual accountability at country level. Indeed, the Accra Agenda poses at least four specific challenges to donors, including: (a) to use country, rather than donor systems to deliver aid—*e.g.* by channeling at least 50% through recipient country budgets; (b) to replace prescriptive 'conditionality' with a limited set of agreed understandings based on a country's development objectives; (c) to provide 3—5 year estimates of planned aid; and (d) to verify country-level efforts to reinforce mutual donor-recipient accountability by independent, evidence-based evaluation.

3. **JCPS Process.** Against this background, following the June 2007 Tajikistan Development Forum in Dushanbe, a core group of five development partners—later expanded to twelve<sup>3</sup>—resolved to develop a Joint Country Partnership Strategy (JCPS) with the aim of enhancing aid efficiency and effectiveness. This process, underway since January 2008, entailed reviews of donor coordination in key sectors, aid effectiveness and coordination studies, and numerous consultations (including three 2-day retreats) to discuss concepts, principles and

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<sup>1</sup> Tajikistan-Aid Effectiveness Study, Wolfensohn Center for Development, Brookings Institution, 2008

<sup>2</sup> Over 80 development partners are currently represented in Dushanbe, comprising about 25 multi- and bi-lateral institutions, 16 UN Specialized Agencies, and over 40 non-governmental organizations (NGOs) ([www.untj.org](http://www.untj.org))

<sup>3</sup> Aga Khan Foundation Tajikistan, Asian Development Bank, European Bank for Reconstruction and Development, European Commission, Germany, Organization for Security and Cooperation in Europe Office in Tajikistan, Swedish International Development Cooperation Agency, Swiss Cooperation, UK Department for International Development, United Nations Agencies, United States Agency for International Development, and World Bank Group.



desired outcomes. It was facilitated by a moderator<sup>4</sup> and supported by a secretariat financed by several donors.

4. The process has already brought about important changes in development partner behavior as well as several new partner-government initiatives—for example, in agriculture and health—which have achieved concrete results based on common principles in line with the Paris Declaration and Accra Agenda. Meanwhile, the overall outcome is this JCPS, which has three main objectives: *first*, to affirm JCPS partners' common commitment to support Tajikistan's overall development goals and strategy—as described in its National Development Strategy (NDS), 2006-15 and related Poverty Reduction Strategies; *second*, to outline a shared strategic vision and operational framework for more effective coordination and management of JCPS partners' resource flows—including measures to improve their predictability, reduce transaction costs, promote programmatic approaches, encourage an agreed division of labor, and strengthen mutual accountability; and *third*, to define the measures needed to achieve agreed development outcomes, including the benchmarks by which shared principles of aid effectiveness will be monitored, and to strengthen Government capacity to plan, manage, monitor and evaluate the impact of development cooperation. The rest of this document comprises five sections: the first two summarize briefly the country's development context, challenges and constraints and, against this background, its development strategy; the third discusses aid effectiveness and coordination issues; the fourth describes how JCPS partners are supporting the country's development; and, the fifth outlines agreed JCPS partners and Government priorities for improved alignment.

## II. COUNTRY CONTEXT

5. A small, landlocked economy, with a population of about 7.2 million, Tajikistan is one of the least accessible countries in the world. Its high mountainous terrain and remoteness, compounded by ineffective infrastructure and a weak governance and regulatory framework, are significant barriers to external trade, connectivity, and investment. It was and remains the poorest of the countries that emerged from the former Soviet Union and its fragile economy, still heavily reliant on agriculture, aluminum and hydro-electric power—as well as on its neighbors, especially Uzbekistan, for international trade and transit—is vulnerable to unexpected shocks such as the severe 2007-08 winter, the 2007 upsurge in world food and fuel prices, and, more recently, the global economic crisis. Its post-independence five-year civil war (1992-97) caused huge economic and human losses amounting to an estimated 60% of GDP and up to 50,000 lives respectively and greatly complicated its initial economic transition.

6. **Poverty.** Owing to robust growth since 2000, Tajikistan's income *per capita* reached \$703 in 2008 according to official data<sup>5</sup>. However, although declining steadily since 1999, poverty remains high, especially in isolated rural and mountainous areas, where about 70% of the population is poor. In 2007, 53% of the population was living below the poverty line of \$41 monthly—down from 64% in 2003 and 83% in 1999—and 17% below the extreme poverty line

<sup>4</sup> Johannes F. Linn, Senior Fellow and Executive Director, Wolfensohn Center for Development, Brookings Institution, Washington, D.C.

<sup>5</sup> Ministry of Economic Development & Trade

of \$26 monthly<sup>6</sup>. Income disparities are large—Tajikistan's *gini* coefficient is 0.51—and they differ by region: for example, 69% of the population in Sogd is poor, compared to only 43% in Dushanbe. Food insecurity is also high, varying according to location and season. While school enrollment, infant and child mortality, and other poverty and social indicators have improved during the last decade, public services remain constrained by insufficient funds.

7. **Millennium Development Goals (MDGs).** Despite recent advances, there has been only limited progress as regards non-income dimensions of poverty, and Tajikistan is one of the few countries in Central Asia that is unlikely to achieve many of its MDGs. Increased access to improved water sources and sanitation facilities in rural areas and strengthened health services to help reduce maternal mortality, improve family planning, and increase knowledge about HIV/AIDS prevention are specific areas where more effort is required. Meanwhile, to arrest further deterioration, there is an urgent need to improve the quality of social services and to design reliable safety nets for vulnerable groups, including the aged and the unemployed. In addition, if low-productivity employment, rather than unemployment, is the main cause of poverty, as some evidence suggests, improved education and skills training are required, especially for women, to create opportunities for more gainful employment, whether at home or abroad.

8. **Political Environment.** Tajikistan is a presidential republic, with a bicameral legislature made up of a 63-member Council of Representatives, the lower house, and a 33-member National Council, the upper house. The People's Democratic Party (PDP), led by the president, Imomali Rahmon, won the February 2005 general election and controls both houses. The next general election is due in February 2010. Real power, however, is concentrated in the executive rather than the legislative or judicial branches of government and civil society's role in the political process remains weak. As a result, there is little public accountability or transparency and corruption is a key development challenge.

9. **Recent Economic Developments.** Following the civil war, the economy stabilized, output recovered and, since 2000, growth has averaged over 8% annually. While the restoration of total factor productivity and macroeconomic and structural reforms were the initial basis, growth was later driven largely by a favorable external environment—mainly high world prices for aluminum and cotton, Tajikistan's principal exports—and also by the impact of rapid development in Russia, leading to rising demand for Tajik migrant labor. This in turn resulted in an explosive surge in remittances, which soared from an estimated \$82 million, or 5% of GDP, in 2003 to \$2.6 billion, or about 50% of GDP, in 2008. Nonetheless, despite its narrow base and high dependence on a few commodities and on remittances, the economy is gradually diversifying, reflected *inter alia* in the much smaller share of aluminum and cotton in value-added (10% in 2006 compared to 30% in 2000) and an increase in the output of non-traditional products.

10. In 2007, however, macroeconomic management deteriorated significantly. First, the authorities revealed that most of the country's foreign exchange reserves had in effect been either pledged, or could be called on to cover guarantees made by the National Bank of Tajikistan (NBT), the country's central bank, to a private non-bank financial institution—ostensibly for

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<sup>6</sup> Source: Projections based on Tajikistan Living Standards Survey (TLSS), 2007



cotton financing. Second, the NBT issued domestic credits equivalent to 8% of GDP to the same institution, almost tripling the base money supply. Meanwhile, increases in global food and fuel prices, alongside lax monetary policy, pushed year-on-year inflation to almost 20% by end-2007. Although the 2007-08 winter, the coldest in over forty years, destroyed crops and livestock and pushed food prices even higher in early 2008, inflation slowed during the second half and by end-2008 had fallen to less than 12%, reflecting lower overall demand as a result of already declining remittances. The current account deficit, having risen sharply to the equivalent of over 11% of GDP in 2007—owing to a 58% increase in imports mainly of capital goods for large infrastructure projects—narrowed to less than 9% by end-2008.

11. Thanks to stricter expenditure controls and better than expected revenue collection, the overall fiscal balance improved—from a deficit equivalent to more than 6% of GDP in 2007 to a surplus of 1.3% in 2008 (excluding the public investment program). Similarly, lower public borrowing, debt relief, and rapid GDP growth helped strengthen the country's debt sustainability indicators: the external debt to GDP ratio declined from 46% in 2005 to 29% by end-2008, well below the Government's ceiling of 40%.

12. **Global Economic and Financial Crisis.** Since early 2009, the global economic and financial crisis has adversely affected Tajikistan's economy in several important ways. First, owing to reduced demand for migrant labor in Russia, remittances in 2009 are projected to fall by at least 35%, or about \$800 million, equivalent to 15% of GDP. This will curtail private consumption, shrink construction activity, and, given the very low level of international reserves, reduce imports. Second, the Ministry of Labor and Social Protection (MLSP) estimates that at least 100,000 workers, or 10% of the estimated 1 million Tajiks employed in Russia and Kazakhstan in 2008, returned home during the first quarter of 2009, with many more expected to do so in coming months. This involuntary repatriation of potentially large numbers of migrant workers, many of them young, will place new demands on public services and, in addition, possible pressures on the country's social fabric. Third, weakening global demand and falling prices are already lowering the value of aluminum and cotton, which in recent years have together accounted for over 80% of Tajikistan's exports. Fourth, while the crisis may not impact Tajikistan's financial sector directly owing to its relatively weak international links, its banking system is under stress owing to potentially non-performing cotton-related debt, which in mid-2008 amounted to 22% of total bank capital. Finally, foreign investment, although not substantial, is likely to decline (*e.g.* to \$100 million in 2009), possibly affecting plans for some large infrastructure projects. Reduced availability of external financing in general will also put pressure on the balance of payments, the reserves, the exchange rate and the current account.

13. **Short-term Outlook.** Tajikistan's short-term economic prospects have thus deteriorated appreciably in the last few months. According to current Government and IMF estimates: GDP growth in 2009 will be only 2%, down from almost 8% in 2008; revenues will be 15% less than planned in the approved 2009 budget; the current account deficit will increase to 10% equivalent of GDP, up from less than 9% in 2008; and the balance of payments financing gap will be \$155 million in 2009 and \$45 million in 2010. Food insecurity, always a concern, may also worsen. Given continuing uncertainties about the length and depth of the global recession and, in particular, its impact on Tajikistan's economy, development partners may need to remain on

standby for possible future emergency budget support—in addition to the \$72 million provided in 2009 so far.

14. **Key Development Challenges and Constraints.** Against this background, Tajikistan's principal development challenges—in addition to its remote location, small size, limited resource endowment, and Soviet legacy—include the following:

- **Reducing Poverty.** Despite major progress since 1999, over half the population remained below the poverty line in 2007. Tajikistan is also unlikely to achieve most of its MDGs by 2015. Compounding these realities, the global downturn has lowered demand for, and the value of the country's two main exports and also for migrant workers in Russia—resulting in a steep decline in remittances and new, potentially large pressures on social services. If remittances fall by 35% in 2009 and beyond, two thirds of the population would be negatively affected.
- **Restoring Macroeconomic Stability.** Tajikistan's macroeconomic framework has deteriorated, especially since early 2009, and remains fragile. The slowdown in external trade and overall economic activity since end-2008 has put pressure on the balance of payments, the reserves, the exchange rate and the current account. Improved macroeconomic management will require continued political will and bureaucratic support for ongoing reforms in the overall regulatory framework and public finance system.
- **Managing External Debt.** While Tajikistan's resilience to adverse shocks has improved since 2007, its risk of debt distress remains high, according to a recent update of the World Bank/IMF 2007 debt sustainability analysis (DSA). Thus, declines in GDP and export growth and/or shortfalls in other inflows (e.g. remittances) in the amounts now projected for 2009 and beyond could undermine debt sustainability. External borrowing for large infrastructure projects, albeit on concessional terms, involves inherent risks—of implementation delays, cost overruns, and sub-optimal economic returns upon completion—and needs to be undertaken with care. The Government's recent decision to limit external debt to 40% of GDP is important in this respect.
- **Strengthening Physical Infrastructure.** Tajikistan's physical infrastructure, weakened by too little maintenance and investment owing to the long civil war, natural disasters, resource constraints, and poor management, remains in poor shape. For example, its energy system suffers from high commercial and system losses and low reliability—failing almost completely during the harsh winter of 2007-08—and its road and rail networks including key regional links with and through its neighbors—are characterized by low speeds and high operating costs.
- **Deepening Human Capital.** No less serious, Tajikistan's human capital is seriously depleted, owing *inter alia* to the lack of a strategic approach, poor prioritization of reforms, and serious governance shortcomings. Education and health outcomes have deteriorated markedly, despite increased public investment, and the education system

has itself become a constraint in terms of easing critical capacity constraints at all levels.

- **Accelerating Reforms.** Tajikistan's agenda of remaining structural reforms is long, with those relating to agriculture, and especially cotton, arguably the most urgent and vital—specifically, actions to improve the sector's viability, resolve the existing stock of debt, and, indirectly, ensure the banking system's solvency. Other priorities include: (a) strengthened governance of the main large state-owned enterprises; (b) improved public administration, management, and service delivery; (c) a more transparent and predictable legal and judicial system; (d) land reform; and (e) measures to enhance the investment climate needed to promote private sector development.
- **Regional Cooperation.** Finally, Tajikistan's dependence on its neighbors for international trade and transit make regional cooperation and coordination an inescapable and permanent development challenge. Relations with Uzbekistan, Tajikistan's principal railway connection to the rest of the world, remain strained and will likely remain so unless and until their conflicting interests over regional, trans-boundary water and energy use can be alleviated, if not resolved.

### III. TAJIKISTAN'S DEVELOPMENT STRATEGY

15. **National Development and Poverty Reduction Strategies.** Tajikistan's overall development goals were articulated originally in its first Poverty Reduction Strategy (PRS-1), 2002-06 as follows: *first*, sustained economic growth; *second*, improved governance; and *third*, increased access to social services. PRS-1 viewed agricultural growth and increased agricultural exports—as well as adequate infrastructure for communications, energy, transport, and water supply—as the key prerequisites for growth. It also aimed to promote private sector development, strengthen financial discipline and good governance, and streamline, including better target, the delivery of social services. Five of PRS-1's nine poverty reduction targets overlapped with the country's MDGs (poverty, primary education, infant mortality, maternal mortality, and reproductive health).

16. In 2007, the Government issued a 10-year National Development Strategy (NDS), 2006-15 that featured three overall goals which, in effect, updated or further defined those of the PRS-1, namely: (a) promotion of sustainable economic growth; (b) improvement of public administration; and (c) development of human resources. At the same time, it also approved PRS-2, 2007-09, which defined in more detail and operationalized priorities for the NDS' first three years. PRS-2 is organized around three pillars: first, a *functional* pillar, comprising: public administration reform, macroeconomic management, the investment climate, private sector development, regional cooperation, and global economic integration; second, a *production* pillar, comprising agriculture, energy and industry, food security, and infrastructure; and third, a *social* pillar, comprising education, health, housing, social welfare and water and sanitation. It also addresses several cross-cutting issues such as widespread corruption, weak public procurement

and financial management, excessive state involvement in the economy as well as demographic change, environmental management, and gender equality.

17. PRS-1 provided for a public investment program (PIP) of about \$690 million, of which 80% was allocated to projects in the following priority sectors: energy—25%; transport—24%; and agriculture, irrigation and water supply, and social security—10% each. PRS-2 included a much larger PIP totaling almost \$2.3 billion. However, most projects remain still to be fully implemented, owing to weakening public financial management, the 2007-08 winter energy and food crises and, since early 2009, the ongoing global economic crisis.

18. **Summary of Progress.** Overall, Tajikistan's economic performance during PRS-1 and the first year of PRS-2 was good, with GDP growth averaging over 8% annually. Some progress was also made in reforming public utility and transport institutions and in improving their financial viability. In energy, for example, gas tariffs were adjusted to reflect the import price with the aim of achieving full cost recovery by 2012 and, while electricity tariffs remain far below (despite substantial increases), full cost recovery levels are expected to be achieved by 2013. At the same time, the 2007-08 winter energy crisis—caused partly by poor management of the Nurek reservoir and a dry summer—highlighted the need for urgent measures to improve demand and crisis management capacity and to rehabilitate energy infrastructure.

19. In agriculture and rural development, PRS-2 emphasized two main issues: (a) small farmers' access to land-use rights; and (b) a strategy for resolving the cotton debt. For the former, farms continue to face high levels of debt both to banks and to ginneries, which also control the supply of inputs; and, despite various reforms implemented with development partners' support, local authorities continue to interfere in farmers' land use and production decisions. Meanwhile, the cotton debt—reportedly totaling about \$550 million equivalent—has been addressed through two Presidential Decrees, in 2007 and 2009 respectively. The 2009 Decree, which established cotton debt resolution mechanisms, is being implemented by a working group established by the Government.

20. On the other hand, strong economic performance has not translated into proportionate improvements in education, health, social protection or gender outcomes. Public expenditure on education and health has increased steadily—to 4.1% and 1.5% of GDP respectively in 2008—but remains low by international standards. Education and health system reforms are underway, focusing on access, financing, and quality issues, and updated strategies for both are under preparation. But the country's 2008 Gender Equality Index retreated by almost 9% compared to 2004 on all key indicators—education, economic activities and political empowerment. In this context, a prime concern is the Government's seemingly ambiguous commitment to the human development agenda and, given its preoccupation with large, visible infrastructure investments, the related need for a more balanced approach to public investment.

21. The environment for private sector development also remains problematic. While there have been some improvements in the regulatory framework, permits and inspections for small businesses and the lack of protection under the law—especially the unpredictable and opaque commercial judicial system—continue to deter investment.



22. Finally, despite modest albeit important progress in public financial management, procurement, and public administration, there has been little discernible progress toward improved governance or transparency, especially in the large state-owned enterprises. Further, although the central bank's misreporting of the country's foreign exchange reserves was first disclosed in mid-2007, it was not until early 2009 that the remedial measures required to restore confidence were completed. Absent clear steps forward on the governance agenda, recent trends may undermine the credibility of earlier apparent improvements and further discourage foreign investment.

23. Looking ahead, the problems, natural and man-made, that were experienced from mid-2007 through mid-2008 and the escalating impact of the global downturn since early 2009 together mean that the ambitious targets set out in PRS-2—now in its third and final year—are unlikely to be fully met. On the other hand, its principal real sector and structural reform priorities, embedded in the long-term NDS, will clearly remain relevant in 2010 and beyond. Thus, suitably modified and updated in the light of experience, they will almost certainly form the core of PRS-3, 2010-12 now under preparation. In this context, taking into consideration Tajikistan's new and now uncertain short-term economic outlook, PRS-3 will need: (a) to incorporate a more realistic financing plan, linked to and facilitated by the recently introduced medium-term expenditure framework (MTEF) in key sectors; (b) to prioritize and sequence reforms more precisely than under PRS-2, thereby ensuring faster progress towards the MDGs; (c) to simplify the monitoring and evaluation system—including paring substantially the excessive number of indicators (800) currently in use; (d) to address current and emerging climate change and environmental concerns; and (e) given Tajikistan's location in a natural disaster-prone region, to align emergency with development assistance by including contingency planning and risk mitigation measures.

#### IV. AID EFFECTIVENESS AND COORDINATION

24. **Background.** As noted earlier, official development assistance (ODA) to Tajikistan—about \$36 *per-capita* in 2006, the last year for which data is available—remains modest and less than the country needs to achieve its MDGs and improve its long-term growth prospects. Although much larger than Kazakhstan, Turkmenistan and Uzbekistan for reasons specific to those three countries, it is small relative to Kyrgyzstan (\$52) and other comparable CIS countries, such as Armenia (\$64), Georgia (\$69), and Moldova (\$46).

25. On the other hand, with new development partners—especially China, Iran, and Kazakhstan—and traditional partners like Russia recently playing a more prominent role in terms of financing infrastructure, the aid landscape in Tajikistan is changing. Given the significant capital required to rehabilitate and expand the country's regional energy and transport systems and the tendency of many existing partners to concentrate on human and social development, this is an important trend. It also underlines the need for improved coordination, harmonization and monitoring, and eventually a more explicit division of labor between existing JCPS and new development partners—adding a fresh and challenging dimension to the JCPS process.

26. **Aid Effectiveness.** Against this background, it has become clear that, to improve aid effectiveness, the Government needs to develop and adopt an overall planning framework, linked to national development priorities, as the formal basis for various aid coordination instruments. Accordingly, to address this issue, it is supporting the ongoing JCPS process and the latter's link to PRS-3, 2010-12 now under preparation. At the same time, it is equally clear that JCPS partners need: (a) to align their projects and programs directly with the country's national development priorities, based on clear, medium-term (3-5 year) partnership strategies; (b) to arrange, wherever possible, joint (JCPS) missions—whether for program formulation or for project preparation, appraisal or implementation; (c) to coordinate their policies and procedures for aid provision and project implementation; and (d) to support strengthening of the Government's capacity to manage its dialogue and inter-actions with the development community<sup>7</sup>. These requirements are fully consistent with development partners' commitments under the Accra Agenda for Action.

27. **Aid Coordination.** Meanwhile, recent experience suggests that, while aid coordination at periodic meetings of the Tajikistan Development Forum is important, it is not enough, due to their high level and infrequency. Second, although the Donor Coordination Council (DCC) is an important vehicle for dialogue between development partners, it does not itself improve donor-government coordination directly—for which a specific counterpart, such as the State Committee on Investments and State Property Management, is needed. Third, the level of activity, effectiveness and impact of several DCC sector working groups is uneven. Fourth, neither the NDS nor the PRS are sufficiently specific to ensure full alignment of aid—hence the need for the overall planning framework noted above, including more detailed costing of reforms. In this context, while sector-wide approaches (SWAs) may be suitable in areas where the Government is largely responsible for service delivery (e.g. education and health), other sectors need different solutions. Against this background, JCPS partners agree that, for aid coordination to be effective and achieve sustainable results, certain prerequisites need to be in place, including: (a) a clear, prioritized country-led strategy; (b) country financial management and procurement systems that can absorb resources efficiently; (c) partner interventions that are linked to the country's medium-term expenditure framework; (d) increased budget allocations; and (e) improved aid harmonization, particularly of project and program monitoring and information systems.

28. The transaction costs of aid are also an important issue in Tajikistan, given the country's absorptive capacity constraints, and both the Government and development partners agree that they need to be reduced. Actions to minimize costs include: greater use of joint sector- and sub-sector working groups; joint missions and diagnostic reviews; and, the development of common arrangements for core project implementation activities, such as procurement, disbursement, and monitoring and evaluation, as well as monitoring and reporting on development partner activities and aid flows.

29. At the sector level, there is a need to improve coordination by examining how development partners currently operate in particular program areas. Several studies have indicated that the effectiveness of engagement and coordination across and within sectors varies considerably and, unsurprisingly, that where multiple partners are involved—in public finance

<sup>7</sup> An ongoing technical assistance project supported by DfID and UNDP is studying mechanisms for improving aid, including development partner coordination.



management, for example—coordination can be problematic. Specific issues highlighted include: (a) fragmented interventions with little sustainability (e.g. in the human rights and rule of law areas); (b) overlapping activities (e.g. in public administration and management); (c) proliferation of pilot projects with little or no regard to economies of scale (e.g. in the private sector); and (d) partners' scaling back or withdrawing (e.g. in agriculture). By contrast, development partner cooperation tends to be more effective in areas where there are common strategies (e.g. in transport and energy, linked to CAREC regional strategies) and where multi-partner sector working groups are in place (e.g. in agriculture).

30. **Shared Principles of Aid Effectiveness.** In an effort to address these issues and to define a common basis for specific actions to improve aid effectiveness, JCPS partners and the Government—applying the five underlying principles of the Paris Declaration and the Accra Agenda for Action to actual circumstances in Tajikistan—recently drafted and agreed on a list of *Shared Principles of Aid Effectiveness* (Box 1). These principles are designed as a guide to encourage development partners and government agencies to work together more closely—not just bilaterally, but also in extended multi-member development partnerships. In addition, they are intended to help elaborate instruments and processes for implementation of the JCPS and its related action plan.

**Box 1. Shared Principles of Aid Effectiveness to assure  
Ownership, Harmonization, Alignment, Results and Mutual Accountability**

1. The Tajik authorities will take the lead in coordinating development partner assistance in support of and aligned with the priorities of NDS and PRS. Development partners will provide support to enhance Government's capacity for coordination.
2. The Tajik authorities, with the support of development partners, will link the annual national budget, public investment program, and aid-supported programs in an integrated programming process for greater realism and consistency.
3. Development partners will provide timely information on their activities to allow effective Government planning and reporting on aid projects, programs and flows. Development partners will seek to provide predictable, multi-year programmatic financial support.
4. In specific sectors, development partners will work with Government towards a sector approach of: one strategy, one coordination point and one monitoring and evaluation framework, including: (i) agreeing on sector strategies endorsed by the Government; (ii) moving towards a division of labor, and (iii) joint monitoring and evaluation of sector programs.
5. Development partners will focus on scaling-up successful project interventions for countrywide impact where appropriate and feasible.
6. Development partners will reduce transaction costs and strengthen partnerships through joint missions, diagnostic reviews and training activities.
7. The Tajik authorities and development partners will work together to integrate project preparation and implementation management fully into the ministerial structures and reduce the number of project implementation units by creating joint units responsible for multiple projects.
8. Development partners will support Government's efforts to improve fiduciary systems to increase the flow of funds directly into the budget.

9. The Tajik authorities and development partners will jointly consult with a wide range of stakeholders (including parliament, local government and communities, civil society, the diplomatic and aid community) in planning and implementing development partner supported programs.
10. Development partners agree to hold themselves to greater self accountability to monitor if aid coordination is working.

Source: JCPS Partners and Government, based on Paris Declaration and Accra Agenda for Action

31. Translating these principles into action on the ground will involve *inter alia*: (a) developing common arrangements for planning, monitoring and evaluation, and reporting on development partner activities as well as programming aid flows (Principle #3); (b) greater use of sector working groups (Principle #4); (c) scheduling joint missions, diagnostic reviews and training activities (Principle #6); and (d) improving monitoring and accountability systems (Principle #10). Regarding Principle #7, development partners and the Government are currently considering creating joint project implementing units (PIUs) in the Ministries of Education and Health in the context of proposed Sector Wide Approaches (SWAs) for education and health.

## V. JCPS PARTNERS' SUPPORT FOR TAJIKISTAN'S DEVELOPMENT, 2010-12

32. **JCPS Support—Themes and Sectors.** JCPS partners' planned support during 2010-12, based on PRS-3, is expected to concentrate on the following three broad themes and related sectors<sup>8</sup>:

- Support for Broad-Based Economic Growth—by increasing agricultural efficiency and profitability, enhancing energy security and export potential, improving domestic and regional transport links, and strengthening other physical infrastructure required to enable growth;
- Support for Good Governance (including transparency and anti-corruption)—by reforming public administration (including the civil service and wages) and public financial management, promoting private and financial sector development, and strengthening the rule of law and human rights; and
- Support for Human Development—by enhancing education and health; and by addressing vulnerability through improved social protection.

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<sup>8</sup> In addition to these three themes, special attention will also be paid to key cross-cutting issues such as environment and climate change, disaster risk management, gender, and migration, which are increasingly important influences on Tajikistan's development.

## Theme 1: Support for Broad-Based Economic Growth

33. Sources of growth include agriculture, energy, and regional transport and their further development will require substantial investment and related reforms. In agriculture, the key imperative is to accelerate the reorganization of farmland and the related distribution of land-use certificates. Other priorities include: improved reliability of irrigation water; increased access to agro-processing; better market information; enhanced trade infrastructure; and strengthened research and extension services. In energy, reforms are needed in three broad areas: to strengthen the key state-owned enterprises' financial viability and corporate governance; to improve the overall business environment in order to attract foreign direct investment; and, to promote regional energy sharing and export agreements. In transport, the main priorities are: to accelerate reforms in the policy, legislative and regulatory frameworks for road, rail and air; and, to develop regional networks that will help improve Tajikistan's access to international markets.

34. **Agriculture.** Following the May 30, 2009 Presidential Decree 663 "*On additional measures to support agriculture in the Republic of Tajikistan*" and based on the Government's related action plan, the Government and the DCC created six working groups to support preparation and finalization of comprehensive reforms in cotton, agricultural financing, land reform (including land administration), water sector reform, and rural development. While coordination within the DCC has improved since the establishment of a secretariat for agriculture, there is still room for improvement in two areas: (a) harmonizing policy advice to the Government; and (b) avoiding gaps and overlaps among JCPS partners with regard to farmer support and legal aid programs. At the project implementation level, JCPS partners are helping the Government to develop more efficient and effective institutional arrangements and providing the necessary technical advice in planning and development of priorities for implementation of agriculture reforms, and rehabilitation of rural infrastructure.

35. **Energy.** JCPS partners' current support for the rehabilitation of existing systems will continue during the JCPS period—through (*e.g.*) the IDA/Swiss-financed Energy Loss Reduction Project and the ADB- and KfW-financed Nurek Switchyard Reconstruction Project. These operations are crucial in terms of preventing, or at least minimizing interruptions in power supply and their principal goal is to improve overall system efficiency, as measured by reduced commercial and system losses as well as enhanced energy security. At the same time, JCPS partners also plan to help attract private investment and explore new financial instruments in order to develop export potential. Their involvement is intended to complement and leverage private sector investment—for example, by improving transparency, corporate management, the financing of feasibility studies, and defining financing strategies. Improving the business environment would also help attract quality investors to a consortium. In this connection, the Pamir Energy public private partnership (PPP) in the Gorno Badakshan Autonomous Region (GBAO)—involving the AKFED, IDA, IFC and Switzerland—could serve as a useful model. Meanwhile, other new activities will include developing: (a) alternative and renewable energy sources as well as small hydro plants, and (b) power saving and efficiency programs.

36. **Transport.** Until the recent involvement of China and Iran, the number of development partners active in transport was relatively small (ADB, EBRD, IsDB, the Kuwait Fund for Arabic Economic Development, the OPEC Fund and the Saudi Fund) and almost entirely in

roads. ADB's Central Asia Regional Economic Cooperation program has a Transport Sector Coordination Committee (TCSS) that seeks to harmonize international financial institutions' (IFI) interventions in the sector. A Transport Sector Master Plan (2008-25), prepared with ADB support, provides the basis for the Government's strategic planning and, as such, it will also provide a framework for JCPS partners' support during PRS-3. Meanwhile, given the extent and poor condition of the country's transport infrastructure, additional external assistance is needed.

## **Theme 2: Support for Good Governance**

37. Better governance—*i.e.* improved public accountability, enhanced transparency, and more effective service delivery—will help reduce corruption and contribute to better outcomes in both economic growth and human development. In the public sector, the main priorities are: to strengthen public financial management; to reform public administration, including the civil service and the main state-owned enterprises; and, to bolster the rule of law. In the private sector, the two key imperatives are: improvements in the business environment; and, a stronger financial system—specifically measures to boost the population's confidence in banks, to expand small and medium-sized enterprises' access to credit, and to facilitate the use of remittances for development. This broad-based governance agenda is a key element in the IMF's ongoing 3-year Poverty Reduction Growth Facility (PRGF).

38. **Public Sector Governance.** The EC, the IMF and the WB coordinate JCPS efforts in public sector reform and public financial management at the national level, with some JCPS funds being pooled in support of the recently approved World Bank-financed Public Finance Management Project. At the regional and local levels, ADB, DfID, SIDA, the UN, and USAID, are helping *rayon* and *jamoat* governments to strengthen their budget management capacity, thereby contributing to more efficient delivery of communal services (education, health and other social services). SIDA is also helping to promote the participation of local communities in public service delivery. These national, regional and local programs and strategies will be monitored with technical assistance provided by the EC and under the ADB-financed Strengthening Results Management in Support of Poverty Reduction TA project. Longer term outcomes are expected to include: (a) improved government ability to coordinate policy across sectors and ensure appropriate linkages to the budget; (b) an independent audit function and capacity that is sufficiently robust to allow JCPS partners to start using country systems more broadly; and (c) a modern civil service that includes competitive recruitment and attractive wages. Strengthening of line ministries' capacity for strategic planning and monitoring will also be supported.

39. **Private Sector Development.** Despite several ongoing JCPS interventions from ADB, EBRD, DfID, USAID, and WB aimed at encouraging private sector investment, more efforts are needed. For example, a food processing industry would provide producers with a market and help increase agriculture's medium-term viability. Similarly, as noted earlier, private sector investment is also needed in key infrastructure areas such as energy and transport. Against this background, several changes are needed in current JCPS partner programs to improve their effectiveness. *First*, reform initiatives in inspections, licensing, and other areas have demonstrated the strong links between private sector development and public sector and civil service reform—particularly in resource allocation, training infrastructure, and management systems. JCPS partners need to focus more attention on building Government capacity at both



local and national levels and linking PSD reforms and public sector reforms. *Second*, a private sector development action plan, including a potential restructuring of industrial enterprises, needs to be developed in cooperation with the Government to strengthen partner alignment with government policies and reduce the fragmentation of effort. *Third*, partners need to help reduce the cost of doing business by lowering administrative barriers (including tax administration), increasing regulatory certainty, and enhancing private sector awareness. *Fourth*, access to information and awareness raising measures need to be more broadly integrated in order to mobilize support for reform implementation and enhance the Government's accountability to the business community. Specifically, initiatives to increase public and private sector skills in debating reform proposals and their implementation are needed to create more effective feedback to and from the private sector. In this context, the newly established Investment Council may be a platform for the private sector's "voice". *Fifth*, partners should seek to improve the regulatory framework for, and transparency in private sector participation in infrastructure development, including opportunities for Public Private Partnerships. Finally, a principle of partner involvement in both private and financial sector development should be initiatives designed to facilitate the development of private sector markets.

40. **Financial Sector Development.** With the support of the WB and the IMF, a strategy is currently being defined to implement a revised legal and regulatory framework and the other reforms recommended in the Financial Sector Assessment Program (FSAP). These reforms include: (a) strengthening bank supervision; (b) preventing money laundering; (c) developing a securities market; (d) strengthening banks' internal controls and audits; (e) increasing transparency in banks' pricing of financial products; (f) strengthening the judicial system to enforce property rights and contracts; (g) enhancing the capacity of insurance supervisors; (h) establishing creditor information systems; (i) improving the availability of financial products meeting the needs of business and individuals, especially in agriculture; and (j) establishing a publicly available, uniform system for title registration of property and related transactions. While JCPS partners are helping to strengthen the banking and insurance systems' regulatory and supervisory framework, deficiencies remain in the legal process for bankruptcy, secured lending, and foreclosure. Moreover, the judicial system is not yet capable of enforcing contracts and ensuring property rights.

41. **Rule of Law and Human Rights.** JCPS partners and the Government agree that improvements in the rule of law are of high priority, in particular judicial reform. While the latter is a long-term process, advances during the JCPS period would contribute directly to economic growth and thus poverty reduction. A consolidated, multi-pronged, comprehensive approach is needed to tackle these complex issues in a thorough manner. This planned focus on judicial reform in no way lessens the importance of other areas and JCPS partners will continue to seek opportunities for contributions to human rights protection and promotion.

### **Theme 3: Support for Human Development**

42. Human development is vital for economic growth and also to improve the welfare of the population. The main priority is to increase access to, and enhance the quality of education and health services in order to improve outcomes and make further progress in poverty reduction and gender equality. In the longer term, building skills in the labor force will also contribute to

growth. Given the country's susceptibility to external shocks, effective social protection is particularly important to prevent vulnerable groups, especially women, from falling deeper into poverty. To maximize the benefits of migration and remittances, continued development of financial services and education and training programs to help individuals upgrade their skills is also required. Some innovative training programs are already underway and these provide a foundation on which to build.

43. **Education.** UNICEF and the WB together coordinate JCPS partners' assistance for education, based on the National Strategy for Educational Development (NSED). The WFP is also a major partner through its food for education program. JCPS partners' current activities, including the Fast Track Initiative (FTI) and other projects under preparation, address most of the key areas identified in the PRS/NSED, namely: general education—management, including policy analysis, costing, planning and monitoring and evaluation; educational access, efficiency, and quality; gender parity; and educational infrastructure. The FTI is the foundation for an upcoming SWAp planned for 2010, which the Government is rightly keen to lead, thereby ensuring the alignment of all JCPS partner-funded programs with the NSED—specifically reform strategies for pre-school (*i.e.* early childhood development) and for post-secondary (vocational training and tertiary) education. The Russia Education Aid for Development (READ), a trust fund administered by the WB aimed at improving educational quality through capacity building for educational assessment, will support the National Testing Center (NTC), whose mandate includes: (a) to administer a merit-based unified university entrance examination; and (b) to develop and administer student assessments in the classroom. Meanwhile, the EC is supporting the costing of the NSED's Action Plan, including an analysis of resource commitments and gaps. Development of programs for business education is another area for potential support.

44. **Health.** There has been significant progress in improving the effectiveness of JCPS partners' assistance for health during the last two years. *First*, coordination has evolved from a JCPS partner-driven process to one that is now led by the Ministry of Health (MOH), which chairs a monthly coordination meeting with secretariat support provided by WHO. *Second*, MOH and JCPS partner dialogue is now oriented towards joint planning and implementation, with experimental transfer of funds directly to the Ministry (initially by SCO, UNICEF, and WHO) to support preparation of a comprehensive health strategy, which will in turn be the framework for a proposed SWAp. Meanwhile, ADB, Germany, SCO, SIDA, and the WB are together supporting the strengthening of primary health care and implementation of health financing reforms; UNDP and WHO are supporting tuberculosis, HIV and malaria prevention, maternal and child health, and the training of doctors in related areas; EC is supporting health information management, the elaboration of an MTEF, and, together with DfID and other JCPS partners, preparation of the above-mentioned comprehensive health strategy; and the WB is supporting fiduciary capacity building in the MOH. SIDA is also supporting the MOH's Health Policy Unit to enhance its capacity for analytical and policy work. According to WHO's current inventory of externally funded projects, 38 development partners are active in health; and external financial and technical assistance over the last 10 years has totaled about \$140 million.

45. **Social Protection.** In 2008, pensions accounted for 80% of the consolidated budget for social protection, with social benefits, social services and unemployment comprising 10%, 2%,



and 1% respectively. Four ministries—Labor and Social Protection (MoLSP), Economic Development and Trade, Finance, and Local Governments—are responsible for various components of social protection, but the system as a whole is under-financed and largely ineffective. Positive changes have been observed as a result of the MTEF approach, although much additional effort is needed. The MoLSP is committed to an ambitious reform program, which it correctly views as a 5-10 year process that will require substantial financial, human and technical resources. Against this background, JCPS partners appear increasingly committed to helping reshape social protection. The EC is providing budget support and technical assistance to strengthen pensions, social assistance, residential and non-residential social services, and labor market and migration policy; GTZ plans to support the introduction of a 'social passport' for poor households, with information on indicators of their poverty and eligibility for benefits—for example, in health and social assistance; and, working with both the EC and GTZ, the WB plans to support the targeting of social assistance through an investment operation. UNICEF, with the support of SIDA, is helping to reform and upgrade the child protection system.

## VI. PRIORITIES FOR IMPROVED ALIGNMENT

46. **Overall JCPS/Government Goal.** In line with the fourth of the agreed shared principles of aid effectiveness, the overall JCPS and Government goal for improved alignment—*i.e.* for more effective coordination and management of JCPS partners' resource flows to Tajikistan— may be summarized as follows:

- One Strategy, *i.e.* Tajikistan's NDS, 2008-15 and the related PRS-3, 2010-12;
- One Coordinating Mechanism, *i.e.* the Donor Coordination Council (DCC)—on behalf of development partners—will interact with the State Committee on Investments and State Property Management (SCISPM)—on behalf of the Government and other Government ministries, agencies and institutions; and
- One Monitoring & Evaluation and Results Framework linked to PRS-3.

47. Against this background, preparation of the PRS-3, currently underway, will be reflected in recently approved and/or upcoming individual JCPS partner strategies for 2010-12: e.g. ADB's Country Partnership Strategy, 2010-14; EBRD's Country Strategy; IMF's Poverty Reduction and Growth Facility (PRGF); and IDA's Country Partnership Strategy, 2009-11.

48. **Next Steps.** As noted earlier, the JCPS process underway since early 2008 has already resulted in significant changes in development partner behavior and, in addition, several new sector-specific initiatives. Looking ahead, the challenge for both the Government and JCPS partners will be not only to maintain this initial momentum but also to accelerate it and, in so doing, reinforce the process. Accordingly, the Government and JCPS partners have agreed a work plan to help achieve the fundamental improved alignment goal noted above—*i.e.* more effective coordination and management of JCPS partners' resource flows to Tajikistan. It comprises ten specific, time-bound actions—six by the Government and four by JCPS partners—linked to the NDS, PRS-2 and the upcoming PRS-3. As far as JCPS partners are

concerned, the most important action is the second one, namely their commitment by 31 December, 2009 to revive and/or reinforce sector/thematic working groups with mandates: (a) to focus their analysis and dialogue on 2-3 strategic development objectives agreed with the Government; and (b) to take concrete, measurable steps to ensure improved alignment of their strategies and harmonization of their activities and operations on the basis of the Paris Declaration and Accra Agenda.

**Government:**

- (a) inaugurate annual strategic overview/planning meetings of DCC with Council of Ministers—commencing January, 2010;
- (b) undertake annual Government/JCPS partner review of PRS implementation and results—commencing March, 2010;
- (c) finalize PRS-3, 2010-12—incorporating the 2009-10 anti-crisis action plan—by 31 March, 2010;
- (d) revise/simplify the PRS monitoring and evaluation framework/system—following finalization of PRS-3—including a substantial reduction in number of monitoring indicators—by 31 March, 2010;
- (e) strengthen aid coordination unit of State Committee on Investments & State Property Management (SCISPM)—by recruiting additional staff, in-service training of existing staff, upgrading of equipment, etc.—with technical assistance planned by DfID/UNDP—by 31 December, 2011; and
- (f) complete the ongoing MTEF process in selected ministries—by 31 December, 2013.

**JCPS Partners:**

- (a) define/update DCC agenda(s) and work program for 2009-10, including assignment of responsibility for JCPS follow-up action—by 30 November, 2009;
- (b) reinforce existing and/or revive new DCC sector/thematic working groups, with agreed mandates, work programs, and timelines—linked to agreed PRS-related sector/thematic strategic objectives—with provision for periodic progress reporting to full DCC—by 31 December, 2009;
- (c) continue/initiate DCC dialogue with new development partners—e.g. China, Iran, Islamic Development Bank, Kazakhstan, Kuwait Fund, Russia—and invite their participation in DCC agenda, process, etc., including in sector/thematic working groups (e.g. energy, transport)—for completion by 31 December, 2009;

- (d) establish, including secure financing for, permanent DCC secretariat—by 31 December 2010.

49. **Results Monitoring.** JCPS partners and the Government will monitor and evaluate their implementation of the above agenda by reference to the benchmarks listed in Annex 2. Overall monitoring and evaluation will take the form of a joint annual review of progress achieved towards improving aid effectiveness. Strategic overview/planning meetings of the DCC with the Council of Ministers will also be held annually, commencing January, 2010. JCPS annual reports will bring together results—including progress, remaining challenges, and the way forward—and be made available to all stakeholders in order to facilitate public debate and accountability. Detailed sector-specific monitoring indicators—to be defined separately by the sector/thematic working groups concerned—will reflect the Paris Declaration and Accra Agenda adapted to Tajikistan's circumstances.

50. **Risk Assessment.** The JCPS faces several implementation risks. *First*, is the risk of a stalled or deteriorating overall policy environment. In this event, JCPS partners may re-focus and/or limit their activities to areas where there is a shared vision with the Government and where their support may impact the lives of the population directly. *Second*, is the risk that, despite their efforts and investments since early 2008, JCPS partners' capacity and will for improved coordination may ultimately be inadequate and the JCPS may thus not have the desired impact. To mitigate this risk, the above initial action plan and expectations have been kept deliberately modest. *Third*, is the risk that the global economic crisis may increase the volatility of aid flows—with earmarked funds either not materializing in full or being re-directed to emergency activities rather than longer-term structural reforms. In this case, possibly reduced JCPS aid flows would need to be re-oriented to areas where the political will for the needed reforms is strong.

**Major Sector Engagements of JCPS Partners**

<b>Sector</b>	<b>JCPS Partners</b>
<b>Agriculture</b>	Asian Development Bank Aga Khan Foundation, Tajikistan European Bank for Reconstruction and Development European Commission Swedish International Development Cooperation Agency Swiss Cooperation UK Department for International Development United Nations Agencies United States Agency for International Development World Bank Group
<b>Energy</b>	Asian Development Bank Germany Swiss Cooperation United States Agency for International Development World Bank Group
<b>Transport</b>	Asian Development Bank European Bank for Reconstruction and Development
<b>Education</b>	Aga Khan Foundation, Tajikistan European Commission Germany United Nations Agencies United States Agency for International Development World Bank Group
<b>Health</b>	Aga Khan Foundation, Tajikistan European Commission Germany Swedish International Development Cooperation Agency Swiss Cooperation UK Department for International Development United Nations Agencies United States Agency for International Development World Bank Group
<b>Social Protection</b>	European Commission Swedish International Development Cooperation Agency United Nations Agencies World Bank Group
<b>Public Sector Governance</b>	European Commission Swedish International Development Cooperation Agency Swiss Cooperation UK Department for International Development United Nations Agencies United States Agency for International Development World Bank Group
<b>Private Sector Development</b>	Asian Development Bank European Bank for Reconstruction and Development European Commission Germany Swiss Cooperation UK Department for International Development United States Agency for International Development World Bank Group

Sector	JCPS Partners
<b>Financial Sector</b>	Asian Development Bank European Bank for Reconstruction and Development Germany Swiss Cooperation United States Agency for International Development World Bank Group
<b>Rule of Law and Human Rights</b>	European Commission Germany Organization for Security and Cooperation in Europe Office in Tajikistan Swiss Cooperation United Nations Agencies

Source: JCPS Partners.

Note: This matrix captures JCPS partners' engagements in ten major sectors. There are other areas or sub-sectors in which JCPS partners are engaged, but not shown here.

### Shared Principles of Aid Effectiveness: Monitoring Benchmarks

Shared Principles	Benchmarks
The Tajik authorities will take the lead in coordinating development partner assistance in support of and aligned with the priorities of NDS and PRS. Development partners will provide support to enhance Government's capacity for coordination.	<ul style="list-style-type: none"> <li>Progress towards a Government-managed aid platform linked to parts of administration involved in economic planning and budget</li> </ul>
The Tajik authorities, with the support of development partners, will link the annual national budget, public investment program and aid-supported programs in an integrated programming process for greater realism and consistency.	<ul style="list-style-type: none"> <li>% of budget linked to PRS and sector strategies</li> <li>% of ODA recorded in national budget</li> <li>% of ODA detailed in sector strategic plans</li> <li>Country Policy and Institutional Assessment dimensions covering quality of budget and financial management</li> </ul>
Development partners will provide timely information on their activities to allow effective Government planning and reporting on aid projects, programs and flows. Development partners will seek to provide predictable, multi-year programmatic financial support.	<ul style="list-style-type: none"> <li>Development partners regularly share disbursement forecasts with the MOF during preparation of the annual budget for the subsequent year</li> <li>% of ODA disbursed in year for which it was scheduled</li> <li>Number of development partners with multi-year program cycles agreed with Government</li> <li>Increase in coordinated budget support by selected partners</li> </ul>
In specific sectors development partners will work with Government towards a sector approach of: one strategy, one coordination point and one monitoring and evaluation framework, including: (i) agreeing on sector strategies endorsed by Government; (ii) moving towards division of labor, and (iii) joint monitoring and evaluation of sector programs.	<ul style="list-style-type: none"> <li>Increase in number of program based approaches, including progress in some or all of four criteria for program-based approaches</li> </ul>
Development partners will focus on scaling-up successful project interventions for countrywide impact where appropriate and feasible.	<ul style="list-style-type: none"> <li>Number of successful project interventions scaled-up</li> </ul>
Development partners will reduce transaction costs and strengthen partnerships through joint missions, diagnostic reviews and training activities.	<ul style="list-style-type: none"> <li>Number of multi-development partner missions, diagnostic reviews, joint evaluations, and training activities</li> </ul>
The Tajik authorities and development partners will work together to integrate project preparation and implementation management fully into the ministerial structures and reduce the number of project implementation units by creating joint units responsible for multiple projects.	<ul style="list-style-type: none"> <li>Decrease in number of parallel PIUs</li> </ul>
Development partners will support Government's efforts to improve fiduciary systems and Public Finance Management to increase the flow of funds directly into the budget.	<ul style="list-style-type: none"> <li>Use of at least one national financial management procedure (i.e. financial reporting, auditing, or budget execution)</li> <li>Conditions in place for an increase in budget support</li> <li>Implement at least one SWAp, or funds to implement a sector strategy flow directly into budget</li> </ul>
The Tajik authorities and development partners will jointly consult with a wide range of stakeholders (including Parliament, local Government and communities, civil society, the diplomatic and aid community) in planning and implementing development partner supported programs.	<ul style="list-style-type: none"> <li>Develop multi-stakeholder process</li> <li>Improve data on civil society organizations' activities and their alignment with Government priorities</li> </ul>
Development partners agree to hold themselves to greater self accountability to monitor if aid coordination is working	<ul style="list-style-type: none"> <li>Commitment to Shared Principles, and to broader Paris Declaration, as measured in OECD survey</li> <li>Coordinated country-level monitoring &amp; evaluation, based on PRS</li> </ul>

Source: JCPS Partners and Government, based on 2005 Paris Declaration on Aid Effectiveness and 2008 Accra Agenda for Action