

**Unofficial translation**

**REPUBLIC OF TAJIKISTAN**



**POVERTY REDUCTION STRATEGY  
OF THE REPUBLIC OF TAJIKISTAN  
FOR 2010–2012**

**Dushanbe, 2010**

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## LIST OF ACRONYMS AND ABBREVIATIONS

AAS	Academy of Agricultural Sciences
ACA	Agency for Construction and Architecture under the Government of the Republic of Tajikistan
ACCEC	Agency to Combat Corruption and Economic Crimes under the President of the Republic of Tajikistan
ADB	Asian Development Bank
AIDS	Acquired Immunodeficiency Syndrome
AKDN	Aga Khan Development Network
AKF	Aga Khan Foundation
AS	Academy of Science
ASMCTI	Agency for Standardization, Metrology, Certification and Trade Inspection under the Government of the Republic of Tajikistan
CCI	Chamber of Commerce and Industry
CEP	Committee on Environmental Protection and Forestry under the Government of the Republic of Tajikistan
CES	Committee on Emergency Situations and Civil Defence under the Government of the Republic of Tajikistan
CFWA	Committee on Family and Women's Affairs under the Government of the Republic of Tajikistan
CHC	City health care centre
CIP	Centralized Investment Programme
CIS	Commonwealth of Independent States
CPR	Chinese Peoples Republic
CS	Customs Service under the Government of the Republic of Tajikistan
CSIP	Centralized State Investment Programme
CSPDI	Civil Servants' Professional Development Institute
CYST	Committee on Youth Affairs, Sports and Tourism
DFID	Department for International Development (UK)
DHC	District health care centre
DIA	Dushanbe International Airport
DOTS	Directly observed treatment short course
EC	European Commission
EOP	Executive Office of the President of the Republic of Tajikistan
EurAsEC	Europe and Asian Economic Cooperation
FAO	Food and Agricultural Organization of the United Nations
FDI	Foreign direct investment
GBAO	Gorno-Badakhshan Autonomous Oblast
GDP	Gross domestic product
GF	Global Fund to Fight AIDS, Tuberculosis and Malaria
GTC	German Technical Centre
GTZ	German Agency for Technical Cooperation
HIV	Human Immunodeficiency Virus
HPP	Hydropower plant
IDB	Islamic Development Bank
IMF	International Monetary Fund
IRI	Islamic Republic of Iran
ISDR	International Strategy for Disaster Risk
JICA	Japan International Cooperation Agency
KfW	Kreditanstalt für Wiederaufbau

KhMK	Khojagii Manziliyu Kommunal - Communal Services Agency
LGA	Local government authority
M&E	Monitoring and evaluation
MDG	Millennium Development Goal
MEDT	Ministry of Economic Development and Trade
MEI	Ministry of Energy and Industry
MES	Monitoring and evaluation system
MFA	Ministry of Foreign Affairs
MGA	Main Geology Administration under the Government of the Republic of Tajikistan
MIA	Ministry of Internal Affairs
MLRWR	Ministry of Land Reclamation and Water Resources
MLSW	Ministry of Labour and Social welfare
MOA	Ministry of Agriculture
MOE	Ministry of Education
MOF	Ministry of Finance
MOH	Ministry of Health
MOJ	Ministry of Justice
MPI	Medical prophylactic institutions
MTBF	Medium-Term Budget Framework
MTC	Ministry of Transportation and Communications
NBT	National Bank of Tajikistan
NDS	National Development Strategy
PHC	Primary health care
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
RRS	Regions of Republican Subordination
SCI	State Committee on Investment and State Property Management
SDC	Swiss Agency for Development and Cooperation
SECO	Swiss State Secretariat for Economic Affairs
SIDA	Swedish International Development Cooperation Agency
SIP	State Investment Programme
SME	Small- and medium-sized enterprise
SNPA	Specially natural protected areas
SRA	Scientific and research activities
SRI	Scientific and Research Institute
SSC	State Statistics Committee
SSD	State Service Department
SSM	State Service Management
SUAE	State Unitary Aviation Enterprise
TC	Tax Committee under Government of the Republic of Tajikistan
TRW	Tajik Railway
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
USA	United States of America
USAID	United States Agency for International Development
VHC	Village health care centre
WB	World Bank
WFP	World Food Programme
WTO	World Trade Organization
WUA	Water User Association

## 1. INTRODUCTION

This publication, the Poverty Reduction Strategy (PRS) of the Republic of Tajikistan for 2010–2012, aims to serve as a medium-term programme for the implementation of the National Development Strategy (NDS) up to 2015. It will determine the major socio-economic development of the country during this period, taking into account the impact of the global economic and financial crisis. The PRS, taking into account available resources and additional needs indicate concrete actions for implementing institutional and economic reforms that will promote strong and sustainable economic growth and for improving the scope and quality of social services aimed at mitigating the burden of poverty in the country.

It should be pointed out that in 2005, with a view of raising the nation's standard of living, the President of Tajikistan initiated the NDS for the period until 2015, in which poverty reduction strategies were developed for each three-year period.

In light of the above, activities under the next PRS are also based on the NDS goals and priorities, namely, public administration reform, development of the private sector, attraction of investment, and development of human potential. These goals and priorities are aimed at creating a democratic and prosperous Tajikistan where all members of society will have equal opportunities to enjoy the benefits of political, social and economic development.

The actions outlined in the PRS for 2010–2012 take into account the results of the implementation of the PRS for 2007–2009 and the anti-crisis measures of the Government of Tajikistan.

As per the NDS, the activities under the PRS for 2010–2012 are focused on the development of 12 sectors (directions) of economic reform, which have been provisionally combined into three blocks based on their role and place in promoting strong and sustainable economic growth and improving the range and quality of social services provided to the poor: (i) the establishment of the general conditions for development (the Functional Block); (ii) promotion of sustainable economic growth (the Production Block); and (iii) development of human potential (the Social Block):

- The Functional Block ensures an overall institutional development environment and includes the following sectors: public administration reform; macro-economic development; improvement of the investment climate; development of the private sector and entrepreneurship; regional cooperation and integration into the global economy.
- The Production Block provides the physical environment to support economic growth and includes the following sectors: i.e. food security and development of the agricultural sector, and the development of infrastructure, energy and industry.
- The Social Block provides for broader access to basic social services, addresses development issues and comprises the following sectors: development of the educational system and science, development of the health care system; improvement of social welfare; expansion of access to water supply, sanitation and housing and municipal services; promotion of environmental sustainability and gender equality.

The focus on the governmental, sectoral and regional development strategies, programmes and plans that have been adopted and that are currently being drafted need to be harmonized with the goals and priorities of the PRS.

The PRS is a tool to facilitate dialogue of all interested parties, including the business community, non-governmental organizations (NGOs), resident missions of international organizations and foreign donor countries that provide assistance to the country.

Every year, the Government identifies the key priorities activities for sustainable economic growth, which will improve the range and quality of social services aimed at mitigating the burden of poverty; these priorities are based on PRS goals, when applicable.

The main features of this document are as follows:

- Since the issues of gender equality, environmental protection and adaptation to climate change are cross-cutting, they are included in individual sectors, as well as in other sections of this/report as specific measures;

- To fully implement the priority objectives of the PRS at the national level, the number of concrete and sectoral measures have been reduced, and envisaged mainly those of a national level implementable priorities of the Strategy and it is possible to monitor their progress of implementation
- To harmonize the PRS with the possible factors that may affect the implementation of its objectives, a monitoring mechanism is envisaged through an annual review and harmonization of strategic measures with the current economic and social development process of the country.

This publication has been formulated as a list of concrete actions with a clearly established timetable for implementation, responsible parties and sources of financing. Quantitative and qualitative indicators and the timetable for monitoring and evaluation of the implementation of the PRS are also identified.

## **2. RESULTS OF IMPLEMENTATION OF THE POVERTY REDUCTION STRATEGY FOR 2007–2009**

### **2.1. Poverty reduction: the current status, dynamics and results of the Tajikistan *Living Standards Survey of 2007***

Analyses show that as a result of implementation of strategies and programmes on the socio-economic development adopted by the Government, poverty has been declining in the country every year. This was made possible because poverty reduction is considered an important and priority task of the Government, its international partners and Tajik society as a whole.

The Tajikistan *Living Standard Survey* conducted in 2007 by the State Statistics Committee together with the World Bank, the United Nations Children’s Fund (UNICEF), the Department for International Development (DFID, UK) and the Food and Agriculture Organization of the United Nations (FAO) provided the following results.

The survey was conducted according to two methods: (i) the international standards of poverty (US\$ 2.15/day), which depends on purchasing power parity; and (ii) the value of basic household needs. Taking into account the increase of consumption and purchasing power parity, from 2003 to 2007, the poverty rate declined from 64 percent to 41 percent: from 59.1 percent to 40.3 percent in the urban areas, and from 65.1 percent to 41.1 percent in the rural areas .

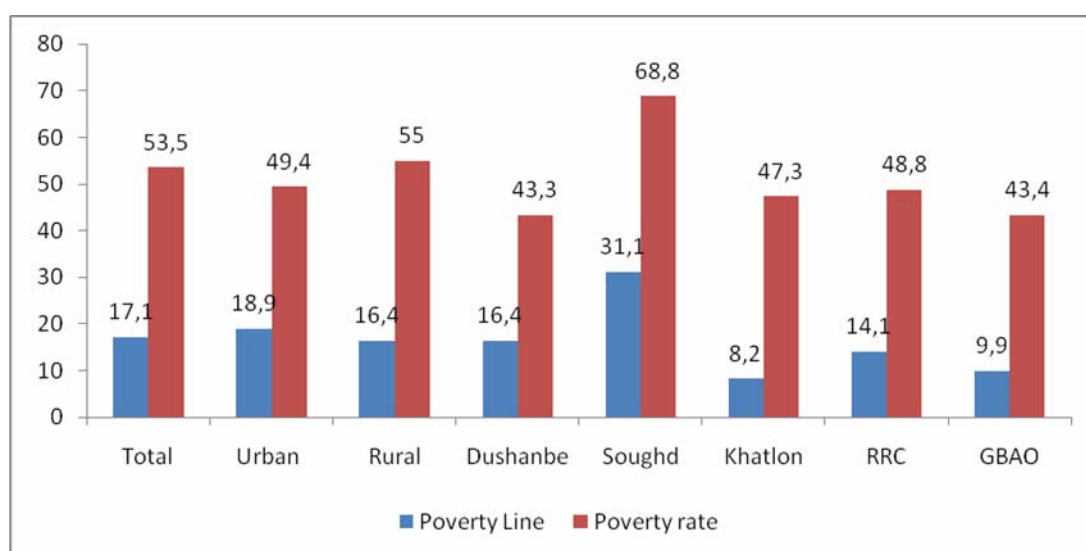
<b>Year</b>	<b>Population</b>	<b>No. of poor persons</b>	<b>Percentage of poor persons (%)</b>
Total (2003)	6,667,510	4,233,341	63.5
Urban areas	1,804,290	1,066,293	59.1
Rural areas	4,863,220	3,167,048	65.1
Total (2007)	7,061,429	2,886,561	40.9
Urban areas	1,856,865	747,778	40.3
Rural areas	5,204,564	2,138,783	41.1

According to the method of calculating the value of basic household needs, the welfare unit was consumption per capita to measure poverty and the absolute poverty rate. The available data show that, from 2003 to 2007, the poverty rate declined from 72.4 percent to 53.5 percent: from 68.8 percent to 49.4 percent in the urban areas, and from 73.8 percent to 55.0 percent in the rural areas.

Year	Population	No. of poor persons	Percentage of poor persons (%)
Total (2003)	6,667,510	4,830,408	72.4
Urban areas	1,804,290	1,241,352	68.8
Rural areas	4,863,220	3,589,056	73.8
Total (2007)	7,061,429	3,779,802	53.5
Urban areas	1,856,865	917,291	49.4
Rural areas	5,204,564	2,862,510	55.0

Despite the progress achieved in Tajikistan in recent years, the poverty rate is still high. In 2007, 53.5 percent of the population was poor, of which 17.1 percent were in absolute poverty; one third of the poor were in absolute poverty in terms of food.

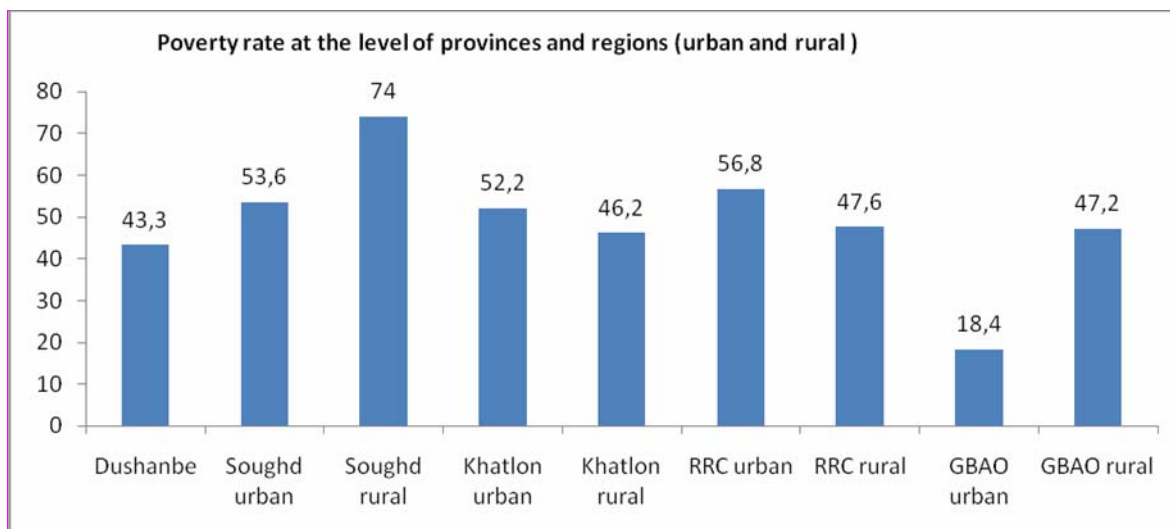
**Figure 1. Proportion of the poor population (% of total population)**



There is no major difference between the number of the poor in urban and rural areas: the difference between the poverty rate in the urban areas (49.4 percent) and the rural areas (55 percent) is 5.6 percent. The poverty trend analysis shows that due to the dynamic and rapid decrease in poverty in the rural areas, the difference in the poverty rate between the urban and the rural areas declined after 2003. It should be noted that the absolute poverty rate in the urban areas (18.9 percent) is higher than in the rural areas (16.4 percent).

It is clear that there is no major discrepancy between the number of poor in the urban and the rural areas at the national level, but there is at the level of the provinces and the regions.

**Figure 2. The poverty rate at the provincial and regional levels**



Reduction of the poverty and the absolute poverty rates during this period was mainly achieved as a result of economic growth and promotion of macro-economic, social and political development in the country.

According to calculations, the GDP growth of 1 percent on a per capita basis will lead to reduction of the general indicator of poverty by 0.62 percent. The poverty rate was 53.5 percent in 2007. Taking into account that the GDP per capita growth was 6.7 percent in 2009 compared to 2007, the poverty rate was reduced by 4.2 percent and was equal to 49.3 percent (Annex 3).

## **2.2 The Poverty Reduction Strategy for 2007–2009: results achieved**

The Government has undertaken and implemented certain measures to bring the following into the global economy in line with international standards: the public administration system, macro-economic development, the investment climate, private sector and entrepreneurial activity development, and regional cooperation and integration. It has also committed itself to achieve the goals set forth in the tasks and measures outlined in the PRS for 2007–2009.

Public administration reform. Presidential Decree No. 355 of 19 December 2007 “On the establishment of the National Development Council under the President of the Republic of Tajikistan”, was adopted in order to promote cooperation in national development based on constructive principles of partnership between all branches of the Government and civil society. Also, Governmental Decree No. 216 of 2 May 2008, “On monitoring and evaluation of the implementation of medium-term poverty reduction strategies in the Republic of Tajikistan” was adopted to monitor and evaluate the effectiveness of implementation of medium-term poverty reduction strategies. At the same time, the new version of the Law (No. 233) adopted on 5 March 2007, “On the civil service” aimed to strengthen capacities for improving civil service principles, including human management and human resources capacity building.

To continue the reform of civil servants’ salaries, Presidential Decree No. 480 of 20 June 2008, “On the measures for strengthening social welfare and increasing the level of the current official salaries of the staff of state-financed organizations and institutions, pensions and stipends”, and Presidential Decree No. 671 of 20 June 2009, “On the measures for strengthening social welfare and increasing the level of the current official salaries of the staff of social sector institutions” were approved. They aimed to strengthen the financial base and social welfare, enhance the role of attractive salaries, pensions and stipends, and gradually eradicate the discrepancy in the level of salaries and pensions.



Following implementation of the measures for the macro-economic policy for 2007–2009 to improve the budget and tax policies, the tax revenue as a percentage of GDP reached 17.7 percent in 2009 (17.9 percent in 2007), which was 1.1 percent higher than in 2005 (1.3 percent in 2007 compared to 2005). Based on this indicator, the state budget revenue (i.e. overall revenue and grants) against GDP reached 20.2 percent in 2009 (19.2 percent in 2007), i.e. increased by 2.2 percent compared to 2005 (1.2 percent in 2007). The state budget expenditures against the GDP reached 17.5 percent in 2008 (18 percent in 2007), which is 0.7 percent less than in 2005 (0.2 percent in 2007).

With respect to the improvement of the investment climate, development of the private sector and entrepreneurship, in order to simplify the procedures of security-related issues, the Regulation “On the procedure of the official registration of security agreements” was approved.

In order to improve the mechanism of official registration of businesses in the country and to provide equal opportunities for men and women to enter the market, Law No. 508 of 19 May 2009, “On the official registration of legal entities and individual entrepreneurs”, was adopted and came into force on 1 July 2009. At the same time, in order to improve the business climate, “The Programme on the Improvement of the Business Climate – 200 Days of Reform” was drafted and adopted by the Government on 2 July 2009, as per Resolution No. 386.

Compared to 2005, the number of registered businesses increased by 25 percent in 2009 (18.4 percent in 2007, and 19 percent in 2008). At the same time, the contribution of the private sector to the GDP accounted for 46.0 percent in 2009 (42.6 percent in 2007).

In order to simplify the procedures of bankruptcy and promote active participation of entrepreneurs, the Law on bankruptcy, “On including amendments and additions into the Law of the Republic of Tajikistan” was adopted in 2009. Also, in order to support business by reducing the number and types of different inspections, Law No. 505 of 26 March 2009, “On the moratorium for inspection of the activity of small- and medium-sized enterprises in the Republic of Tajikistan” was adopted.

A number of measures have been undertaken to improve foreign economic activity and Tajikistan’s accession to the World Trade Organization (WTO). These include the Tajik Governmental Decree, “On the approval of the Plan for measures to eliminate administrative barriers to export and import of goods”, which was drafted and adopted by Decree No. 487 of 1 October 2008. Also, Law No. 234 of 5 March 2007, “On the product and services trademark” and Law No. 236 of 5 March 2007, “On the geographic designations” were signed by the President of the Republic.

To improve the regulatory, legal and institutional basis of regional development and coordination of trade formalities, Governmental decrees were adopted: Governmental Decree No. 487 of 1 October 2008, “On the approval of the Plan for measures to eliminate administrative barriers to export and import of goods” and Governmental Decree No. 498 of 1 October 2008, “On including amendments and changes in Tajik Governmental Decree No. 397, of 2 October 2002”.

To implement instructions of the President of the Republic of Tajikistan on establishing free economic zones in the country, Decree No.103 of 5 March 2008, “On the priority measures on the establishment of free economic zones in the Republic of Tajikistan” was adopted. Also, the following were approved: Decree No. 227 of 2 May 2008, “On the establishment of free economic zones of *Panji poyon* and *Soughd*”, and Resolutions of the *Majlisi Namoyandagon* (Lower Assembly) and of the *Majlisi Oli* (Upper Assembly), Decree No. 1146, “On the approval of the Regulation (by-laws) of the Free Economic Zone of Soughd” and Decree No. 1147, “On the approval of the Regulation (by-laws) of the Free Economic Zone of Panj”.

Tajikistan’s foreign trade turnover against the GDP in 2009 reached 71.9 percent (compared to 107.9 percent in 2007), i.e. it decreased by 24.9 percent compared to 2005 (in 2007, it increased by 4 percent).

The development of infrastructure, energy and industry in Tajikistan allowed to promote national economic growth and thereby to establish the material basis for reducing the poverty rate. At the same time, in light of goals and priorities of the PRS for the development of infrastructure, energy and industry for 2007–2009, a number of essential measures were implemented and sector indicators were identified.

The Government made significant efforts in developing the transportation system by rehabilitating the road system and constructing tunnels and bridges. In addition, certain measures have been taken to implement transportation projects in 2007–2009. To implement both the domestic as well as the foreign investment projects, the construction of the Shar-Shar tunnel and a bridge on the River Panj were completed, and 1,083.5 km of new good roads were constructed and 697.1 km of roads were rehabilitated and commissioned. A number of primary measures on liberalization were implemented in the aviation and railroad sectors. In addition, in order to restructure large infrastructure enterprises, the first stage of the strategic plan for restructuring the State Unitary Aviation Enterprise (SUAE) Tajik Air was implemented. To support the activity of the Tajik Railroad Company and reinforce its material and technical base so that its freight wagons meet the modern requirements, new freight wagons were purchased at the expense of internal funds. To strengthen the legal basis and reduce administrative barriers, the Association of International Trucking Carriers was granted independent status. Further, taking into account the high state expenses on the establishment of new trucking facilities, the State Unitary Enterprise *Ekspeditsiyai Naqliyoti* (Transport Expedition) was established.

There were plans to develop the communications sector in 2007–2009 in order to integrate into the global market. New digital exchanges have been commissioned and the investment project “Transportation Network” on installation of pylon columns was completed. Network accesses to rural areas were established in the Regions of Republican Subordination (RRS), which made it possible to increase the proportion of renovated telephone network up to 95 percent.

Achievements in the transportation and communications sectors made it possible to: reduce the cost of domestic and foreign shipments; improve the volume and quality of domestic and foreign freight shipment and passenger delivery; reinforce the material and technical conditions of trains, highways and railroads; make air traffic accessible; improve transit conditions; reduce expenditures for services, including security of the transportation system, communications, access to Internet and mobile communications.

As a result of implementing the energy projects, the quantity and quality of services for other production sectors increased, which currently function at less than full capacity due to a shortage of energy resources, and to increase the availability of energy services and make them affordable to the population.

Therefore, the construction of the 670 mWt capacity Sangtuda-1 hydropower plant (HPP) generating 2.7 billion kWh of electricity annually was completed and commissioned. Also, the long-term programme for constructing a number of small HPPs for 2007–2020 was implemented in the energy sector and 50 small HPPs have been constructed and commissioned to date. In order to reduce energy loss, a US\$ 4.1 million project was implemented to convert induction-motor meters in Dushanbe City to electronic meters, with the assistance of the World Bank. Also, electricity transmission lines have been constructed and commissioned, which made it possible to increase the proportion of electricity consumers by 1.9 percent. The National Government widely introduced the use of energy-saving facilities to reduce the deficit of electricity; modern energy-saving bulbs have been used, resulting in a five-fold reduction in expenditures for lighting and increased lifespan of the bulbs by 8–10 times.

In order to convert heating stations into coal-based ones, a gas deposits exploration project together with the network of condensed gas stations and a number of investment projects were implemented. As a result of the underground processing and drilling of deposits in the country, production of coal increased by 73 percent, which in turn led to the creation of new jobs. The increase in industrial production led to job creation, resulting in poverty reduction. This has been achieved due to the use of minerals and the sufficient production of agricultural products in the country.

A number of measures have been taken to develop Tajikistan’s production priorities within the framework of “Support for the development of priority industrial sectors”. In order to establish cotton processing enterprises, Governmental Decree No. 392 of 3 August 2007, “On the Programme for full processing of cotton fibre produced in the Republic of Tajikistan until 2015”, was adopted. Moreover, in order to establish enterprises for processing leather, wool, tobacco, silk cocoon and other raw

materials, Governmental Decree No. 663 of 29 December 2008, “On the Programme for full processing of leather and wool in the Republic of Tajikistan until 2015” was adopted. Bearing in mind the introduction of quotas for domestic processing in order to increase aluminium processing and monitor its implementation, the “Programme for processing and production of ready-made products of primary aluminium for 2007–2015” was approved by Governmental Decree No. 648 of 30 December 2007. The implementation of the adopted Decrees during this period allowed industry production to increase by 25.6 percent and industry export by 18 percent.

Development of the agricultural sector allowed to ensure a reliable, stable and adequate food supply in the country through gradual and sustainable growth of the volume of agricultural production, an increased level of income and employment, the conservation of natural resources and increased economic reproduction, which made it possible to ensure food security in the country.

In order to create favourable economic, financial and political conditions in the agricultural sector, Governmental Decree No. 658 of 31 December 2008, “On the approval of the Agricultural Policy of the Republic of Tajikistan” was adopted, which aims at promoting economic development through modern techniques and methods in agricultural economy. Also, in line with this policy, and in order to promote food security, Governmental Decree No. 72 of 2 February 2009, “The Food Security Programme of the Republic of Tajikistan until 2015” was approved.

In order to observe equal rights and guarantees for land use rights, land reform monitoring was conducted in districts. Public education activities on farm reform were conducted in 29 farms in towns and districts under the reform. In 2009, around TJS 4,912,000 were allocated for land reclamation, improving soil quality, and reducing wind erosion and desertification, making it possible to reclaim of 8,774 ha of land.

Education. Education is a key sector for achieving the PRS goals; ultimately, progress in education determines, to a significant extent, the outcome of all the efforts to improve governance and to promote sustainable economic growth and the development of the country’s human potential.

Increased enrollment of girls and boys in general secondary education up to 98 percent for the PRS-2 period, improved educational sector management and the implementation of measures set in the education sector made it possible to improve the major sector indicators and increase enrolment of children in primary and basic secondary education to 97 percent in 2008 (from 96.6 percent in 2007). The overall enrolment in school education reached 98 percent in 2008, which is 9.6 percent higher than in 2005.

To increase the effectiveness of available resources use: the proportion of schools with per capita financing system accounted for 10 percent in 2005, 15.5 percent in 2007, and 30 percent in 2008. The proportion of expenditure on the secondary education against the total expenditure on the education sector was 79.3 percent in 2007 and 76 percent in 2008 which is 3.3 percent less than in 2007.

In 2008 (149 schools), the number of newly constructed schools was by 83 schools more than in 2005 (66 schools).

Development of the healthcare system. Healthcare is a key sector towards achieving the Millennium Development Goals (MDGs), because all efforts to improve the populations’ health promote sustainable economic growth and the development of the country’s human potential.

There are concrete results and achievements in the reduction of maternal and infant mortality rates, and in the burden of infectious diseases, and in the eradication of certain communicable diseases that can be controlled by vaccines. As a result of implementing measures in the healthcare sector in 2007–2008, the following results were achieved: the proportion of expenditure on primary healthcare (PHC) compared to the total expenditure on the healthcare sector was 25 percent in 2005; 34 percent in 2007; and 16 percent in 2008; according to the overall plan of the Government, this indicator should be increased to 40 percent during the PRS period.

Despite the implementation of the necessary measures in this sphere, maternal and infant mortality persists. In 2008, the mortality rate of children under five was 53 per 1,000 people, which shows a decrease from 63 per 1,000 in 2007; the mortality rate of newborns decreased to 46 per 1,000 people in 2008 (58.4 in 2007). There is also decrease in maternal mortality, as shown by the available data, at 120 people per 100,000 babies in 2008.

Improvement of the social welfare sector. The reforms in the social welfare sector of the country will allow to implement a number of social and economic measures aimed at reducing unemployment, increasing prices, income inflation and promoting social welfare. Bearing this in mind, employment, social insurance, pension security and targeted social assistance are the priority areas of the social welfare sector, which directly effect the living standards of the population. Taking into account the goals and priorities of the PRS related to the problems in this sector, concrete measures were implemented and the following results were achieved: in 2008, the volume of non-insurance payments from the State social insurance were 7.1 percent (2007), which decreased by 19.9 percent compared to 2005 (27 percent). In 2008, some 40 percent of the able-bodied population were covered by the state social insurance (43.9 percent in 2007), which increased by 7 percent compared to 2005 (33 percent). In 2008, the number of employed people increased by 5.8 percent compared to 2005. The social assistance provided in 2008 was TJS 52.5 per capita (TJS 40 in 2007), which is TJS 40.5 more per capita than in 2005. The number of social services centres operating reached 6 centers in 2008, which is by two more than in 2005. Due to the measures implemented by the Government, the poverty rate decreased from 72.4 percent in 2003 to 53.5 percent in 2007 and absolute poverty rate from 41.5 percent in 2003 to 17.1 percent in 2007, which is a significant achievement. Activities are ongoing in this direction.

Visible results have been achieved with regard to expanded access to water supply, sanitation and housing, and to municipality services. It should be pointed out that the main goal of the reforms in this sector is to provide 96 percent of the urban population and 51 percent of the rural population with drinking water, which meets the Government's standards, and to provide 47 percent of the urban population and 37 percent of the rural population with basic sanitation and hygiene services. In 2008, 90 percent of the urban population was provided with drinking water, which meets government standards, but this decreased by 3 percent compared to 2005 (93 percent). In addition, 47 percent of the rural population were provided with drinking water, which met the Government standards for 2008, but decreased by 2 percent compared to 2005 (49 percent). Around 94.8 percent of the urban population in 2008 were provided with basic sanitation and hygiene services, which increased by 74.8 percent compared to 2005 (20 percent). The state budget expenditure on water supply, sanitation and housing, and municipal services was 1.5 percent of the GDP in 2008, an increase of 0.4 percent compared to 2005 (1.1 percent of the GDP), and the planned indicator for 2009 is 75 percent.

Promotion of gender equality. The matrix of measures for achieving gender equality includes the measures developed specifically for the implementation of the Government's gender policy. The measures for resolving gender-related problems are grouped and include the improvement of the institutional basis for gender policy and the establishment of efficient mechanisms to ensure equal access and subsequently reduce violence in the family and in the society. The major indicator and results of gender issues - Tajikistan's Development Index is based on Gender Equality factor, which rose to the 106th place in the world in 2008, but a decreasing trend is evident when taking into consideration the last three years — 2005 (91st place), 2006 (90th place) and 2007 (90th place).

### **2.3 Lessons learned from the implementation of the Poverty Reduction Strategy for 2007–2009**

Lessons learned included the following:

- The establishment of monitoring units on PRS implementation in ministries, agencies and local authorities consistent with its goals and activities should be completed;
- PRS did not envisage, *inter alia*, clear mechanisms for the harmonization of measures on impact factors and rapidly changing conditions, such as global financial and economic crises;
- Some parts of the implemented measures were not coordinated with financial resources, and others are sector-specific.

As a result of the lessons learned from the implementation of the PRS for 2007–2009, a number of measures and changes were included in this Strategy. For example, in order to strengthen coordination between ministries, agencies and local authorities, there was an adjustment to the monitoring mechanism for the implementation of PRS for 2010–2012. In addition, the measures for implementing the objectives of the Strategy were clearly identified and in line with the goals, and their number reduced by half compared to the previous PRS.

### **3. GOALS AND KEY DIRECTIONS OF THE POVERTY REDUCTION STRATEGY POLICY FOR 2010–2012**

The goals and key directions are as follows:

1. PRS is a three-year medium-term programme developed within the framework of the NDS. It consists of implementing Tajikistan's economic policy measures aimed at reducing the impact of the global financial crisis. It clarifies state policy measures on the current trends in order to gradually achieve goals outlined in the NDS. The PRS serves as the basis for developing sectoral and regional strategies.

2. At present, poverty in Tajikistan is determined from the material perspective: by the low level of income to satisfy the minimum needs and limited access of the population to services in education, healthcare, security, participation in the public activities, etc. Poverty reduction not only requires redistribution of the national revenue, but also more sustainable economic development, allowing the poor to find suitable jobs, have access to vital services and social insurance, and acquire their deserved position in the society. For this reason, in particular, the PRS is entirely aimed at addressing the poverty issues. The goals of this PRS are fully in line with the MDGs and the NDS, and show consistency with the PRS goals for 2007–2009. These goals are clearly identified within the PRS for 2010–2012.

3. The main goal of the implementation of the PRS is to promote dynamic economic growth, to improve the quality of the population's living standards, particularly the socially vulnerable segments of the population, and to strengthen human potential.

4. The PRS is based on major indicators, which outline the development of all basic aspects of welfare of the population during the implementation period. These targeted indicators for poverty reduction are outlined in Table 2. Other sectoral and regional development programmes and plans need to be harmonized with the PRS and should promote the achievement of its goals for 2010–2012.

5. The goals of the PRS reflect the effects of the global economic crisis faced by the country during its development period. Moreover, external factors — lack of access to sea, great distances to markets of high-income countries, instability of the regional situation, threat of drug trafficking and terrorism — and some internal factors — the low level of competitiveness, the high demographic rate and the degradation of human and physical capital inherited from the former Soviet Union period — negatively impact the country's development. At the same time, implementation of the PRS measures can create the basis for achieving the NDS goals. The Government believes that donor organizations will include amendments in their programmes to the greatest extent possible, taking into consideration the NDS/PRS, and with a view to provide assistance to the country.

6. The PRS is aimed at openness, transparency and accountability of state policy to society and the strengthening of democracy. It will serve as the basis for establishing cooperation between the Government and civil society, which is a priority at all stages of PRS implementation, including the reinforcement of the monitoring and distribution of resources. The budget expenditures should be harmonized with the PRS through medium-term budget programmes, the state annual budget and the state investment programmes, and must ensure the basic resources for its implementation.

7. Taking into consideration the NDS, the current problems related to the social and economic development and the lessons learned from the implementation of PRS 2 (see Chapter 2), the following was determined in this Strategy as the main directions for the country's development policy and poverty reduction:

- Improvement of the public administration in order to increase transparency, accountability and effectiveness of the activities of the government agencies in the fight

against corruption and to create favourable macro-economic conditions and institutional, regulatory and legal environment for development;

- Promotion of sustainable economic growth and diversification of the economy by developing the private sector and attracting investments, particularly in energy, transportation infrastructure and the cotton sector. By expanding economic freedom, strengthening ownership rights and developing cooperation between the government and the private sector, these goals can be achieved;
- The development of human potential by increasing the accessibility of social services provided to the poor, improving their quality, promoting active participation of the population in the process of development and boosting social partnerships.

8. The concentration of the efforts of the Government and society in these directions will ensure more effective use of the available internal resources and foreign aid provided to Tajikistan, and the development of all of the segments of the country's population, and as a result, promote the development of the society and thus reduce the poverty rate.

9. The measures within the government policy aimed at improving the public administration and creating a favourable environment for development are outlined in Chapter 4 of the "Functional Block". Chapter 5 of the "Production Block" includes the policy of institutional and economic development and stimulation of the private sector. Chapter 6 of the "Social Block" encompasses measures to ensure the development of human potential through, *inter alia*, the educational system, healthcare and social welfare.

10. There are a number of multi-level problems in the PRS; the measures in all three major policy directions are aimed at resolving them. The Government plans to undertake further necessary measures to complete systematic change, resolve demographic problems and to ensure sustainable environmental development, gender equality, and improved rights and opportunities of women

11. According to national social and economic development indicators for 2010 and the main parameters of its 2011–2012 outlook, the GDP growth is forecasted at 5.0 percent, 6.5 percent and 7.0 percent, respectively. The growth of the per capita GDP in 2012 will be 19.5 percent compared to 2007. Therefore, the poverty rate in 2010–2012 will decline by 7.9 percent compared to 2009 and will be 41.4 percent in 2012 (Annex 3).

The implementation of the previous PRS shows that the impact of increased GDP per capita on the reduction of absolute poverty is 1.5 times ratio. Therefore, absolute poverty in 2010–2012 will be reduced by 5.8 percent compared to 17.1 percent in 2007, and will be 11.3 percent in 2012.

With respect to GDP growth during 2010–2012, according to an optimistic scenario, under the influence of external market stabilization, an increase in remittances of labour migrants and in national export capacity and in domestic need, from 2009 to 2010, the real GDP will increase by 6.0 percent; by 7.5 percent from 2009 to 2011; and by 8.5 percent from 2009 to 2012. According to the official forecast, this will be 1 percent higher both in 2010 and 2011, and 1.5 percent higher in 2012. The poverty rate would be as follows: from 53.5 percent in 2007 and 49.3 percent in 2009 to 47.0 percent in 2010, 43.4 percent in 2011 and 38.9 percent in 2012. Thus, in case of high (optimistic) GDP growth, the poverty rate may decline by 14.6 percent within the five year period (2008–2012) and may reach 38.9 percent in 2012. In addition, in this same period, the absolute poverty level may decline by 7.0 percent compared to 2007 and may reach 10.1 percent in 2012.

According to the best case scenario for 2010–2012, compared to 2009, the real GDP will grow by 3.5 percent in 2010, 5.0 percent in 2011 and 6.0 percent in 2012. The poverty rate may change as follows: since 2007: 53.5 percent in 2007, 49.5 percent in 2009, 48.6 percent in 2010, 46.7 percent in 2011 and 44.1 percent in 2012. Thus, according to the latter scenario, of GDP growth the poverty rate may decline by 9.4 percent during the five years, reaching 44.1 percent in 2012, while the absolute poverty level may decline by 4.5 percent compared to 2007 and may reach 12.6 percent in 2012.

## **4. ESTABLISHMENT OF THE GENERAL CONDITIONS FOR DEVELOPMENT (FUNCTIONAL BLOCK)**

The functional block of sectoral sections of the PRS (public administration reform; macro-economic development; improvement of the investment climate; development of the private sector and entrepreneurship; regional cooperation and integration into the global economy) aims to establish general institutional conditions to stimulate economic growth and improvement in the scope and quality of the social services provided to the poor.

Joint planning of sectoral priorities and activities within the framework of a single unit allows to reduce interdepartmental disagreements in the drafting and implementation of the economic policy, and to enhance the effectiveness, coordination and targeting of the actions planned.

### **4.1. Public Administration Reform**

1. The Strategy for Reform of the Public Administration System of the Republic of Tajikistan was approved by Presidential Decree No. 1713 of 15 March 2006, which focuses on the following priority areas:

- improvement of the effectiveness of the national development management;
- improvement of the system of public administration according to the principles of the market-based economy;
- improvement of the effectiveness of government financial management;
- establishment of the modern professional civil service;
- improvement of administrative and territorial management.

This sector includes the tasks and measures set out in Presidential Decree No. 1713 of 15 March 2006 “On Approval of the Strategy for the Reform of the Public Administration System of the Republic of Tajikistan”, Decree No. 541 of 16 September 2008, “On Approval of the Concept for Improvement of the Public Administration System of the Republic of Tajikistan”, and Decree No. 582 of 31 December 2008, “On Approval of the Concept of the Government Personnel Policy of the Republic of Tajikistan”, as well as other regulatory legal acts.

Certain issues concerning financial management and institutional improvements are also reflected in measures outlined in the *Macro-Economic Development* section and other sectors of the PRS.

2. The Government has undertaken measures to bring the public administration system in line with democratic principles and the requirements of a market economy. Effective institutional reforms are not keeping pace with the rapidly changing economic situation, however. The public administration system in place today is not sufficiently effective and does not provide for the proper regulation of market processes.

3. The key problems in the public administration system are as follows:

- The system for managing national development processes is ineffective: there is not enough coordination of development programmes and plans, and no clearly defined integration of priorities, goals and results, which also hamper the institutionalization of the strategic priorities in the State expenditures.
- The State is too heavily involved in economic activity and does not perform the proper regulatory functions, which hinders the growth of the private sector.
- The system in place for managing government finances is not particularly effective; the State expenditures on investment is fragmented and not properly linked to the strategic priorities and development goals.
- The mechanism for the management and development of human resources potential is ineffective, and the level of motivation among public employees is low.
- Functions and authorities are duplicated among different levels of the government and their areas of competence overlap; there is no clear distribution of functions related to

providing services to the public and, as a result, the quality of these services is poor and they are difficult to access; the administrative and territorial division of the country is not uniform, which is a barrier to the proper distribution of functions, authorities and resources.

- The local self-government is poorly developed.

4. Historical experience shows that fostering conditions that are conducive to economic development is linked to more active government involvement. Without establishing an effective public administration system and the conditions that promote economic activity, significant results cannot be achieved towards sustainable economic growth and development, nor can poverty therefore be reduced in the country.

The goal of reform is to increase the effectiveness of central and local branches of the government, by: establishing a professional civil service and an optimal system for the elaboration and implementation of the development policies and programmes with enhanced management capacities and accountability; designing and introducing mechanisms for the clear integration of the long-term strategy with the process of planning and implementation of the state budget, annual plans, strategies for the development of the sector and investment programmes; coordinating the development of the public and private sectors with the aim of carrying out top-priority national tasks closely related to the development of the economy as a whole; strengthening active, local self-government with a clear distribution of functions and authorities among the levels of the government and local self-government, combined with the redistribution of financial and material resources to ensure improvement in the scope and quality of services provided to the poor.

5. In order to achieve the set goals, the following tasks and measures should be identified and carried out by the Government:

- design and introduce mechanisms for the coordination of the development priorities at the national, sectoral and territorial levels;
- closely coordinate the development of the public and private sectors to carry out the top-priority national tasks in close connection with the development of the economy as a whole;
- gradually withdraw from direct intervention in the economy and the transition to the predominantly indirect methods of state regulation;
- coordinate strategies and investment programmes with the budget process;
- develop the strategy of the state budget that ensures the long-term financing of the strategic development initiatives, taking into consideration that the resources are provided from the budget for annual and other plans of the sectors;
- improve mechanisms of public investment management; expand partnerships between the public and private sectors aimed at the development; improve the coordination of the development policy; and create mechanisms for effective mutual cooperation with foreign investors and development partners;
- streamline the mechanism used for distributing the budget's revenue sources among the various levels of the government, taking into account the redistribution of functions and identifying their financial authorities;
- strengthen the capacities and motivation of the civil service, including by modernizing the human resources management system and developing staff capacities according to the principle of separating political and administrative positions; strengthen the incentive role of wages; and reinforce professional ethics and professional standards;
- clearly allocate the functions and authorities among the levels of the government and local self-government, including the redistribution of the financial and material resources;
- abandon traditional, centralized mechanisms for the delivery of services to the public and the introduction of flexible and effective financing and management methods in



order to promote higher quality and enhanced accessibility of services provided to the public;

- regulate the relationship between the executive government bodies and local self-government on the basis of legal acts currently in force;
- improve the administrative and territorial division of the country, in consideration of the various concepts for the development of its administrative and territorial division.

6. The following should be key requirements for implementing the public administration reform:

- identifying an agency responsible for the implementation of the reforms;
- involving all the participants in the reform process and developing effective social partnership mechanisms;
- establishing a position involving the development of administrative and territorial management;
- coordinating the public administration reform with the reforms in other sectors;
- performing a cost-benefit analysis of the reform;
- using a selective approach to introduce international experience.

7. The measures planned for 2010–2012 in the area of public administration reform, allow the strategic and tactical decisions to be the basis for an effective national development management system in Tajikistan, ensuring both the vertical and horizontal interconnections and interdependence among all the executive government bodies.

## **4.2 Macro-economic Development**

1. Tajikistan's economy significantly developed at the end of the pre-crisis period, which promoted important positive changes at the macro-economic level.

The real GDP increased almost by 25 percent and its average annual growth was over 7.5 percent during the last three years (2006–2008). During this period, the nominal salary increased by 2.5 times; the real salary by 1.5 times; and the average pension increased by 3.2 times.

The country's economic development was driven to a large extent by an increase in the daily internal demand due to the large volume of remittances from labour migrants. In 2008, the volume of remittances increased by 1.5 times over the previous year, at 52 percent of the GDP.

The annual inflation rate, which was 20.4 percent in 2008, increased by more than 70 percent over 2006 due to the growth of prices for food and fuel.

Improvement of the monetary and credit policy promoted stability in the currency market. In 2008, the exchange rate against the US dollar did not change significantly, and compared to 2006 declined by 4 percent only. The state budget surplus in 2008 increased by 1 percent of the GDP, showing that the monetary situation has improved.

The overall official unemployment rate did not change, remaining at slightly over 2 percent. Nevertheless, experts believe that the real figure could be 9 percent, and taking into account labour migrants, it could be 25 percent.

At the beginning of 2009, i.e. at the time the global financial crisis, the macro-economic situation of the country showed the following trends:

Since world prices for key export products of the country dropped unexpectedly in 2009, foreign trade turnover dropped by 23.6 percent compared to the previous year; exports decreased by 28.3 percent and imports by 21.5. The trade balance declined because prices for exports (cotton fibre and aluminium) decreased faster than those for imports, which led to the deficit of balance in current operations.

Due to the decline in the economy of the Russian Federation, the opportunities weakened for employment of labour migrants, resulting in a decrease in remittances by 31.4 percent. This trend may have an overall effect on private consumption and the level of the welfare in the future since Tajikistan ranks first in the world in terms of dependency of its economy on remittances (52 percent against the

GDP in 2008); on average, the families with members who are labour migrants, cover about 35 percent of their expenses in this way.

Due to the above factors, the demand on the current foreign exchange increased and the exchange rate of the US dollar against the national currency has grown visibly. The highest growth in the exchange rate of the US dollar was 28.6 percent, observed in June compared to December of the last year. The National Bank has undertaken measures to stabilize the situation to a certain extent.

All of these factors impacted negatively on the budget revenue and financial stability in the country. The approved Programme on Budget Revenue was not implemented. As a result, the country's Parliament adopted the Law on the reduction of the budget revenue by 9.8 percent and the revenue by 9.6 percent. Combined with this, the social sector expenditure was fully financed.

Despite the negative impact of the global financial and economic crisis, the measures undertaken by the Government made it possible to ensure more sustainable economic development. The nominal GDP in 2009 was TJS 20 622.8 million and real sector development was confirmed at 103.4 percent over 2008. The per capita GDP was TJS 2,760, which was 15.5 percent higher than in 2008. The overall State budget revenue for 2009 was 99.7 percent of the envisaged budget at TJS 5 541.2 million, which was 26.9 percent of the GDP. In 2009, inflation in the consumption sector, which was dependent on limitations in public demand and the coordinated monetary policy increased normally. The inflation rate was 5 percent in this period, which was less than 2.4 times that of 2008 (11.8 percent).

It should be pointed out that in 2009, due to the increased effect of the global economic crisis on the country's economy, there was a growing risk of suspending most of the social programmes and an increasing probability of weakening or even stopping the ongoing economic reforms in the country. This situation threatened to dampen the achievements made in the social and economic levels of the country in recent years.

To eliminate the negative impact of the global crisis on the country's internal economic process, the Government's short-term Plan for Additional Anti-crisis Measures was adopted in April 2009. The plan included the following: promotion of macro-economic stability; support of the real sector of the economy; promotion of private sector development; creation of new jobs and support of the labour market; social support of the population; and improvement in the investment climate for attracting investments.

However, due to insufficient internal resources of the country, it is impossible to implement the adopted plan of the country; appropriate support of international financial institutions and developed economies is needed for its implementation.

Within the framework of the anti-crisis measures, in 2009, the donor community approved the provision of a coordinated support of US\$ 154 million to the country. In April 2009, the Executive Board of the International Monetary Fund (IMF) approved a three-year agreement (for 2009–2011) with the Government on the funding mechanism for poverty reduction and the promotion of economic development, for a total of US\$ 116 million (including US\$ 70 million allocated for 2009). Moreover, IMF will allocate an additional US\$ 100 million to support the Government's anti-crisis measures.

These policy measures will provide the foundation for implementing reforms in 2010. In the budget sector, all possible efforts have been made to improve the method of tax collection, including annulling tax privileges for imported goods and services. Success in this sector will also ensure timely spending in the social sector compared to the spending for 2010 earmarked in the budget, which was approved by the Parliament in November 2009. In addition to the impact of the global crisis on the budget in the last two years, due to the termination of external funding of the agricultural sector, there are plans to fund the agricultural sector through the private sector. The agricultural sector funding would not be sustainable if funded by state budget through a commercial bank loan, because these types of loans are ineffective and weaken the bank's repayment capabilities. In this case, the recently adopted Cotton Debt Resolution Programme should provide a good basis for increasing donor assistance to commercial banks. Funding through aid will make it possible to end budget funding of the agricultural sector and will also strengthen the banks' operational capacity for rehabilitating external commercial funding of the national economy in the medium term. Furthermore, according to

the recapitalization mechanism of the National Bank of Tajikistan (NBT), the state loan can temporarily increase from 40 percent of GDP, but its indicator may probably be lower in the medium term.

The primary goal of NBT's monetary policy for 2010 is to maintain price stability, i.e. a one-digit inflation and low overall prices of consumer goods, and to implement the monetary programme. The exchange policy depends on the fluctuation of the nominal market exchange rate against the currency of commercial partners. NBT will not interfere except in circumstances where it becomes necessary to deal with extremely unsustainable exchange rates and to strengthen its currency policy as a result of an unexpected increase in demand for money. NBT will limit its position strictly to implementing monetary policy and will remain the creditor of the last level; i.e. it will stop providing loans to the private sector in order to promote banks' solvency.

Sustainability of the commercial banks system became a cause for concern as a result of the economic crisis. As a result of a decrease in the prices of export goods, the reduction of remittances, inflation, an overall increase in uncertainty, bank solvency decreased. Consequently, the banks increased their interest rates in order to prevent a possible massive withdrawal of deposits by clients because there was a limited paying capacity of NBT due to the lack of relevant deposits. Despite these protective measures and relatively high incomes of banks related with risks related to crisis, and despite the decrease in inflation rate, the lending interests rates are still high. As a consequence, the banks' solvency is at risk, which is evident by the rapid increase in unserved loans in 2009. This situation in its turn has lowered the lending rate. In fact, lending to the private sector declined by approximately 5 percent in 2009.

All of these factors make it necessary to strengthen macro-economic standards in the banking sector. In the banking sector, all of the banks must implement economic standards in time; the banks' capital must be immediately strengthened.

2. Within the context of the global economic crisis, the main goal of the PRS in this sector is to maintain macro-economic stability, increase economic development and improve the welfare of the population, particularly the poorest, through the improvement of the scope and quality of social services provided.

3. The major challenges in achieving macro-economic stability are as follows:

- the lack of interconnection between the activity of the agencies in the economic sector for developing the macro-economic planning/prospects — monetary and fiscal — and the budget, which creates barriers to making better economic decisions on a timely basis;
- the poorly developed mechanisms and instruments for macro-economic regulation;
- the low effect of the financial mechanisms of the budget policy on the accelerated economic development process;
- the insufficient monetary and fiscal policy instruments and the poor development of the securities market;
- insufficient diversification of the economy and the country's export capacity, which leads to a high level of dependency on external factors, including the negative impact of the global crisis;
- the gap between the rapidly developing labour resources and the creation of new jobs, which results in an increased external labour migration.

4. Proceeding from NDS's main directions and priorities, the main goals of the PRS in the macro-economic development sector are:

- 1): Improvement of the tax and budget policy;
- 2): Further improvement of the monetary and fiscal policy; and
- 3): Continued implementation of the institutional reforms.

5. The tax and budget policy (task 1) will be improved through: improvement in the budget process; planned implementation of the short-term Strategy for State Financial Management; increase

of budget stability, reliability, comprehensiveness and transparency; improvement in the administration of tax; improvement of the tax administration; establishment of the procedures of unilateral state registration and enrolment of taxpayers by introducing the “one-stop shop” principle; simplification of customs procedures; and optimization of customs tariffs.

To address the tasks related to the improvement of the monetary policy (point 1), there are medium-term plans to implement measures aimed at widening the range of monetary policy instruments, improving the payment system, developing financial and currency markets, increasing the resource base of the financial institutions, making credit more accessible and strengthening banking supervision. Problems related to long-term bank loans to SMEs and to the use of the instruments of inflation control will be analysed.

6. Further improvement of the monetary and fiscal policy (point 2) includes measures aimed at: the sustainable development of the banking system; improvement of the legal base of banking activity; improvement of the procedures of deposit insurance; attraction of funds of international financial institutions to increase the resource base of the financial institutions, making credits more accessible and strengthening the banking services system; and use of effective tools for maintaining inflation.

7. Implementation of the institutional reforms of the sector and improvement of the efficiency of the government bodies (point 3) taking into account the requirements of the changing economic situation will probably continue.

The macro-economic planning methods will be improved, the development of the national statistics system will be enhanced, and the effectiveness and transparency of the state finance management will be improved. Efforts will be continued to increase the capacities of the government bodies responsible for the implementation of the macro-economic policy, to improve the regulatory legal base aimed at promoting macro-economic stability. There are plans to account for all financial resources, including attracting and using foreign aid for implementing the sectoral measures of the PRS.

#### **4.2.1 Development Promotion Strategy**

1. It is impossible to rehabilitate the high rate of economic development in the medium term, particularly without changing the trend of economic policy measures. The previous period, known for its rapid development, was supported mainly by external labour migration and further remittances, as well as foreign aid of bilateral donors, which could provide the appropriate level of investment in the country.

It is doubtful whether this type of support would significantly promote development over the next years. If remittances reach their previous level or even increase according to the economic development of the Russian Federation, development would not grow as in previous years. The greatest risk is that if the country does not increase economic opportunities, particularly in the agricultural sector, migrants will leave permanently with their families to foreign countries. In this scenario, remittances would decrease the contribution of labour, expenses for the economic development would decrease, and in particular, development prospects would diminish in the agricultural sector.

Bilateral assistance in investment has been reduced in the medium term due entirely to the large current external debt. According to preliminary estimates, from 2008 to 2012, the share of state funding for investment has decreased by 3.5 percent of the GDP. In addition, it is expected that the share of private investment will remain the same as in 2008, at approximately 6.0 percent of the GDP.

2. The major challenge for future development is the limited amount of private deposits and the insufficient proportion of investment, which according to estimates, will account for approximately 6.0 percent of the GDP. It is difficult to predict how it will be possible to rehabilitate the share of 20 percent investment – of which two thirds is State investment – to 8 percent of the development rate. In order to achieve this goal through State deposits, taxes must be increased or expenditures decreased, which is far from possible considering the low level of income and the increasing daily demand for social welfare. Thus, the only option is to increase private savings. In turn, transferring increased

deposits into private investment requires the establishment of a sustainable and reliable banking system and the creation of favourable economic conditions for entrepreneurs.

3. Despite these challenges, Tajikistan has great economic potential. Long-term productivity improvement, which can be achieved by increasing the share of the private sector in the economy, is the guarantee for success, because both private deposits and private investment will promote productivity in general. The sectoral policy measures, including in the energy and agricultural sectors, have sufficient potential to promote improvement of productivity. Their implementation requires strict restructuring of the management sector in the country.

4. The planned indicators for economic development should be ambitious. The goal for the next 20 years is to lift the country out of poverty, remove it from the list of the poorest countries of the world and place it on the list of, at a minimum, medium-income countries. These long-term development indicators require a 6.5 percent average annual development rate. There is a possibility of a decline in the development rate in the long term due to higher incomes level. Therefore, a development indicator of no less than 7 percent per year should be set for the medium term. In order to achieve these indicators, the economic policy measures should be directed at full implementation of production capacity. Macro-economic stability is the main prerequisite and will be ensured by undertaking fiscal and monetary policy measures. With respect to the structural policy measures, the main tasks are to significantly enhance the balance against deposits and investment, and ensure productive employment, rather than create new positions by merely redistributing the national revenue.

5. The strategy for ensuring growth in the country should be based on comparative advantage. Having taken into account the sufficient amount of natural resources, hydro-energy generation is considered to be this advantage. Potential for hydro-energy generation exceeds the internal demand and can become a source of energy for neighbouring countries facing electricity shortages and/or that have huge production expenses, particularly Afghanistan, Pakistan and China. Tajikistan also has significant resources of high quality coal, which can be used to reduce seasonal shortages of electricity – lack of electricity in the winter and its excessive production in summer season. A strategy for ensuring growth in the energy sector has two directions. Rehabilitation and modernization of the electricity sector for the medium term requires full compensation of production cost. The current, large, quasi-fiscal deficit in electricity generation should be completely eliminated by reducing losses and embezzlement during energy distribution through collection, metering and payments data as well as by increasing tariffs and ending cross-subsidies. At the same time, investments in the generation of coal-based heat energy should be a primary task. Significant restrictions hamper increased productivity. According to a recently conducted review, enterprises cannot operate their activities due to insufficient and unequal supply of electricity; eliminating such restrictions could promote progress in this sector.

6. The long-term strategy in the energy sector is based on enhancing electricity export opportunities and ensuring energy independence of the country. The key priority in this sector is to continue the construction of Roghun HPP as well as lines for the transmission of electricity to potential export markets. The national comprehensive plan for energy development, including short- and long-term goals and objectives, will be drafted clearly and in detail, taking into account possible concern of neighbouring countries over the country's investment plans. Having taken into consideration the need for investments, specifically in energy, close cooperation with international financial institutions and bilateral donors will be continued.

7. Diversification in the agricultural sector will ensure good opportunities to promote economic growth in other sectors. As a result of its favourable climate, in the past, the country exported great quantities of agricultural products, not only cotton, but also horticulture products to other countries of the former Soviet Union. Reforms carried out in the agricultural sector have already promoted the reduction of excessive production of cotton and an increase in the production of more profitable crops. The Cotton Farm Debt Resolution and progress in restructuring farms while issuing land use certificates to family farms will help eliminate two major barriers to the flexibility of the farm and production structure. Further diversification will stimulate the export of non-cotton agricultural

products and replace imports by domestic products. Regarding the cotton production the high fertile lands will be used for this purpose and it will remain the agriculture product for export.

8. In the coming years, progress in land reform (rapid issuance of land use certificates) will be the primary task of the agricultural sector after the Cotton Farm Debt Resolution. At the same time, the reform process will be deepened through a change in State authorities' functions in the agricultural sector. Rather than intervening in farm activity, they will distribute information on markets and prices, and organize farmer training. The social welfare system also needs to be improved and the governmental working group has started developing options in this regard.

9. Despite their important role in the strategy for ensuring growth in Tajikistan, sectoral policy measures alone cannot ensure success. Further, these policy measures will be only effective if measures for improving the business environment do not limit themselves to eliminating irregularities barriers and excessive regulatory measures. Business environment surveys and the low level of private deposits and investments show that, in general, it will be impossible to achieve economic growth in the country without taking firm measures to improve the investment climate. In addition, instead of dynamic growth to reduce the national poverty rate, stagnation will occur, and the export of labour migrants services will be replaced by the export of labour resources (i.e. outflow from the country).

10. The primary strategic task is therefore to improve the business environment and to ensure effective public administration. According to an assessment of international experts and research conducted, there are barriers to entrepreneurship in all important spheres in the country, showing the need to implement urgent measures; results were more negative from 2002 to 2008. Nevertheless, the assessment was controversial: what is important is that it shows that increases in the risk for investors, will hamper both external and internal funding of long-term investment projects, and thereby undermine the prospect of growth.

11. Many aspects of administration have improved over the recent years; however, progress started from a very low level. In fact, according to an international ranking, Tajikistan remains far behind the most of the Commonwealth of Independent States (CIS) countries on corruption, public resources management, ensuring rule of law, quality of regulatory framework and accountability of state authorities. These administration problems seriously ruin the efforts of the Government to attract foreign investment and expand the export base.

12. Taxation is often cited as one of the major barriers in entrepreneurship. Nonetheless, income tax is not high, and tax collection and inspections are non-transparent and unpredictable. As a result, enterprises often suspend their activities and terminate operations. The non-transparent application of procedures and provisions promotes bribery.

13. It is also extremely important to improve the management of State-owned enterprises. This can be initiated by a high-quality audit of the energy monopoly Barqi Tojik and the aluminium company TALCO, and the implementation of recommendations provided by auditors. It is necessary to speed up the process of privatizing State enterprises since the Government's share accounts for more than 50 percent in the majority of them. Many State enterprises are subordinate to sectoral ministries, which are considered to have selfish interests in the former, which is the main barrier to transparent privatization.

14. The regulatory and legal framework of export and import operations needs to be significantly simplified. Tajikistan companies face numerous legislative barriers in export and import activities. External observers correctly point out that this causes additional harm to the country, which has no access to the sea. Furthermore, such an assessment increases the risk premium, creating barriers to FDI. Moreover, such complicated procedures promote more corruption. Time spent on implementing export procedures increased from 72 days in 2006 to 82 days in 2009, while time spent for implementing import procedures increased from 44 days in 2006 to 83 days in 2009. Moreover, the number of export and import documents in Tajikistan exceeds the number of similar documents in most other countries.

15. Protection of property rights should be the primary task in improving management. Tajikistan is behind other CIS countries in terms of protection of the rights of investors. a situation that must be improved in order to ensure more inflow of private investment. User rights guaranteeing private

enterprises the right to use property at their disposal are also extremely weak. There is progress in terms of farmers' land use rights, and similar rights should be provided to entrepreneurs operating in other spheres.

16. Finally, launching a business in Tajikistan is more complicated than in most other CIS countries, which is also the reason for the low level of FDIs. It is necessary to significantly reduce the number of steps that entrepreneurs need to take to launch their businesses. They should be reduced by at least 50 percent in order to ensure privileges as in other CIS countries. Moreover, the process of renewing business licences is not transparent and promotes bribery.

17. With the aim of improving the balance between private deposits and investments, it is necessary to undertake measures to ensure effective management, which would serve as a basis for progress. This goal can be achieved by reducing premiums for additional risks in both foreign and domestic investments. As a result of a reduction of real interest rates, the risks of non-compliance of obligations will decrease and thereby the quality of assets will be improved in the commercial bank sector. At present, however, the low level of financing and weakness of the banking sector have increased the country's vulnerability to internal and external turmoil, which increases the investors' premium for additional risk. In order to break this vicious cycle, strengthening of the country's commercial bank system should be the focus of the primary economic policy measure for the next several years. Stimulation measures for attracting deposits from remittances to the banking system will promote the inflow of foreign currency; banks should initiate such stimulation measures themselves. State policy on ensuring a level playing field for banks and fair competition is fundamental for a sustainable and effective banking system. As pointed out above, early resolution of cotton debt will also help improve the solvency of the banks (debt-paying ability) and liquidity management. Moreover, in order to support the financial basis and to develop the banking system to ensure solvency in operations of external commercial funding for the medium term, it is necessary to broadly introduce the Tajik Agricultural Finance Framework (TAFF) together with financial support of international financial institutions.

18. The strategy for ensuring economic growth of Tajikistan is ambitious and need significant financial support from international financial institutions and bilateral donors. Although the country was able in the past to cover the significant funding deficit from remittances of labour migrants, such expansion of inflows of foreign currency to support the economic growth is unlikely in the future. This strategy promotes increases in internal deposits and FDIs to satisfy the growing needs in funding investment projects. The successful implementation of the PRS for 2010–2012 requires significant assistance from the donor community.

19. The above-discussed issues form the basis of essential policy measures to implement. Through strong leadership and by taking firm measures, the country could have sufficient human potential to transform the current problems into policy measures for the purpose of development.

#### **4.3. Improvement of the investment climate, development of the private sector and entrepreneurship**

1. Expanded access to the market by improving the business and investment climate in Tajikistan is a key factor that can promote strong economic growth in the future and improve the scope and quality of the social services provided. The enhancement of the business and investment climate can help foster a competitive environment and the conditions for employment of the unemployed population, including self-employment, and help stabilize tax revenues.

In view of the objective difficulties related to doing business in Tajikistan, as well as the high poverty rate, the business environment and investment need to be more favourable than in other countries in order to compete for investment.

The high level of unemployment, the limited nature of the domestic market and lack of investments expand the role of such forms of entrepreneurial activity such as sole proprietorships and small businesses.

The priority assigned to the development of the private sector and the attraction of investments by NDS/PRS lead to the gradual commercialization of the social sectors of the economy and an increase in the proportion of services provided on a private basis. This will not only increase the quantity and quality of social services, but will also make it possible to earmark more budget funding to provide social services to the poorest segments of the population.

2. In the post-Soviet period, there was a marked decline in the fixed capital and human potential for both objective and subjective reasons; at present, the rate in Tajikistan is still very high, however, in comparison to other poor countries with similar GDP figures (US\$ 707.9 per capita in 2008). This indicates that the available resources are not being used effectively enough.

The interest of foreign investors in Tajikistan remains limited and is concentrated on the traditional sectors (energy, light industry, processing of agricultural products and manufacturing at low investment levels).

On average, Tajikistan has approximately 1.4 small enterprises per 1,000 people, while the Russian Federation has six and European Union countries have at least 30. In terms of the sectoral structure, commercial activity that does not require significant investments dominates small and medium-sized enterprises (SMEs) and individual entrepreneurial activity (accounting for as much as 60 percent).

Entrepreneurial activity is limited due to a shortage of electricity (particularly in winter) and natural gas, as well as problems in processing products and transportation between the various regions of the country and abroad.

The availability of credit resources for entrepreneurial activity is limited due to high bank loan interests (24–30 percent per annum). Approximately four fifths of the SMEs do not use bank accounts in their business operations and resort to cash transactions. Insurance companies and banking institutions, which do not have enough capital, operate as monopolies, limiting the use of their services.

Simplified forms of SME regulation, including household businesses, have not yet been put into place, and the legal protection provided for their employees is inadequate. Serious problems involving protection of ownership rights, including those related to the use of land, and current relations involving the purchase and sale of land, have not been fully resolved. In addition, there are difficulties related to the enforcement of contracts (due to weakness of the court/legal system) and corporate governance.

3. The analysis of the business and investment climate in Tajikistan reveals serious and significant problems as well as the need to carry out the fundamental institutional and economic reforms. The main problems in the investment and business sectors are:

- delays in implementing heavy institutional and economic reforms; weakness of the incentive system for productive labour in the real sector of the economy and low labour productivity; an inadequate administrative structure; and a decline in the level of production and human capital;
- protracted difficulties in enforcing contractual relations and protecting ownership and other related rights, as well as the ineffectiveness of the legal system;
- administrative barriers to market entry (limited information support; poor truck, air freight and hotel services; complicated procedures for obtaining visas);
- the high cost of doing business (insufficient access to financing, insurance and leasing services; difficulties with electricity, gas, water and heating supply (especially during winter months); a large number of audits; and serious limitations related to certification;
- insufficient state support for business and investment (a low level of knowledge, lack of market research, unprofitable cotton production operations, poor job skills among labour migrants and school graduates);
- the lack of a unified mechanism for attracting investments and using privileges and guarantees;
- inadequate taxation for operating businesses and its improvement;



- the lack of a single procedure for the attraction, use, coordination and monitoring of foreign aid as well as a mechanism for coordinating government agencies, including the local self-governments;
- protracted difficulties in obtaining permits, insurance and accessibility to land for the construction of commercial and production facilities; and
- limited information for entrepreneurs and the lack of a effective and common database investors' activities.

4. Bearing in mind the NDS/PRS goals and priorities, and in view of the problems that have been outlined above, the following key tasks have been identified for the sector in 2010–2012: (i) implementation of structural reforms; (ii) establishment of a single legal procedure for attracting investments and providing guarantees and privileges to foreign and domestic investors; (iii) coordination of the government bodies regarding the attraction and effective use of the foreign aid, and the development of a single mechanism for its proper coordination and monitoring; (iv) establishment of a single database for investors and entrepreneurs; (v) lowering of the barriers and reduction of the costs related to entrepreneurial and investment activity; and (vi) state support for business and investments.

5. Within the framework of the structural reforms (task 1), there are plans to strengthen the role of the authorized government agencies responsible for attracting investments, which are identified by the Government. The main goal is to concentrate and coordinate the activity of the government bodies in order to attract investments and support the private sector through them. In addition, there are plans to strengthen the potential of the management agencies responsible for implementation, monitoring and evaluation of measures outlined in the PRS. There are plans to strengthen the potential of these bodies, develop calculation methods for rating the country's competitiveness] in terms of attracting investment and business, and to improve the relations between these bodies and the local government bodies, entrepreneurs, investors and international organizations.

6. There are plans to improve national legislation on investment with a view to identifying a single mechanism for attracting and managing investments and providing privileges to foreign and domestic investors (task ii).

7. Task iii concerns the promotion of effective cooperation with investors, international organizations (donor organizations) and international financial institutions, and coordination of their activities. At the same time, there are plans to develop a single mechanism within the project implementation process for attracting and using funds as well as coordinating and monitoring and evaluating their implementation.

8. Task iv concerns improving the access and provision of detailed information on investment projects in different parts of the country, and fully benefiting from guarantees and privileges provided by the government to investors. Within the framework of this task, there are also plans to improve legal knowledge of entrepreneurs in the regions by raising their awareness of the economic reform process and of regulatory legal acts adopted in the sphere of investments.

9. To improve the entrepreneurial and investment activities (task v), there are plans to analyse the taxation mechanism in the country and to bring it in line with the modern requirements. With regard to the complicated procedure of granting permits, there are plans to eliminate unnecessary permits that are not compatible with market conditions and to introduce them to the use of "a single window" system for improving insurance procedures, as well as increasing the responsibilities of entrepreneurs and introducing limited control of their activity.

10. In order to improve the investment and business climate in the country (task vi), there are plans, above all, to provide assistance to entrepreneurs through training, including legal training. Support for the establishment of business associations and cooperation with entrepreneurs will lead to civil society development. It would also involve them in the decision-making process, which would help increase the focus and effectiveness on the planned activities.

To support business and investments, there are plans to study the comparative advantages of various types of entrepreneurial activity in the country and to turn them into competitive advantages. Programmes will also be prepared to attract foreign direct investments.

11. It is anticipated that the implementation of these measures will allow private sector contribution to the GDP to increase to 66 percent by the end of 2012 (compared to 44.5 percent in 2008). Tajikistan's international rating of doing business should improve by 40 points.

#### **4.4. Development of the regional cooperation and integration into the global economy**

1. The principal goals of the country's foreign economic policy and the basis for forming a global partnership for development (MDG 8) are: a deeper integration of the country's economy into the global economy and ensuring its fair participation in the international division of labour and in international trade; the creation of a conducive environment for including domestic enterprises in international production processes; incentives to stimulate export and investment activity; the systematic participation of domestic businesses in determining the rules of international trade; and the achievement of sustainable human development.

2. Flexible regionalism is a defining feature of the Tajikistan's foreign economic policy. This approach entails Tajikistan's participation in the regional and bilateral trade agreements to stimulate trade and the rational use of the available resources and factors of production based on the recognition of, and compliance with, the rules and regulations of the multilateral trade system.

3. The analysis of the situation shows that the key problems in the area of the regional cooperation and integration into the global economy are:

- the lack of the necessary potential for effective implementation of the trade and investment policy measures; the underdeveloped legislative and legal frameworks governing relations in this sphere; as well as a weak mechanism for implementing regulatory legal acts;
- the unsuitable business environment and investment climate as a result of the lack of transparency in the application of the trade and investment policy instruments, as well as high transaction costs;
- poorly organized and insufficiently diversified exports, which are heavily dependent on prices of a limited number of unstable raw material markets. Insufficient attention is given to the development of the cluster option for the diversification of exports, taking into account all parameters;
- the country's great distance from seaports and its transportation and transit problems. At present, its transportation and transit policies heavily depend on conditions in neighbouring countries with regard to the transit of goods and vehicles across their territories;
- the inadequate marketing: there is not a single company in the country today that operates effectively in this area;
- the lack of healthy competition in the air transport services market and the weak material and technical base of the SUAE Tajik Air;
- the underdeveloped transportation infrastructure and the lack of healthy competition in the transportation services market; and
- the lack of an effective mechanism for border and customs control of the movement of goods, work, services and capital; a complicated mechanism for entry and temporary visits by foreign nationals; visa problems; and difficulties with the migration of labour forces.

4. Proceeding from the goals of the PRS and the priorities of the NDS, and taking into consideration the problems mentioned in regional cooperation and integration into the global economy, the tasks of the Strategy in this sector are to: (i) improve the system for managing foreign economic activity; (ii) strengthen the country's participation in global trade; (iii) develop regional cooperation;

(iv) diversify the commodity and sectoral structure of trade and simplify trading procedures; (v) develop tourism; and (vi) regulate labour migration processes.

5. The system for managing foreign economic activity (task i) will be improved by developing the institutional foundations for the regulation of foreign economic activity, including the elaboration of policies in this area and harmonization of the country's legislation with the norms of the international law; enhancement of the investment and business environment; access to the regulatory legal acts concerning foreign economic activity; the establishment of information and marketing centres; and improvement of measures for non-tariff regulation of foreign trade activity.

6. To expand Tajikistan's participation in global economic relations and to complete the process of the country's accession to the World Trade Organization (WTO) (task ii), there are plans to carry out a package of measures aimed at: analysing the consequences of globalization; providing access to the domestic market, in consideration of the country's economic interests; fulfilling the conditions of WTO Agreements on the protection of intellectual property rights, reduction of technical barriers to trade, and sanitary and phytosanitary standards; training highly qualified specialists in international trade and law; strengthening the activity of the Tajikistan Representative Office at the United Nations and other international organizations in Geneva related to the WTO; and fully participating in the drafting and adoption of decisions on international trade.

7. The development of regional cooperation (task iii) entails: improving the regulatory legal framework for regional cooperation; developing cooperation in transportation and transit systems between regions to resolve regional transit problems and to offer a way out of the transportation communication barriers developing cooperation in the provision and effective use of water and energy resources and hydrocarbon reserves; developing regional trade and adopting measures to simplify trade procedures within the region; accelerating the process of accession to the Customs Union and Common Economic Area within the Eurasian Economic Community (EurAsEC); participating more actively in the Shanghai Cooperation Organization (SCO); developing relations within the framework of the Economic Cooperation Organization (ECO); developing transportation corridors; and creating an International Energy Consortium and increasing potential for electricity transmission to the countries in the region by constructing electric power lines.

8. One of the most challenging tasks in the sector is the diversification of the commodity and sectoral structure of trade and the simplification of trade procedures (task iv). Given the limited resources available, the primary focus will be on: increasing the volume of the country's foreign trade turnover through rational implementation of a policy to develop the export-oriented sectors of the economy; drafting sectoral programmes for the development of export, taking into account the country's relative advantages in international trade; improving the tariff and customs policies, establishing a Consultative Committee on Trade Procedures, conducting negotiations with Kazakhstan, Uzbekistan and the Russian Federation on the elimination of the requirements that a deposit be paid for the transit shipment of goods across the territories of these countries; improving the mechanism for issuing licences for the production, handling and sale of alcohol products; improving the insurance system for legal entities and individuals; and resolving the issue of establishing and activating free economic zones.

9. The development of tourism (task v) is of considerable importance in achieving the Strategy's goals. This entails the implementation of the following measures: elaborating an effective mechanism for the implementation of policies and planning in the sector, creating the proper institutional base for the development of the sector; strengthening advertising and public information work by producing television and radio programmes for broadcast in foreign countries; publishing various advertising and public information materials; developing international cooperation to expand the legal base of the sector; establishing an attractive image of the country by more actively involving the domestic tour operators in international tourism exhibitions and trade fairs abroad, and by organizing a single exhibit to promote the country; organizing activities by tourism offices abroad that carry out advertising and public information roles; promoting Tajikistan's tourism opportunities in other countries; and developing the tourism infrastructure, including, *inter alia*, a network of hotels and other facilities that encourage the tourism development.

10. Regulation of the labour migration process (task vi): export earnings, FDI and remittances by migrants are now among the most important and relatively stable sources of foreign private financing. There is need for external labour migration, above all, to reduce the social strain, which results from unemployment among the economically active population. Given the insufficient legal sources to increase income and the lack of real economic opportunities to improve living conditions through employment in the country, external labour migration is the key factor to resolve this issue.

Issues that restrict the regulation of the labour migration process include:

- the spontaneous migration of labour migrants from Tajikistan abroad in search of jobs;
- the lack of knowledge of Russian or the language of the destination country;
- the lack of specific skills or profession;
- the low level of legal knowledge of labour migrants; and
- the lack of knowledge on appropriate ethics, behaviour and dress.

At present, there are 34 companies on employment of national citizens abroad with licences from the Migration Service. They have experienced the following difficulties in their activities:

- insufficient financial resources;
- high interest rates for bank loans;
- the non-fulfilment of terms and conditions of contracts by some foreign employers;
- the lack of professionals in Tajikistan who are needed by foreign employers.

When sending labour migrants to work under bilateral contracts, their interests should be protected including their rights, social needs and working conditions.

In this context, steps need to be taken to improve the mechanism for regulating and organizing external labour migration, to develop political dialogue in order to protect the rights and interests of Tajik migrants in foreign countries and to create the conditions for simplified entry and exit, as well as the conditions for visits to and movement within these countries. In addition, the modern, organized methods and means for delivering services in foreign markets should be developed by, *inter alia*, establishing a commercial presence.

11. The implementation of these measures in the area of the regional cooperation and integration into the global economy will allow to boost the country's foreign trade turnover by 45.7 percent by 2012.

At the same time, the favourable conditions for forming a global partnership for development will be created (MDG 8).

## **5. PROMOTION OF SUSTAINABLE ECONOMIC GROWTH (THE PRODUCTION BLOCK)**

### **5.1 Food Security and Development of the Agricultural Sector**

1. Food security and development of the agricultural sector is the key sector of the country's economy. Agricultural development ensures a reliable, stable and balanced food supply for the country through a dynamic and steady increase in agricultural output, higher incomes and employment levels among the rural population, as well as natural resources conservation for expanded growth. Taking into account these factors and to ensure food security, the Programme on Food Security in the Republic of Tajikistan until 2015 was established by Decree No. 72 of 2 February 2009, within the framework of the NDS until 2015.

The priority areas of the Programme are:

- To make food available and accessible (economic and physical access) based on the sustainable development of the agricultural sector;
- To ensure food security and to provide nutritional food for the population, particularly the more vulnerable segments;
- To ensure a stable food supply.

The strategic goals of the country, including poverty reduction will be achieved by implementing the outlined priorities.

2. The principal goal of the PRS in this sector is to increase gross agricultural output and labour productivity in key areas such as agriculture, water resources management, land use rights and nutrition. Ultimately, this will ensure food security, and allow to achieve the MDGs and the priorities of the NDS, including poverty reduction, particularly in the rural areas.

3. The country's agricultural sector showed significant achievements in implementing the PRS for 2007–2009. The overall volume of agricultural output grew during this period. However, some production indicators of the sector are not yet satisfactory, in particular, the rational use of the water and land resources.

The orientation of cooperation with foreign donors in terms of assistance in the agricultural sector should be changed and investments in developing infrastructure and the basis for food production should be a priority. The reason for this is that, in most cases, the donors are attempting to provide ad hoc assistance to the agricultural sector and due to the false perception that the country's population is poverty-stricken and needs primary humanitarian assistance, donors do not consider providing systematic assistance for the development of infrastructure and the agricultural sector. Therefore, it is necessary to boost cooperation with donors, who provide long-term systematic assistance in developing the individual agricultural sectors. This will ensure food security from the available domestic resources and will promote the establishment of a certain system of the sector's development as well as job creation.

Establishing an agricultural output reserve and improving the agricultural sector management system in the regions will play key roles in overcoming the effects of the food crisis and maintaining price stability on the domestic market.

Farmers will be encouraged if given the freedom to choose which crops to grow and determine which ones are in demand on the market, providing privileges and guarantees, strengthening the material and legal bases, and establishing favourable conditions for selling their products.

Taking into consideration the proposed activities and plans, it should be pointed out that, although some difficulties in the sector were resolved, there are still other problems, principally: debts to investors in the cotton sector; limited access to credits, technology and markets to sell products, including domestic consumers' markets; the underdeveloped agricultural infrastructure; increased costs of industrial vegetable and fruit processing; insufficient feed due to a reduction of the planting of feed crops; disruption of the system of moving livestock to remote pastures for grazing; the decline of livestock productivity; and inadequate veterinary services. It is also necessary to consider the difficulties related to the poor awareness of land reforms, lack of knowledge in establishing modern agricultural production, the increase in food-related illnesses and weak and insufficient personnel in laboratories for ensuring proper nutrition.

In combination with the above, the rational use of the water and land resources need to be significantly improved, because the country's consumer market is still dependent on imports of essential foodstuff. In order to ensure food security, production of essential foodstuff must be increased by implementing the programmes on the agricultural sector development, rehabilitating infrastructure, repairing and renovating irrigation networks, improving the water resources management system, and procuring technology, high-quality seeds and fertilizers.

4. Proceeding from NDS/PRS goals and priorities for 2007–2009, and in view of the problems in the food security sector and agricultural sector development, the following main medium-term tasks have been identified for 2010–2012:

- 1) increasing the efficiency of all agricultural sectors;
- 2) improving the conditions for the development of rural entrepreneurial activity;
- 3) increasing efficiency in the cotton sector;
- 4) providing guarantees and secure land use rights;
- 5) improving conditions for the effectiveness of the agricultural and water resource management infrastructure;
- 6) guaranteeing proper nutrition.

5. In order to increase efficiency in all agricultural sectors (task 1), the following are planned: (i) to implement the Programme on Food Security until 2015; (ii) to draft and implement the Programme on the Social Development of the Rural Areas for 2010–2020, the National Programme for the Study on Labour Safety in the Agricultural Sector, the Programme for the Study of Rights and Obligations of *Dehkan* Farms as per the national Labour Code and the national law “On the Labour Protection”, the Project for Creating Accounting and Financial Centres for *Dehkan* Farms; (iii) to resolve the issue of converting farms into associations, companies, cooperatives, etc.; (iv) to strengthen the potential of *dehkan* farms led by women; and (v) to train specialists in apiculture, potato growing, husbandry, cattle breeding, agribusiness, etc.

The country’s consumer market is still significantly dependent on the import of essential foodstuff. In order to ensure food security, it is necessary to increase production of essential foodstuff, and strengthen the material and technical base of agricultural farms in order to meet the food needs of the population.

The country’s capacity for export of agricultural output has only been partially exploited. Therefore, it is necessary to implement the State sectoral programmes in a timely manner and to undertake concrete measures for the wide use of the high-yield varieties of grain crops, vegetables and potato, as well as for developing horticulture in order to provide the domestic market and increase the country’s export capacity.

6. Special measures are planned to improve the conditions for developing rural entrepreneurial activity (task 2), including measures in the project “Rural Development”. These measures are aimed at, above all, the promotion of investment projects, including: attracting financial resources and credits of banks, foreign and domestic investors, and funds from labour migrants in order to develop animal husbandry at private farms; supporting the establishment of dairy farms, sheep farming to increase meat production, poultry farming, yak and goat herding in the mountainous and high-elevation regions; and establishing apiculture and fish farming, among others. Farms will be provided with better access to financial resources, and support will be provided to ensure that they are supplied with seeds, fertilizers, chemicals and other materials. There are plans to improve the quality of the veterinary, seed selection and seed production services by involving the private sector. It is also expected that economic, legal and consulting services will be provided on issues of land use and private business development in the agricultural sector. Further access to information will be improved, and knowledge and skills of specialists in the agricultural sector will be strengthened.

7. There are plans to increase efficiency in the cotton sector (task 3). First, it is necessary to implement, in a timely manner, Governmental Decree No. 406 of 2 July 2009, “On measures for implementing Presidential Decree No. 663 of 30 May 2009, ‘On the additional measures on support of the agricultural sector in the Republic of Tajikistan’ ”.

Despite the significant achievements of Tajik farmers in most of the sectors, there has been a yearly reduction in the production of cotton, their main crop.

The main reasons for the low indicators of the cotton sector are the insufficient financing of the sector, farmers’ discouragement by the final yield of their activities, the poor quality of seeds, the degraded land and inefficient functioning of irrigation networks. Proper measures are needed to increase the sectors’ efficiency and make it profitable.

Special attention should be focused on the cotton sector, the main sector employing the rural population and providing them with food and fuel.

There are plans to implement a package of measures to develop the cotton sector, conduct research and develop a mechanism to increase competition among cotton mills, improve cotton export procedures and import of fertilizers, equipment and other materials for cotton production, and develop the project “Cotton Processing and Market Development”.

8. It is planned to include amendments in the regulatory acts in force to simplify and increase the transparency of procedures for the registration of the land use rights in order to provide guarantees and secure the land use rights (task 4). By developing and establishing a single mechanism for completely

reorganizing and subsequently rehabilitating farms, giving farmers real land use rights, the sector will improve in the future.

Measures aimed at ensuring equal rights and opportunities to men and women with regard to land access will be supported to the greatest extent possible. They will include: public information and educational and promotional measures to inform the population of their equal rights to resources; training in land use practices; and the development of a network of micro-credit institutions. There will be continued monitoring of the observance of equal rights to land and related guarantees.

Accordingly, it is necessary to undertake measures for improving the legislative basis for the new phase of the reforms in the agricultural sector, ensure their implementation and include new lands in the agricultural sector turnover, and thereby increase the areas for crop rotation.

9. There are plans to undertake measures to improve working conditions and increase the effectiveness of agricultural and water resource management infrastructures (task 5). To resolve problems in the sector, there are plans to: restore and renovate irrigation and drainage systems; develop new land and support the establishment of WUAs to manage and rationally use water resources; restore irrigation systems; and irrigate newly developed land. In this context, there are plans to implement programmes “On the rehabilitation of irrigation and drainage systems, water development facilities and on-farm water pumps in the Republic of Tajikistan for 2010–2014”, “On the rehabilitation of arable lands of the Republic of Tajikistan and their inclusion into the agricultural turnover for 2010–2014”, “On the improvement of the reclamation situation of agricultural arable lands of the Republic of Tajikistan for 2010–2014” and “On the rehabilitation of high-pressure pipes in water pumps for 2010–2015”.

To increase soil fertility and reduce erosion and desertification, there are plans to plant trees and shrubs. Accordingly, the necessary measures will be undertaken to provide farmers with equipment, seeds and fertilizers. In addition, new land areas and their irrigation will be developed as one means for employing the rural population and thus reducing poverty.

Moreover, serious attention will be paid to improving the land certificate market and its effectiveness, and introducing market-based relations, the rational use of water and land resources, and crop rotation.

It should also be pointed out that the sustainability of agricultural production is linked to the rational and efficient use of the country’s water resources.

Taking into consideration the lack of water in the region, the consequences of droughts and the effects of climate change on the glaciers in Badakhshon, which are the major water sources of the Central Asia, there are plans to study the possibility of introducing new water resources management principles based on river basin and coordinated management mechanisms.

In light of the above, in order to develop new lands, curb land erosion and encourage the rational use of water resources, relevant ministries and agencies have been developing investment projects for separate regions of the country and have been undertaking special measures to attract foreign and domestic investments.

In the context of the global financial and economic crisis and low-water season and drought, farmers, agricultural entrepreneurs, rural people and owners of farmland have been using water resources rationally and efficiently, and have been contributing towards ensuring national food security.

10. Task 6, which relates to ensuring proper nutrition, aims at reducing the incidence of food-related illnesses and strengthening the legislative and laboratory bases. It includes the following package of measures: drafting and/or adapting the recommended, temporary, national, physiological and sanitation standards for food quality and safety; providing equipment for information collection and evaluation in order to implement the Law “On salt iodization”; enriching processed flour with iron; addressing medical problems related to nutrition; supporting scientific research to supply laboratory equipment for food safety assessment; and supporting scientific and practical research to ensure proper nutrition, taking steps to prevent and treat malnutrition.

Implementation of these measures will reduce the incidence of the food-related illnesses, particularly among the vulnerable segments of the population.

11. Implementation of the measures outlined above will help boost the gross agricultural output by 18.1 percent and increase labour productivity by 12.0 percent by 2012 compared to 2008.

## **5.2 Development of infrastructure, energy and industry**

1. The development of infrastructure, energy and industry would promote economic development and to create favourable conditions to reduce the poverty rate and achieve the main NDS goals.

2. Infrastructure. The most important sectors of Tajikistan's infrastructure are rail transport, road transport, air transport and the communications sector.

One of the main objectives of the Government is to lead the country out of the communications dead-end, which can be achieved by constructing railroads and highways.

Although trains and railroads were repaired, and locomotives and railcars renovated in the post-Soviet period, the infrastructure still does not meet international requirements and norms for shipping and passengers transportation and cannot ensure economic development of the sector within the market-based economy.

Most railroads and highways of the country are in need of major repairs, but the funds available for this purpose are not sufficient to do so.

Therefore, measures to lead the country out of the communication dead-end are included in the Matrix of Actions for 2010–2012, whose implementation will improve the economic and social situation in the country.

It should be pointed out that approximately 362.8 km of roads were repaired and renovated from 2002 to 2008 through foreign investments and government contributions.

With the completion of the construction works in the largest facilities of the sector, the first stage of the strategic task of the transport sector and the socio-economic development of the country will be implemented, ending the stagnation in communication. These works include: the construction of the Murghob-Kulma Highway; Phase 1 and 2 of the construction of the Shohon-Zighar; Shikev-Zighar Highways; Phase 1 of Dusti-Panji Puyon Highway; Phase 1 of the rehabilitation of the highway from Dushanbe to the Kyrgyz border; Dushanbe-Kurghonteppa-Danghara-Kulob Highway; improvement of the local roads in towns and districts of Khatlon Province; and rehabilitation activities in some parts of the Dushanbe-Chanok Highway.

It should be pointed out that, in recent years, 14 investment projects on the construction and rehabilitation of the highways, for a total of US\$ 648.8 million, have been implemented in the country. These projects cost US\$ 332.9 million, or 51.3 percent of the total funding.

It is anticipated that some projects will be finished by 2012, as a result of which 1,632.6 km of roads, 15 km of tunnels and more than 100 bridges will be reconstructed and newly constructed. In addition, in order to improve the quality of the highways and bring them in line with the international standards, a number of investment projects have been developed and are proposed to foreign and domestic investors.

Road transportation currently accounts for less than 5 percent of the total volume of international shipping. The main reasons for this are that the amount of freight to deliver is limited, freight delivery and passenger transportation do not meet international requirements, and conditions of Tajikistan highways are poor.

Tajik Air and Somon Air have made visible contributions to the air transport sector. Further, a number of measures have been undertaken to strengthen the material and technical base of these companies, including the purchase of three Boeing aircraft by Tajik Air and two similar aircrafts by Somon Air. At present, flight routes have been expanded to about 60 CIS and distant countries.

The main problem of the sector was that the country's airport did not meet international standards; this has been resolved. The construction of a new modern terminal in Dushanbe Airport started with foreign and domestic investments, and a new terminal with a passenger handling capacity of 500 passengers/hour is anticipated to be commissioned by the 20<sup>th</sup> anniversary of national independence, on 9 September 2011.



Communications. Communications is a priority sector, which plays an important role in providing fee-based services to the population. The outdated analogue automatic telephone exchanges have been replaced by digital equipment.

Wireless communication contributes significantly to the communications services market. There are 11 private operators in the country, whose profits are 10.1 times greater than that of national operators. Every year, the national communications company is losing ground on this market.

3. The main infrastructure challenges are:

- promoting stability and quality of national radio and television as well as communications and free access to modern information and interactive services for the population in the eastern, western and southern parts of the country;
- establishing at least 180 E1 traffic to meet the demands of all customers in the eastern, western and southern parts of the country;
- establishing the satellite mobile system;
- provide access to information sources in remote and hard-to-access areas of the country.

4. In view of these challenges and NDS/PRS goals, the main tasks of the infrastructure development for 2010–2012 are to:

- 1) Completing the construction of transit roads to promote international automobile delivery
- 2) Improving the condition of the local roads and maintenance of the roads in the rural areas
- 3) Implementing and proposing new investment projects.

5. Promotion of the international automobile delivery (task 1): In order to increase the volume of international automobile delivery and to create the favourable conditions to do so, a package of measures needs to be implemented. This includes investment projects for the rehabilitation and construction of international highways and the establishment of new international routes under the signed Agreements as well as projects for the construction of border terminals.

6. Improving the conditions of the local roads and maintenance of the rural roads (task 2). To promote the development of entrepreneurship in the rural areas of the country and reduce poverty among the rural population, the condition of the local roads should be improved and rural roads should be gradually maintained.

Therefore the measures in the Matrix of Action for 2010-2012 for improving the conditions of the local roads and maintenance of the rural roads of the country for the future development of rural areas are envisaged.

7. The task of promoting the ongoing and the new investment infrastructure projects (task 3) is of great importance. It involves monitoring progress in the construction of roads that provide internal inter-regional accessibility and allow the country to end the transportation stagnation. Support will be provided to the Tajik Railway and Tajik Air to improve their material and technical base. The possibility of building highways to Afghanistan, which would provide access to Iran and Pakistan, is under consideration.

8. Energy. Tajikistan's social and economic development strongly depends on the development of the energy sector.

The country need 3–3.5 billion kWt/h of electricity. One of the ways to solve this problem is the wide use of energy-saving equipment. For instance, the use of energy-saving bulbs will reduce electricity usage up to five times.

Also, the problem of electricity shortages can be resolved by constructing small and large HPPs. Some activities have been implemented by attracting domestic and foreign investments in the country. The joint construction of the 670 mWt capacity Sangtuda-1 HPP was completed in June 2009, and the 220 mWt capacity Sangtuda-2 HPP was constructed with investment from the Islamic Republic of Iran. The large South-North projects for the construction of the high-voltage, 500 kWt capacity electric

power transmission line and the 220 kWt capacity transmission line Lolazor-Khatlon have been constructed and commissioned through a privileged loan from the People's Republic of China.

The HPPs of the country have currently been in operation for more than 30 years; their technical resources are used fully and need repair. More than 50 percent of the electricity distribution equipment, networks and substations need regular and major repair.

Most of this hydropower is generated at the Norak HPP. Since it has a relatively small reservoir and is capable of regulating the energy resources seasonally, the current capacities cannot be fully utilized all year-round.

Therefore, the project "Repair and Restoration of the Norak HPP capacity" has been developed, which allows to increase the capacity of the plant by 500–600 mWt.

9. "The Long-term Programme to Build Small Hydro-power Plants in 2007–2020" was adopted in order to develop the energy sector. It provides for the construction of 100 small HPPs by 2012, amounting to US\$ 125.1 million, which will generate 480.6 million kWt of electricity per year.

In addition, construction is ongoing for the Roghun HPP, which started in 1980. According to the project, the capacity of the Roghun HPP is 3,600 mWt. After the first aggregate of this HPP is commissioned, annual power generation will reach 4 billion kWt/hour.

When the plant starts functioning to its full capacity according to the project, energy production will reach 13.1 billion kWt per year and will allow the energy system to operate regularly.

In addition, to supply the population of Dushanbe with electricity and heat (hot water) on a permanent basis, construction should begin of the Electricity and Heating Centre Dushanbe-2 with Chinese investment. As per the project, its capacity is 270 mWt.

It should be pointed out that this Electricity and Heating Centre will be constructed with the use of the latest technology, which takes into account environmental protection.

The SUE Tajik Aluminium Company (TalCo) is the largest industrial consumer of electricity, followed by pump structures of the Ministry of Land Reclamation and Water Resources, accounting for some 38–40 percent and 12–15 percent of the total load, respectively.

The proved reserves of oil, gas and condensate in the country represent less than 1 percent of total resources, which are estimated at 1,033 million tonnes of standard fuel. According to the estimates, 184,000 tonnes of coal will be mined in 2010 and 220,000 tonnes in 2012, which is an extremely small share of the country's reserves.

The acting tariffs on electricity consumption, which are still low, also lead to a decline in the technical quality of production tools.

The energy shortage, particularly in winter, means that educational and medical institutions, particularly those in rural areas, cannot operate full-time and the pumping stations that supply drinking water are shut down. This has led to an increase in infectious diseases, and consequently, a lack of available manpower. As a result, industrial production in the country has become seasonal.

10. In light of the above, the main problems in the development of the energy sector are:

- relatively low rates;
- unused alternative sources of power generation;
- significant energy losses;
- limited financial opportunities for renovation and building new energy facilities.

In view of NDS/PRS goals and the NDS priorities, and taking into consideration the above energy problems, the following key tasks in the sector have been identified for the coming years:

- 1) Constructing, rehabilitating and renovating the country's energy facilities;
- 2) Completing investment projects and promoting new investment ones in the energy sector;
- 3) Constructing electricity transmission lines in order to supply the districts of Zarafshon Valley with electricity of domestic production.

11. To construct, rehabilitate and renovate the country's energy facilities (task 1), measures are planned to restructure the largest energy enterprises — the OJSHC Barki Tojik Power Company and SUE Tojikgas. Implementation of a programme to build small HPPs will improve the electricity supply in the remote regions of the country.

The construction of new power-generating facilities – the HPP Sangtuda -2, the first phase of the Rogun HPP, the Energy and Heating Centre Dushanbe-2 – within the series of current investment projects will allow to significantly increasing make energy available to consumers (particularly in the winter), and to create the conditions for summer exports of the surplus power.

12.Special attention has been given to promoting existing and new investment projects in the energy sector (task 2).

The envisaged measures involve not only the modernization of hydroelectric power installations and a corresponding increase in their efficiency, but also the construction of new HPPs and the reconstruction of coal-powered plants. It should be pointed out that the South-North electric power transmission line, which was commissioned in December 2009, will reduce the dependence of the Soughd Province on imported electricity. In addition, the promotion of investment projects involving the construction of power lines for exporting electricity to other countries in the region, including Afghanistan and Pakistan, will make it possible to expand the market for generated surplus electricity.

13.To supply the Districts of Panjakent, Ayni and the Mountainous Mastchoh with the locally produced electricity, it is necessary to construct a 110 kWt capacity transmission line from the substation Severnaya of the Varzob District to the substation Rudaki of the Panjakent District, since they are supplied with electricity through the national electricity network and have experienced cuts of electricity supply.

In addition, Uzbekistan left the Central Asian unified energy network on 1 December 2009.

14.Industry. Tajikistan has sufficient resources to increase the production of industrial goods. Over the recent years, however, the volume of these goods has declined because production capacity has not been exploited to the fullest. Also, nationally produced industrial goods have not been sold and the global financial crisis has had a negative impact.

15.TalCo makes a visible contribution to the production of industrial output. Although the country produces sufficient primary aluminium, a large volume of ready-made aluminium products are imported to the country's domestic market from abroad.

To gradually increase the processing of primary aluminium and production of ready-made products of primary aluminium for 2007-2015, the full processing of cotton fiber and processing of animal products (wool and leather) for the period up to 2015, certain programmes were developed in the country, which envisages the step by step expanding the production of the mentioned products.

It should be pointed out that the full implementation of the measures in these programmes will enhance separate sectors of the country's industry, help resolve issues related to employment, develop the science and technology, increase state budget revenues, and resolve most of the key economic issues.

International practices and economic analyses showed that it is possible to achieve long-term success through the transfer of a long list of products to multisectoral production, thus increasing productivity.

16. The following measures need to be undertaken to increase processing of primary aluminium and to produce products made of aluminium, cotton, leather and wool, and thus create new jobs, increase budget revenues and ensure the development of the industry sectors:

- eliminating barriers to the free exchange of primary aluminium in the country;
- establishing a fund for innovative development of exports;
- implementing the project "The Use of Local Raw Material by TALCO";
- carrying out marketing research on the production of new products;
- developing and implementing investment projects to attract FDI to the separate spheres of the industry.

Regarding the introduction of processing of local industrial raw material, approximately one million people will be employed, which would help improve their living standards.

17.In recent years, the rate of growth of industrial output has been relatively rapid due to, albeit, the low starting point. The main reasons were varied: at the beginning it was linked to the restoration of peace in the country; now it is related to migrants' remittances and higher domestic demand. Tajikistan has significant resources — agricultural raw materials, medicinal herbs, coal, gold, precious

stones and other mineral resources — and needs the infrastructure to develop regional industrial production.

18.Proceeding from NDS/PRS goals and the NDS priorities, and in view of the problems in the industrial sector described above, the following main development tasks have been identified for the coming years:

- supporting the development of the priority sectors of the industry
- widely establishing the processing of primary aluminium, cotton, leather and wool.

19.A package of measures is planned within the framework of “Supporting the development of the priority sectors of the industry” in order to capitalize on Tajikistan’s production advantages. These measures involve, above all, promoting major investment projects in heavy and light industry, and the food industry, and, in particular, the construction of enterprises with an integrated production cycle for processing cotton and other agricultural raw materials. Special attention is currently focused on the building materials industry due to the growth of demand for building supplies resulting from the construction of energy projects, road construction projects, and also increased demand from private individuals. Serious efforts have been made to attract investments specifically for the processing of aluminium and precious metals and stones, as well as investments in mining. In view of the steady demand by the agricultural sector, there are plans to promote projects to set up plants for the manufacturing of spare parts and for the assembly of new agricultural equipment. Improvement in the energy supply of small enterprises and households could promote the implementation of projects to produce equipment for generating alternative energy (wind and solar power), and for biogas production, which is linked directly to poverty reduction in the remote regions of the country.

20.In view of the importance of the transportation and energy in supporting a strong economic growth and ensuring access to social services for the population, new investment projects are being promoted in these spheres, which have been included in the PRS Sectoral Activity Matrix for 2010–2012. The implementation of these measures will ensure the following:

- in the infrastructure sector – to increase freight and passenger turnover by 12.6 percent and 4.7 percent, respectively, and to increase the contribution of the communications sector as a proportion of the GDP to 38 percent;
- in the energy sector – to expand the average daily availability of electricity to all consumers from 16 hours to 24 hours; reduce the quasi-fiscal deficit from 20.5 to 5 percent; and introduce a concrete schedule for the delivery of gas, electricity and heating;
- in the industrial sector – to increase industrial output by restoring and developing enterprises by 25.6 percent; boost labour productivity in the industry by 16 percent; expand industrial exports by 18 percent; and increase the number of employees in the industry by 20.5 percent.

## **6. DEVELOPMENT OF HUMAN POTENTIAL (THE SOCIAL BLOCK)**

During the global financial and economic crises, Tajikistan faced a drastic deterioration of conditions in the Social Block (healthcare, education and science, social welfare, water supply, sanitation and housing and municipal services, environmental protection and gender equality). Due to the crises, public access to high-quality social services has declined two-fold, and living standards have been lowered.

During the last five years, TJS 4,900 million were spent on social sector needs. Despite the qualitative improvement in the country’s financial status and the increased value of budget expenditures on the social sector, the level of poverty remains high in the country.

The country’s limited ability to finance the social sectors has made it impossible to perform the meaningful and integrated reforms, or to strengthen human as well as the material and technical base of the social sectors.

The relatively underdeveloped business environment and difficult administrative barriers hinder the development of the private sector, which could help meet some of the social services demands and boost the government's ability to provide guaranteed social services.

The considerable foreign aid provided to restore the potential of the social block aims at resolving current, urgent problems and is not always most effectively used.

In the future, the Government aims to continue implementing the market reforms in this area, and at the same time, increase the financing of—and ensure the implementation of—measures in the social sectors. It also aims to improve the quality of social services.

## **6.1 Development of the educational system and science**

Creating the basis for societal changes has focused on promoting the potential of, and developing education and science, taking into account opportunities for developing human potential. The ability to address these issues was seriously complicated by the impact of the economic crisis and the high poverty rate, as well as the slow implementation of the deep institutional reforms and an ineffective use of the available resources.

In 1991, government expenditures on education reached 8.9 percent of the GDP, or 23.6 percent of total government expenditures; in 2008 the figures were 4.1 percent and 14 percent, respectively. Estimates show that in order to meet the minimum requirements to maintain and develop the educational system, taking the demographic factor into account, the annual education expenditure must be raised to 6–7 percent of the GDP. The insufficient financial support for science is slowing down the development of high-tech production operations. In 2005, the total budget funding for science and technology was US\$ 2.7 million, or 0.1 percent of the GDP.

### **1 Education**

1.1 Education is the key sector for achieving the PRS goals; ultimately, its progress significantly determines the outcome of all efforts to improve governance and to promote the sustainable economic growth and the development of the country's human potential.

1.2. Tajikistan's educational sector consists of: pre-schools; primary, basic secondary and general secondary schools; and basic secondary and higher vocational and professional educational institutions. In line with the goals and priorities of the NDS/PRS and the National Development Strategy for Education for 2006–2015, the main goal of the PRS in the educational sector is to ensure universal and equal access to basic secondary education for all girls and boys.

1.3. An analysis of the educational situation reveals the key problems in the sector:

- The educational management system is underdeveloped and has low potential, which results in, *inter alia*, a shortage of resources in the sector and an ineffective use of the available resources, as well as an insufficient participation by the private sector in providing educational services.
- The quality and level of education has declined as a result of the low wages paid to teachers at general education schools and a shortage of teachers.
- There are educational institutions with very poor physical infrastructure and without the capacity to meet demands;
- There are problems with access to education for children from the poor and socially vulnerable segments of the population, and secondary education coverage for girls is inadequate.
- Due to the limited availability of electricity, basic computer training courses cannot be offered.
- The community is not involved enough in the management of general schooling.

1.4. Proceeding from the goals of the PRS and the NDS priorities, and keeping in mind the problems in education, which have been outlined above, the tasks of the Strategy in this sector are: (i) improving the educational management system; (ii) establishing a more effective system for the use of available resources and improving the quality of education; (iii) improving methodological and

personnel support to the educational system; (iv) providing better access to education for girls and boys, especially those from socially vulnerable segments of the population; and (v) upgrading the material and technical basis of the educational sector.

1.5. The education management system (task i) will be improved by:

- clarifying and assigning and/or limiting functional responsibilities of the various administrative bodies in the sector;
- optimizing the network of the basic and secondary schools, which will allow for better use of resources, while maintaining and increasing the coverage of the primary and basic secondary education;
- increasing the independence and responsibilities of educational institutions, while involving parents and the communities in the organization of the educational process and quality control; strengthening the potential of school principals and other administrative personnel;
- enhancing informational support to education and establishing a monitoring system of school activities and the quality of education;
- studying the demand on the labour market for qualified personnel and re-focusing vocational and professional educational institutions to meet it.

1.6 A package of measures aimed at improving the use of government funding of the educational system, increasing public funding and attracting private resources to this sector is planned in order to establish a more effective system for the use of available resources (task ii). There are plans to adopt a Conceptual Framework for the Financing of Education in the Republic of Tajikistan until 2015 and to continue the pilot programme for a per capita financing system, which are aimed at: increasing transparency in the use of public resources; establishing a close connection between the funding and the performance of educational institutions; distributing resources by taking into account the number of students and the specific regional or local conditions; and granting educational institutions considerably more freedom and responsibility in the allocation of government resources. The introduction of a new salary system will more closely link the remuneration to teachers' qualifications with the real labour costs of teachers and will prevent teachers' resignations. It will also help improve the quality of education. The proper organization of the system for delivering paid services by public schools and intensive efforts to support the development of private educational institutions will create opportunities for injecting additional funding into the sector and reallocating some government funding to meet the educational needs of children from the poorest and the most vulnerable segments of the population.

1.7. The improvement of methodological and personnel support to the educational system (task iii) is vital in order to raise the overall quality of education. This will be addressed by updating educational content, improving curricula and study programmes, and preparing textbooks that reflect new approaches to education.

There are plans to include changes in the educational sector – to convert basic secondary education schools into a ten-year compulsory system of education.

Another important focus is the re-training and professional development of teachers aimed at improving the quality of instruction and reduce the shortage of teachers, particularly in the rural areas. There are plans to organize professional development courses for teaching personnel, taking into account modern requirements for introducing new technologies in the educational process. Local government bodies will take steps to attract young teachers to work in the rural schools and thus help resolve this problem. An independent educational quality control system will be set up and the possibility of correlating school performance assessments to its results will be studied.

1.8. One of the most challenging tasks in education is to provide better access to education for children (girls and boys) from the socially vulnerable segments of the population (task iv). Given the limited resources, a large-scale government intervention is not possible. Primary attention will then be focused on making more effective use of the available funds and methods, and on developing new mechanisms to support children from vulnerable groups. In order to overcome barriers to school attendance, which directly link to poverty, school children in the primary grades will be given hot

meals. Targeted economic assistance will be provided to children from the needy families, with resources concentrated on the poorest and the most isolated parts of the country.

The transition to the ten-year compulsory educational system is essential for the introduction of the new educational system, which will help improve gender inequality in the educational sector and bring the educational system in line with the requirements of international educational standards.

1.9. The outdated and ageing infrastructure of the educational sector, insufficient funding, and the growing number of children who need to attend school require immediate measures to upgrade its material and technical base (task v). There are plans to implement a package of measures for the construction and major renovation of school buildings, the purchase of the necessary classroom and other equipment for schools and the publication of textbooks. The main condition for establishing a conducive environment for students is to take into account the minimum standards of lighting, heating and sanitation and hygiene norms.

1.10. Implementation of these measures in education will make it possible to bring the basic secondary school attendance rate up to 91 percent among children aged 7–15 and to increase the percentage of girls among the total number of children attending school to 50 percent. At the same time, there should be an improvement in the quality of education and in its relevance to the demands of the country's socio-economic development.

## 2 Science

2.1. The development of science could make a serious contribution to poverty reduction by carrying out important research, in particular, applied research targeted at developing the real sector of the economy. This could also contribute to the training of highly qualified personnel.

2.2. The country's scientific potential consists of academic and sectoral research institutes and institutions, including scientific research at higher education institutions. The NDS for 2007–2015 and the PRS for 2010–2012 in the science and technology sector aim to strengthen the role of science in promoting the country's socio-economic development.

2.3. The analysis of the situation in the science sector reveals several issues:

- underdevelopment of the management system and ineffective use of the resources in the sector;
- limited use of scientific potential in developing the comprehensive national scientific and technical programmes aimed at addressing the key problems in the country's socio-economic development;
- inadequate material and technical support for sciences;
- an insufficient level of the international scientific and technical cooperation.

2.4. Proceeding from the goals of the PRS and the priorities of the NDS, and keeping in mind the problems in science identified above, the tasks in this sector are to: 1) Improving the institutional system of institutional system of the science sector; 2) Concentrating scientific potential in the priority research areas; 3) Improving the material and technical base of the science sector; 4) Training highly qualified specialists in the sciences.

2.5. Reform of the management system in the science sector entails improving its institutional system (task 6). To achieve this, a horizontal and vertical functional survey was conducted and practical recommendations prepared. Measures will also be undertaken to integrate academic, applied and higher education in the sciences, and to provide incentives for scientists.

2.6. In order to increase the proportion of scientific developments that are incorporated into the real sector of the economy, the main emphasis will be on concentrating scientific potential on the priority research areas that would contribute to the country's economic development (task 7). Scientific research will be carried out primarily in the high priority areas of the natural sciences, engineering, medicine and agriculture.

2.7. The insufficient financial support to the sector and the partial destruction of science sector infrastructure during the civil war underline the urgency for measures to improve the material and technical base of the science sector (task 8). There are plans to restore and update the material and

technical base of scientific research institutions and to furnish them with instruments, equipment and reagents.

2.8. According to the Training Programme for Scientists in the Republic of Tajikistan for 2009–2019 (task 9), approved by Resolution No. 396 of 2 July 2008, the necessary measures will be undertaken to improve the system of training high-calibre scientists.

2.9. The implementation of these measures in the science sector will make it possible to increase the practical relevance and introduction of scientific advancements in the real sector of the economy by 30 percent.

## **6.2. Development of the healthcare system**

1. In the new economic environment, the healthcare system cannot operate effectively without significant reforms. Total government expenditure on the healthcare fell from 4.5 percent of the GDP in 1991 to 1.9 percent in 2009, indicating that healthcare is increasingly dependent on unofficial private payments for medical services and on foreign aid.

The healthcare system of Tajikistan is based on following: NDS for 2007-2015, MDG, PRS, the complex strategy on population health for the period until 2020, The programme fight against tuberculosis for 2010-2015 and other programme and decrees adopted by Republic of Tajikistan. The main attention are given for the timely health care services to people affected by natural disaster. As necessary the continuation of the Health care Management Information System (HMIS) is also envisaged under this document.

There is a significant gap in the distribution of material resources and budget funding between primary health care (PHC) and hospital care; the bulk of the funding is earmarked for the secondary healthcare (hospitals), whose services provided are expensive and unattainable for the poor.

There is evidence of a decline in the qualifications of medical personnel, and a shortage of skilled medical staff, especially in the rural areas. This is due to the imperfect mechanisms of human resources management, low wages of medical personnel and consequently a high turnover of medical personnel. These problems are aggravated by the lack of sufficient modern medical equipment and facilities, and a deterioration in the physical condition of buildings and facilities.

The network of private medical institutions, which could help satisfy some of the unmet demands for medical services, is growing slowly due to serious administrative barriers and inadequate government support.

2. Tajikistan's healthcare system is the key sector to achieving the MDGs, since efforts undertaken to improve public health will promote sustainable economic growth and the development of human potential.

3. In accordance with the NDS/PRS objectives, the main medium-term goal in the healthcare sphere today is to gradually reduce maternal and infant mortality rates and the burden of infectious diseases, and to eradicate certain infections that can be controlled by vaccines.

The top priority in healthcare is to strengthen the primary healthcare system and epidemiological supervision, and to introduce new methods of healthcare services.

4. The main problems in the healthcare system are:

- deficiencies in the healthcare management system, which in their turn lead to inadequate policy analysis and planning with regard to services, healthcare economics and human resources, as well as the poor management of information systems;
- the slow pace of the healthcare system reform and limited private sector participation in the delivery of medical services;
- the shortage and inefficient use of available financial resources, as well as inadequate government funds for overall healthcare expenditure. This has led to a situation in which medical institutions, particularly those in the primary healthcare system, and the state public health and epidemiological supervision centres are significantly weakened in terms of personnel and material and technical resources, which in their turn reduce the poor's access to medical care and basic medicine;



- lack of public awareness of the basic guidelines for a healthy lifestyle and a failure to follow them, which include maintenance of reproductive health, protection of maternal and child health, and prevention of the spread of infectious diseases.

All the above problems lead to the higher maternal and infant mortality rates, and an increase in the incidence of infectious diseases, i.e. “the diseases of the poverty” (tuberculosis, malaria, helminthiasis, etc.).

5. In view of the above problems and the goals of NDS/PRS, the main tasks in the sector are to: (i) increase the effectiveness of the management system and financing; (ii) expand the role of the private sector in the delivery of medical services; (iii) improve maternal and child health protection; (iv) combat HIV/AIDS, malaria, tuberculosis and other infectious diseases; and (v) improve personnel training and reinforce the material and technical base of the healthcare system.

6. In order to increase the effectiveness of the management system and financing (task 1), a package of measures is planned to enhance the utilization and increase the amount of the government financing, to attract additional resources and also to create the favourable conditions for better exploiting the potential offered by the private sector. There are plans to implement the Republic of Tajikistan Health Care Financing Strategy for 2005–2015. This includes the introduction of mechanisms for per capita financing of primary healthcare, a change in the financing system of hospital care using treatment-based clinical cost groups, as well as restructuring primary care and hospital networks.

These measures are also aimed at: increasing the effectiveness and transparency of the use of public funds; establishing a close correlation between funding and performance of healthcare institutions; and distributing financial resources based on the number of people enrolled at the treatment and preventive care institutions, the specific regional/local conditions, and the ability of the healthcare institutions to redistribute savings to improve their operations and provide incentives. The improvement in the quality of medical services will be achieved through the introduction of the new employee compensation programme. There are plans to introduce the Basic Programme for Medical Care Delivery. It establishes a payment procedure for medical care, which exceeds the amount of funding provided under the Basic Programme, to cover free guaranteed healthcare, both at the expense of the state funds and of co-financing (co-payments).

7. One of the most important tasks in healthcare is to expand the role of the private sector in the delivery of medical services (task 2). Development of private treatment and preventive care institutions and the analysis of the second-tier burden in order to assess privatization prospects in healthcare will create the conditions for mobilizing private resources in the sector and reallocating government financing to meet the needs of the poorest and the most vulnerable segments of the population. Simplification of licence procedures for medical care will make a valuable contribution to the development of the private sector and healthcare as a whole.

8. In view of the country’s high maternal and infant mortality rates, measures reflected in task 3 (improvement of protection of maternal and child health) are very important. These measures include improving the qualifications of medical personnel providing healthcare services to mothers and infants and incorporating the basic types of perinatal and neonatal care in the list of guaranteed medical services. Another important issue that needs to be immediately addressed involves strengthening the capacities of the national and the provincial reproductive health centres to perform regular monitoring, assessment and improvement of the quality of medical services provided to the public.

In order to resolve problems related to healthcare for mothers and children, the following is needed: public information; educational measures; public dialogue among government employees, healthcare providers and the population on issues concerning child mortality; safe motherhood, reproductive health and family planning; and improved access to, and better quality of, urgent obstetrical and neonatal care.

The inclusion of family planning, reproductive rights and other issues in the “Healthy Lifestyle” school programme targeted at the upper grades will help raise awareness of these issues, and, in turn, will help mitigate problems related to reproductive health in the future.

9. Problems associated with task 4, combating HIV/AIDS, malaria, tuberculosis and other infectious diseases, need to be addressed without delay, because there has recently been a drastic increase in the incidence of infectious diseases. Measures outlined as part of this effort include: raising public awareness, particularly among the high-risk groups, on the preventive ways of spreading dangerous infectious diseases, including HIV/AIDS, malaria, tuberculosis and parasitic diseases; ensuring universal access to HIV/AIDS prevention and treatment measures; reducing the stigma of HIV/AIDS and discrimination against the high-risk groups; and promoting positive public opinion on prevention programmes to combat HIV/AIDS.

The fight against the HIV epidemic is cross-sectoral, as recognized by the Government; the related issues are a part of the activity of all those sectors responsible for the support of the segments of the population who are at risk of infection.

The new Programme on the Fight against HIV/AIDS for 2011–2015 will be developed based on the National Plan on Monitoring and Evaluation, taking into account the cross-sectoral nature of the fight against HIV/AIDS. It will be coordinated with the goals of NDS/PRS.

Improving the epidemiological supervision system is an integral part of efforts to prevent the spread of infectious diseases. Measures are planned to raise the qualification of specialists in public health and epidemiological services, as well as those working in centres for combating tropical diseases and tuberculosis, immuno-prevention, the promotion of healthy lifestyles, as well as the parasitology divisions of the state public health and epidemiological supervision centres.

One of the most important factors in reducing infant and child mortality is to ensure that as many children as possible are regularly covered by vaccination programmes for all infections that can be controlled by vaccines. A gradual transition to the government-funded immunization programme and its integration into the maternal and child health protection programmes will be a top priority. The strengthening of agencies involved in promoting healthy lifestyles is the key element in ensuring a healthy population. Activities in this area include public awareness campaigns on family planning, introducing hygienic habits and changing behaviour.

10. Improving personnel training and strengthening the material and technical base of the healthcare system (task 5) will be carried out through: improved training and re-training for medical personnel and general practitioners (family doctors and nurses); certification, revision and inclusion of programmes in curricula that are relevant to the country's needs; and improving personnel planning and management policies, which in turn will lead to a steady shrinking of the geographical and organizational gaps, as well as the elimination of shortages of certain specialists. Another important issue is the adoption of measures for improving the material and technical base of the healthcare system. The steps include a package of measures for constructing and renovating treatment and preventive care institutions, and purchasing vehicles and the necessary teaching and medical equipment. These measures will be carried out in accordance with a plan for restructuring treatment and preventive care institutions, including activities in the pilot regions identified by the Government as the poorest and the most vulnerable.

11. The implementation of these measures in the healthcare sector will make it possible by 2012 to reduce maternal and infant mortality and the incidence of infectious diseases, and to eradicate some of the infections that can be controlled by vaccines.

### **6.3. Improvement of social welfare**

1. The goals and tasks of the NDS and the PRS are to resolve socio-economic problems related to improving the quality and the standard of living of the population. In this regard, the priorities in the social welfare sphere for 2010–2012 are: employment, social insurance, pension security and targeted social assistance.

2. An analysis of the situation in the social welfare system shows that the key problems in the sector are:

- financial imbalance of the social welfare system and continued compliance of social policies to the methods and approaches followed in the pre-market period;

- underdeveloped bases for statistics management due to the lack of modern methodology and a system for the collection, processing and dissemination of statistics data;
- an inadequate regulatory and legal base for the social welfare;
- the low level and poor quality of social assistance and services;
- inadequate bases for establishing and developing infrastructure for alternate social services through the involvement of civil society;
- the lack of a policy on the effective prevention of social risks;
- the lack of social justice due to the inadequate social insurance system;
- the presence of a significant shadow underground sector;
- limited opportunities of the state employment agencies, and the poor quality and lack of competitiveness of the country's labour potential;
- lack of a mechanism for the effective social welfare of labour migrants.

3. The following tasks have been identified in light of the goals and priorities of the NDS and the PRS, the current problems, the impact of the global economic crisis and the threat of its consequences, as well as poverty factors in the sector:

- 1) Improving the social welfare management system.
- 2) Ensuring better access to resources for needy people, which would allow them to escape poverty on their own.
- 3) Promoting the reforms in the social insurance and pension security system.
- 4) Updating the social assistance system by covering both its elements: social benefits and social services.

4. The improvement of the social welfare management system (task 1) is based on drafting a conceptual reform and state strategy framework for the development of the entire social welfare system. These documents should define the Government's targeted social policies, which aim to foster real conditions to enable citizens to exercise their right to social welfare. The central problem of the improvement of the social welfare should be resolved by:

- improving the structure and revision the authorities and competences of the Ministry of Labour and Social Welfare by drafting and implementing the priority measures in the medium-term period (2010–2012);
- reviving the activity of the structural units or agencies responsible for labour issues within the local state authorities of towns and districts;
- establishing a multi-tiered and unified system to manage the protection of children's rights: this aims to eliminate barriers that hinder the timely and full protection of the social rights of needy children, which could affect the effectiveness of poverty reduction among children as one of the priorities for the poverty reduction.

5. To ensure access to resources, which would enable needy people to overcome poverty directly (task 2), measures in the two directions should be undertaken:

- a) labour and wages;
- b) regulation of the labour market and labour migration process of promoting employment and assistance to the unemployed.

The strategy on labour and wages focuses on resolving the following issues through several measures:

- reform of the wage system of civil servants and workers in the educational and the healthcare sectors in order to implement actions included in the conceptual framework of salaries in the first phase until 2012;
- expanding the range of services for regulating social relations – labour with the use of the norms and standards, and methods of social partnership;
- developing and implementing mechanisms for the effective indexation of salaries, with resources provided from the budget;
- monitoring the annual increase of wages, including the minimum wage;

- introducing and implementing measures to continue the policy on the gradual elimination of the hard forms of child labour;
- improving the regulatory and legal, administrative, and material and technical base of the State services for the supervision of labour, employment and social welfare, in particular, in order to increase the effectiveness of measures to lobby (and, if necessary, sanction) employers who do not observe the labour and social welfare legislation.

In order to reduce the impact of the global financial crisis on the labour market and employment in the country, promote job creation, implement active policy on the labour market, and ensure state guarantees of employment, the following PRS measures are necessary:

- implementing mechanisms for the effective drafting of state policy on the regulation of the labour market and employment;
- expanding and strengthening opportunities of the government agencies responsible for employment to be intermediaries in the labour market;
- improving the quality of professional orientation activities and implementing education programmes on helping the unemployed and labour migrants adopt to the internal and external labour markets;
- promoting self-employment of the unemployed as well as domestic labour; and drafting and implementing effective mechanisms to promote paid public jobs;
- revising the procedure and guaranteeing timely payments of unemployment and social benefits;
- computerizing the government employment agencies; introducing training, research and regular monitoring of the labour market; and developing databases on labour market indicators and on the activity of these agencies;
- promoting employment of the vulnerable segment of the population in the labour market by offering special jobs through quotas; providing professional training, professional development and re-training; drafting and implementing targeted programmes on the promotion of employment; creating additional jobs; developing SMEs (by involving the disabled and promoting domestic jobs); and rehabilitating services through vocational training;
- promoting technology for adult education.

The implementation of the above-mentioned measures will promote the reform of the system of social insurance and the introduction of multi-level, financially sustainable, pensions and principles, which are based on it.

6. Promotion of the reforms of the state social insurance and pension system (task 3) aims at ensuring a sustainable financial basis and achieving significant changes. This entails the implementation of the following measures:

- strengthening the regulatory base of the reforms by drafting and elaborating laws on: (i) state social insurance; (ii) pension insurance, including state pensions; and (iii) individual records;
- increasing the effectiveness of the social insurance management system by computerizing the records of the insured and the beneficiaries of the social insurance social benefits;
- automating the process of pension assignment and improving the insurance statistics system;
- finding ways to cover labour migrants with a social insurance system;
- preventing and eliminating cases of arrears of payment of both social taxes and payments to the insured entities;

Implementing measures to facilitate the enhancement of the reforms of the social insurance and pension system will promote the gradual establishment of a multi-tiered, financially sustainable pension system that fulfils the principles of social insurance.

7. Poverty reduction depends on the effectiveness of the social assistance system (task 4) and consists in expanding access to social services that meet the latest standards. These issues can be resolved by drafting and implementing the State strategy on the reform of the social services system and providing the State with socially targeted assistance to the vulnerable segments of the population. This entails the following measures:

- further strengthening of the regulatory and legal bases, including the development and adoption of laws and other regulatory and legal acts on: (i) social support for the elderly; (ii) protection of children's rights; (iii) improvement of the guardianship system for under-adult children; and (iv) procedures for social services provision;
- targeted social assistance;
- further expansion and implementation of new forms of social services by improving the system of the relevant local institutions at the level of the self-governing local councils (*jamoats*) in cooperation with non-governmental organizations and civil society representatives;
- revision of the system of privileges and further establishment of a unified database on its beneficiaries and on those who need social assistance, including children;
- improvement of methods of social services delivery as well as further enhancement of the social services system for children, on the basis of advantages of jamoat and family-based services
- drafting a national strategy to cover the issues related to the content, volume and minimum standards of services, as well as the competences and responsibilities regarding childcare, including support from the budget for children's protection rights;
- drafting and gradual implementation of the national system of monitoring children's social welfare;
- strengthening of the regulatory and legal bases for establishing a joint activity system among institutions for the assessment of the demand on social services according the "social one-stop shop" method;
- review of the administrative mechanisms for social services delivery at the town and district levels based on needs to change the directions of financial flows; implement a system to regularly monitor the quality of social services;
- drafting and approval of a list of social services guaranteed by the state and establishment of mechanisms to assess the demand for services and the procedures of their delivery;
- drafting and piloting of the standards for the assessment of the activity of the institutions responsible for social services and professional qualification of their workers;
- strengthening of public information activities to improve people's legal knowledge and increase their awareness on the methods of social services delivery;
- development of methods for enhancing social welfare for the employees of social services institutions by improving the wage system.

8. The implementation of measures in the Strategy regarding the social welfare sector for the medium term (2010–2012) will make it possible to:

- strengthen the regulatory, legal and financial bases of the sector, ensure further reforms for the effectiveness of the system, and gradually increase wages, pensions and social benefits;
- expand modern methods of the social service delivery and increase the number of institutions for social services;
- improve the social infrastructure in the future to promote growth of the targeted privileges, services and social benefits received;
- reduce unemployment and increase competitiveness of the labour market;

- improve the quality of management and operate the multi-tiered and unified system to manage children's rights protection;
- enhance the procedures for labour protection management, promote the improvement of working conditions, prevent occupational accidents and diseases, and increase the means for labour productivity;
- reduce poverty by 10 percent.

#### **6.4 Expansion of access to the water, sanitation, and housing and municipal services**

1. The goal of this sector is to establish economic and administrative mechanisms to implement the first stage of restoring the water supply and sanitation systems, and housing and municipal services. Civil society and the business community need to participate in the housing and municipal services reform. The main task at this stage of the reform is to introduce to the public the sense of ownership and interest in the management of the housing stock.

2. Tajikistan mainly uses surface and groundwater sources, more than half of which have elevated hardness and mineralization levels. Overall, 87 percent of the urban population and 20 percent of the rural inhabitants in the country receive their water from centralized water systems that do not meet the drinking water standards. These problems arise as a result of serious difficulties related to water delivery, public sanitation, and housing and municipal services, which occur in the cities and the rural areas.

Sewage services are available to 23 percent of the country's urban population and 5 percent of the rural population. Most of the population centres do not offer solid waste collection and recycling services.

In the process of privatizing agricultural enterprises, some of the water supply, sanitation, and housing and municipal services facilities were overlooked and left without any responsible supervision and management. The lack of interagency coordination has led to a situation of little contact and interaction among the various structures responsible for drafting and implementing these policies.

3. The main goal of the reforms in this sector is to provide the following by the end of 2012: 1) access to drinking water, in compliance with government standards, to 96 percent of the urban population and 51 percent of rural residents; 2) access to basic sanitation and hygiene services to 47 percent of the urban residents and 37 percent of the rural population.

4. The main problems in the water supply, sanitation, and housing and municipal services sectors are the following:

- Competences related to policy development and regulation are not assigned to a single government body and there is no coordination among the agencies responsible for the policy development and implementation in the sector. There are not enough comprehensive programmes and plans aimed at restoring the water supply and sanitation systems, and the housing and municipal services, etc;
- The regulatory legal basis is insufficient and limited; there are facilities in the rural areas for which no one is responsible.
- There is a lack of a stable electricity supply, which hinders the uninterrupted operation of facilities.
- The technical conditions of the current water, power and heating supply facilities, sanitation systems, and housing and municipal services are unsatisfactory.
- There is no clearly defined and transparent policy for providing the targeted social assistance related to payments for water, power and heating, and housing and municipal services.
- Domestic and foreign investments are not used effectively enough; there is no rate policy in place designed to ensure the profitability of providing these services; and the institutional and functional potential of the sector with regard to collecting payments for services is inadequate.

- The quality of housing and municipal services is declining, while inefficient spending is on the rise.
- Measures aimed at developing the social sphere and the public utility infrastructure in the rural municipalities (*jamoats*) are insufficient.
- The rural areas have almost no centralized sewage systems or facilities for collecting and recycling solid household waste.
- The rapid population growth is not leading to a corresponding development of the sector.
- There is a shortage of skilled personnel.

5. In view of the above problems and NDS/PRS goals, the main tasks of the sector at this stage of the reform are: (i) implementing institutional reforms in the sector; (ii) attracting private business and investments; and (iii) increasing effectiveness and optimizing the performance of the sector's infrastructure.

6. Within the framework of the institutional reforms (task i), there are plans to carry out operational and institutional measures and to clarify the roles and increase the capacities of the agencies responsible for the development and implementation of the policy and the drafting of the relevant laws, standards, programmes and regulatory documents. This will ensure the preparation of the necessary legislative and other regulatory legal acts, and funds raised for the modernization of electrical power and hydro-mechanical equipment. There are also plans to improve the system for recording water use, to install water meters and to renovate the key facilities in centralized heating systems in towns and villages. A conceptual plan for the development of housing stock will be prepared in order to provide incentives for private construction activity. In addition, the rating system will be analysed and a mechanism developed for the collection of payments for municipal services. A conceptual plan for the development of housing will help coordinate efforts in this sector.

7. One of the priority tasks of the "water supply, sanitation, and housing and municipal services" sector is to strengthen private business efforts and attract investments (task ii). Accordingly, there are plans to analyse the attractiveness of the sector from an investment perspective in order to evaluate the prospects for privatization or restructuring of facilities in the sector; proposals will be prepared with regard to providing state support for activities in this sphere.

8. Another important task of the "water supply, sanitation, and housing and municipal services" sector is to increase effectiveness and optimize performance of the sector infrastructure (task 3). To achieve this, the following measures must be carried out:

- drafting or revising and implementing the general local development plans; developing or restoring the public utility infrastructure;
- promoting public housing construction projects;
- providing greater access to housing and municipal services for the low-income and socially vulnerable segments of the population.

As a result of these measures, housing and municipal services enterprises will increase incomes, the technical expertise of the sector will be restored, the collection rates for the public utility payments will be increased, and the quality of services provided will improve.

To better address the tasks outlined above, measures will be undertaken to: restore and rebuild the reservoir for the daily regulation of water levels; protect public health zones; restore and rebuild the heating and water supply networks, interior plumbing systems and the water supply systems of towns, district centres and rural localities; restore and rebuild sewage treatment plants; build treatment facilities; and improve sanitation and hygiene conditions.

9. Performing these tasks and measures of the "water supply, sanitation, and housing and municipal services" sector will ensure wider access of the country's urban population and the rural residents to safe drinking water, sanitation services, and housing and municipal services.

## **6.5. PROMOTION OF ENVIRONMENTAL SUSTAINABILITY**

### **6.5.1. Description of the relationship between the poverty and environmental sustainability.**

The Global Environmental Facility (GEF) defined the relations between environmental degradation and poverty as follows:

Poverty is the main reason and consequence of global environmental problems. Therefore, there would be no reason to make attempts to resolve environmental problems without taking into account wider opportunities, which include poverty factors.

Poverty reduction in Tajikistan is the key issue of state policy. There are political/legislative measures related to poverty reduction and environmental protection issues in Tajikistan, but they do not appropriately cover the ecological, poverty, production and social development issues. The policies and programmes of most sectors regarding environmental protection have not yet been harmonized (e.g. issues related to land degradation and increased waste production and consumption remain).

To promote environmental sustainability, it is necessary to implement the Environment Protection Concept of the Republic of Tajikistan, which has provisions for shifting from the principles of temporary economic impact to those of long-term sustainable development.

The Government is paying increasingly greater attention to sustainable social and economic development. For this reason, Tajikistan has joined a number of international conventions such as the United Nations Convention on Climate Change (1998), the Qyoto Protocol (2008) and a number of other international conventions and agreements. In addition, the Centre for Study of Climate Change and Ozone has been established within the Committee for Environment Protection under the Government, bring together scholars and experts.

The NDS includes the following priorities regarding environmental sustainability on the basis of national goals and priorities:

1. To strengthen the institutional capacity on environment in order to promote environmental sustainability;
2. To address the issues of natural disasters through prevention and the effective natural resources management;
3. To maintain and manage biodiversity and the ecosystem.

### **6.5.2. Problems in environmental sustainability of Tajikistan**

1. Tajikistan faces problems of soil degradation such as erosion, swamping, deforestation and salinization. These problems are both due to climate change and man-made factors. Together they cause changes in soil activity, i.e. changing the quantitative and qualitative features of the land, which leads to decrease in quality of the natural and economic environment.

A decrease in agricultural land fertility seriously threatens national food security. The farmlands have been reduced by 4 percent in the country over the last ten years.

Desertification has become one of the burning issues of the country. Development of new lands from steep mountain slopes, cutting forests, and raising livestock without respecting national regulations have led to a decline in the mountain terrain, which aggravated different natural and manmade environmental impacts.

2. Sparsely populated mountainous areas of Pamirs have also become subject to man-made impact. As a result of this impact on the mountainous ecosystem, the overall situation of the mountainous plants has changed, including that of the rare species of medicinal herbs; soil degradation has worsened; and useful species of plants have disappeared and been replaced by weed. All of these factors have led to the progressive reduction of biodiversity and, consequently, to desertification.

3. In the past, private entities would collect medicinal herbs to prepare and resell unprocessed drugs abroad. Granting permission and registration of activity related to the collection of medicinal herbs will make it possible to regulate it. Where material stimulation is introduced, this may become an additional source of income for the people living in mountainous areas. In addition, this will



strengthen the implementation of one of the priority objectives of the NDS, i.e. *the protection and management of biodiversity and the ecosystem*.

4. The main sources of pollution of the water resources are the communal, industrial and agricultural wastewaters. The agricultural water wastes account for more than other types of waterwastes by volume (3.3–4.1 km<sup>3</sup>). The percentage of pesticides, nitrate and phosphate in the drainage water currently exceeds the threshold established by regulations (up to 25 percent of nitrogen, 5 percent of phosphate and 4 percent of pesticides).

5. According to the UNDP/United Nations Environment Programme (UNEP) Survey conducted in the framework of the Poverty and Environment Initiative (PEI), the country's population, particularly in the rural areas, has limited access to electricity supply. The energy crisis in 2007–2008 led to massive forest cutting.

The Government has been seriously concerned over the recent energy crisis. Therefore, decisions have been taken to design programmes for energy independence, including for the construction of small HPPs throughout the country.

At the same time, options should be considered to introduce new technical developments available at scientific and research institutions in order to apply alternative energy resources (for instance, small wind power plants generating power through air pressure).

6. Air pollution in industrial centres and urban areas is one of the serious problems of the environmental safety. Large industrial enterprises and vehicles are the main air pollutants. According to the Ministry of Transport and Communications, the number of vehicles increased by approximately 125 percent over the last five years in Dushanbe alone, more than 80 percent of which are very old vehicles. At present, the relevant agencies insufficiently control the level of engine exhaust; therefore, environmental compliance needs to be improved.

7. There are a number of problems related to waste management in the country. The country's system of waste recycling is poorly developed; waste collection and disposal areas do not meet the sanitation standards; and low-waste technology for waste recycling and utilization is limited. Also, adequate efforts should be made to eliminate the potential hazard of radioactive and metallurgy wastes.

8. According to a Survey conducted by United Nations Framework Convention on Climate Change (UNFCCC), temperatures in the country will rise from 1.8 °C to 2.9 °C by 2050. Should these forecasts be realized, climate change in the country will negatively impact:

- water resources;
- the agricultural sector;
- transportation infrastructure; and
- public health.

9. More than half of the country's territory consists of mountains, at altitudes of 3,000 m. This makes it significantly vulnerable to natural disasters, mainly soil drying in the summer and landslides in the spring. One of the priority objectives of the NDS is to address natural disasters through prevention and effective management of natural resources.

According to the European Commission Aid Department, in Central Asia, as a result of natural disasters over the last decade, 2,500 people have died and 5.5 million people (approximately 10 percent of the population) have been injured. The UNDP Resident Coordinator in Tajikistan pointed out that natural disasters cause US\$ 600 million of damage to Tajikistan annually. Natural destruction represent 4.8 percent of the GDP and mainly effect the poor segments of the population.

10. Ecological education.

The following measures should be created and implemented:

- new programmes and teaching manuals on environmental protection and sustainable development in industry, agriculture and services, taking into account the impact of these sectors on the environment;
- professional development, re-training of engineers, technical specialists and teachers, training and re-education of professionals whose activity is directly related to the use of natural resources;

- the inclusion of the subject “environment and sustainable development” in the curricula of secondary and higher education schools;
- the development of a series of educational presentations on environmental protection and the effective use of natural resources for different groups of the population, including pre-school age children;
- the development of training programmes of journalists and other specialists of mass media to cover environmental issues and introduce them to the sectoral learning process.

### **6.5.3. Action Plans**

#### **A. Waste management**

Background information: Environmental problems are the key issues for environment protection in the country due to their complexity associated with waste disposal, recycling and use. These problems exist in all spheres of the humankind activity and affect all components of the environment—soil, air and water resources.

Assessment: It is necessary to focus on the following specific features while conducting an analysis of the problems associated with the waste management in the country:

- Most of the country’s territory consists of high-elevation areas ecosystems, which are particularly vulnerable to natural and man-made impacts.
- The country’s territory is significantly subjected to natural disasters, such as earthquakes, landslides, mudflows, floods, overbank flow, excessive humidity level, rockslides, avalanches, etc.
- There are many polymetallic and radioactive minerals storages in the country. There is a constant threat of possible environmental catastrophe as a consequence of destruction of tailing ponds located in districts of high seismicity and frequent landslide incidents.
- There is a high risk of possible environmental catastrophes that may impact not only Tajikistan, but also neighbouring countries.

#### **Tasks to 2012:**

- Perform an inventory of the country’s tailing ponds.
- Develop and adopt fiscal (tax, credit and other) regulations to introduce non-waste technology in production.
- Establish a system for the collection and use of solid household wastes, taking into account technology for their processing to generate electricity.
- Rehabilitate the toxic chemical tailing ponds in the districts of Vakhsh and Konibodom, and dispose of outdated toxic chemicals whose use is prohibited.

#### **B. Control over the air quality**

General information: Tajikistan ranks only 150<sup>th</sup> among more than 200 countries in terms of CO<sub>2</sub> exhaust emissions per capita, but the trend over recent years shows that a number of factors can negatively effect air quality, such as an intensive increase of number of vehicles, most of which are very old..

#### **Tasks to 2012:**

- Improve and harmonize air protection laws and regulations with the international standards and requirements.
- Develop a system for monitoring the movement of polluting substances and improving the waste control system.
- Carry out scientific and research activities on air protection and establish an on-line system of information exchange and an automated database.

### C. Improvement of water resources management

General information: The country's major rivers are Syrdarya, Amudarya (Oxus), Vakhsh, Kofarnihon and Zerafshan Rivers.

Tasks to 2012:

#### Water resources quality management

- Develop and apply a single regulatory and methodical documentation on water quality, taking into account international requirements.
- Create a database on the environmental situation of the water resources.

#### Prevention of water resources deficit

- Improve and modernize the water distribution system.
- Develop methods of purifying waste water and drainage water, taking into account their further treatment in water supply facilities.
- Introduce water-efficient irrigation and water-cleaning technology at the national level.

#### Improvement of water quality

- Identify the sources of water pollution.
- Improve the payment system for the use of water and penalties for water pollution and damage caused to water resources.
- Rehabilitate and construct new drainage systems to reduce the level of groundwater and to prevent the secondary salinization of soil.

### D. Land management

General information: A significant part of land resources of the country are subject to, *inter alia*, water and wind erosion, salinization of arable lands, man-made desertification, and swamping and water pollution by industrial and household wastes.

In general, these factors have been leading changes in the soil function, i.e. to quantitative and qualitative deterioration, and, therefore, a reduction in its natural and economic significance.

Tasks to 2012:

- Improve and coordinate legislation on environmental protection in order to establish the institutional conditions to successfully combat desertification.
- Introduce a monitoring system to assess the desertification process and environmental aspects, and support a sustainable mechanism of coordinating activities to combat desertification.
- Rehabilitate degraded pastures and introduce pasture conservation methods.
- Fight against the degradation of arable lands.
- Recultivate lands disturbed by humans.

### E. Protection and management of the mountainous ecosystem

General information: As a result of the uncontrollable man-made burden on the mountainous ecosystem of Tajikistan, the main type of plants have changed, the phytogenetic resource base of plant formation has been lost, and the land is degraded throughout the country, which in turn has led to an expansion of weeds in pastureland replacing useful species of plants. All of this has led to growing loss of species diversity and, ultimately, to desertification of the territory and disturbance of the environmental sustainability. Profound changes in the hydrothermal process/regime of the surface of mountains, attenuation of renewable water resources and high risk of hazardous natural disasters are inevitable consequences of these processes.

Tasks to 2012:

- Develop and widely apply alternative energy sources in mountainous, populated areas.

- Promote the protection of households, territories and the population from the effect of hazardous geodynamic processes.
- Establish mechanisms for implementing regulatory, legal and economic tools and instruments for natural resources use and mountain areas conservation.
- Rehabilitate and improve the system of monitoring the degradation of the ecosystem of mountainous uplifts/ridges.
- Establish conditions promoting the sustainable use of tourism and the recreational potential of the mountainous areas as well as for organizing ecotourism and agritourism.
- Identify the environmental and economic effectiveness of developing the potential of natural resources in mountainous areas.

#### F. Climate change

Background information: The impact of climate change on the economy of Tajikistan has already been observed. The rise of temperature and desertification, heavy rains and mudflows, floods in the river basins, severe winds and typhoons can prove the climate change in the country.

Tasks to 2012:

- Strengthening the Centre for Climate Change Studies.
- Developing the norms necessary for adaptation to climate change.
- Rehabilitating mountainous, river banks and desert forests to strengthen foothills and stabilize the water flow process.
- Rehabilitate the networks of snow measurement stations.

#### G. Prevention of natural disasters

Background information: According to the European Commission Aid Department, in Central Asia, as a result of natural disasters over the last decade, 2,500 people have died and 5.5 million people (approximately 10 percent of the population) have been injured. The UNDP Resident Coordinator in Tajikistan pointed out that the natural disasters cause US\$ 600 million of damage to Tajikistan annually. Damages from natural destruction represent 4.8 percent of the GDP and mainly affects the poor segments of the population.

Tasks to 2012:

- Planting trees on foothills and areas subject to natural disasters.
- Strengthening the banks of major rivers.

### 6.6 Promotion of gender equality

1. Implementation of gender policy currently demonstrates the Government's commitment to promote gender equality. Specific steps have been taken to improve the institutional mechanisms for promoting women within the government agencies. To train and promote women – leaders of the State Programme “Training, selection and placement of managerial personnel of the Republic of Tajikistan out of the talented women and girls” for 2007–2016 was elaborated and funds were allocated from the State budget, and the Decree “On the establishment of Presidential grants to develop women's entrepreneurship for 2008–2010” was adopted to increase women's economic opportunities. TJS 1 million are allocated every year for the implementation of this programme and to strengthen the capacities of the main government agencies to promote gender equality. In 2009, financing doubled for the Committee for Family and Women Affairs under the Government.

2. Analysis of the current status of gender issues shows that there are still problems that hinder the real promotion of gender equality, which were identified as follows:

- an underdeveloped legislative base to ensure gender equality;
- a lack of institutional mechanisms of gender policy;

- inadequate budget funding to support measures to implement gender policy;
- a lack of models for constant monitoring and evaluation of gender policy;
- women's low level of awareness and legal knowledge, and weak competitive abilities;
- society's tolerance of violence against women and children;
- inadequate social partnerships between the government, civil society, the business community, and donors in addressing gender problems.

3. The PRS is based on the goals and tasks set forth in the MDGs and the NDS, and calls for a range of measures to be carried out in all sectors, including those aimed at achieving gender equality.

It is expected that the measures outlined in the gender equality matrix will help narrow the gender gap if fully implemented.

4. It should be noted that gender issues cut across a number of different sectors and, with the aim of integrated approach for solving the above mentioned problems accordingly, are included, albeit in a limited way, in the matrixes of other sectors in the draft PRS. For example, ensuring equal access for boys and girls to basic education is reflected in the "Education" sector; measures to promote equal access to medical services are found in the "healthcare" sector; measures to support women's entrepreneurial activities are included in the "Improvement of the investment climate, development of the private sector and entrepreneurship" sector; and issues concerning employment and social welfare for men and women appear in the "social welfare" sector.

5. The matrix of measures to achieve gender equality covers problems will have to be addressed on a priority basis and are aimed exclusively at implementing the government gender policy. The measures are grouped by the issues currently addressed and consist of the following tasks:

- 1) Improving the institutional basis for gender policy
- 2) Creating of effective mechanisms to promote equal access to resources
- 3) Reducing of the level of domestic violence and violence in the society.

6. Improving the institutional base of gender policy (task 1) entails a study of the need for amendments to the law on the civil service and the drafting of the relevant by-law documents. There are plans to establish an inter-agency coordination body to carry out a functional survey and to define the specific functions and authorities of the agencies responsible for the drafting and implementation of gender policy. Plans have been made to introduce "soft" quota methods for women in the government agencies, strengthen the capacities of women civil service employees, and draft and implement a targeted programme to promote women to management positions.

7. Establishing effective mechanisms to expand women's access to resources (task 2) entails carrying out information campaigns and increased setting of quotas for young women and men from remote regions. Assuming that additional funds can be raised, there are plans to set up education and training centres. In order to overcome traditional stereotypes about women, expert reviews of curricula and textbooks will be conducted from a gender perspective, as well as measures to reduce the employment of women in domestic service jobs.

8. Reducing all types of violence (task 3) entails improving the information available to the public, raising the level of gender awareness among the law enforcement personnel, and establishing a National Analytical Centre under the Ministry of Internal Affairs.

9. Implementation of the measures for 2010–2012 will allow to increase the percentage of women in public administration, in among the economically active people as well as to reduce the level of domestic violence and violence in society.

## **7. FINANCING OF THE POVERTY REDUCTION STRATEGY IMPLEMENTATION**

1. Implementation of the priorities, tasks, indicators and measures outlined in this PRS requires funding and/or resources. The state budget, foreign aid and FDIs are the main source of funding. The State budget will provide the bulk of the funding. The internal budget resources for the implementation of the key projects aimed at infrastructure development and the pursuit of the institutional reforms will

be supplemented by foreign aid provided to Tajikistan by international organizations and bilateral donors.

FDI is the main source to address economic development tasks, which are the central tasks in the PRS. These three main sources of financing should make it possible to mobilize resources for PRS implementation.

2. The main principles for attracting and using financial resources for the PRS are as follows:

- Focus on long-term development.  
The Government will address the identified tasks of social, economic and political stability and is taking steps towards implementing them to ensure long-term development. The country can receive long-term investments, support the development of the private sector and economy, and promote stable operation of the social and economic sector through this.
- The reality.  
PRS financing is based on the evaluation of the real opportunity for mobilizing internal resources, attracting foreign aid and FDIs. It also relies on the country's capacity to effectively and beneficially use the available resources.
- Prioritization of the expenditures sector. The main tool for ensuring true implementation of the PRS and improving the effectiveness of resource use is focusing on the most important political sectors.

3. The financing of the PRS measures is based on the scenario of the country's macro-economic development, as outlined in Table 1. This will be based on the real situation of external assumptions/ on the country's economy. According to the scenario, the national economy will grow in 2010–2012 and the GDP's annual growth will be at least 5–6.5 percent in 2010–2011 and at least 7 percent in 2012. The inflation rate will be 7 percent, and the share of general investments in the statutory capital will be no less than 18 percent of the GDP, on average. If the large energy and infrastructure projects are implemented, the proportion of the general investments can significantly increase.

*Table 1*

*Major indicators of macro-economic development of Tajikistan for 2010–2012*

	2009	2010	2011	2012
		Estimates		
GDP (TJS million)	20,622.8	24,500.0	29,400.0	35,280.0
GDP per capita (TJS according to the prices of relevant years)	2,759.3	3,217.0	3,778.2	4,439.0
GDP real growth rate (%)	3.4	5.0	6.5	7.0
Average annual inflation (%)	5.0	7.0	7.0	7.0
Export of products and services against the GDP (%)	28.3	26.7	30.5	33.1
Import of products and services against the GDP (%)	53.5	58.8	66.6	60.2
Broad financial indicators against the GDP (%)	11.2	23.2	22.5	20.2
Total investments in the statutory capital against the GDP (%)	18.1	18.4	17.0	17.5
The State Budget Revenue against the GDP (%)	26.9	26.7	26.8	26.1
The State Budget Expenditure (excluding the State Investment Programme – State Investment Programme) against the GDP (%)	27.4	27.7	27.3	26.6
Profit/deficit of the state budget (excluding SIP) (%)	-0.4	-1.0	-0.5	-0.5
Broad indicators for the deficit of the state budget against the GDP (%)	5.9	9.4	7.4	6.4
Government external debt against the GDP (%)	35.0	38.1	38.0	32.3

	2009	2010	2011	2012
		Estimates		
Repayment of the external debt against the GDP (%)	0.52	0.57	0.49	0.41

\* The following were used in drafting the plan: Outlook of the Ministry of Economic Development and Trade, the Ministry of Finance and the National Bank of Tajikistan and the indicators approved by the Law on the state budget of the Republic of Tajikistan for 2010.

4. A sustainable increase of the State budget is anticipated in the PRS implementation period due to economic growth and measures undertaken on tax and customs policies. It is anticipated that the State budget revenue will account for 26.7 percent of the GDP in 2010, 26.8 percent in 2011, and 26.1 percent in 2012.

To cover the deficit of the PRS, financing will be based on the principles of attracting privileged loans based on opportunities or grants, and to reduce the macro-economic instability to the possible extent.

5. Changes are included into the expenditure part of the sectors of the PRS due to the increased concentration of the State Budget Expenditures policy. The structure of the budget expenditures is outlined in Table 2. Based on this, it is anticipated that the Government would increase the expenditures for the sectors of the PRS, which are mainly financed by the state budget. It is important to point out that the changes in the budget expenditure policy will cover both the national and the local budgets. The financing of the sectors of the PRS will also increase in the structure of the budget of the local authorities.

6. The Government concentrates its efforts on developing the country's economy in order to create a favourable business environment and investment climate (Table 2). It aims to encourage private investments in energy and transportation, production, processing and sale of agricultural output, particularly cotton, which is of great importance for the country's development. It allocates funds out of the State budget for co-financing the investment projects in certain cases. These projects are implemented on the basis of the equal co-partnership principle, which are beneficial for both the government and the investors.

Table 2.

The structure of the state budget expenditures (in percentage)

	2010	2011	2012
	Estimates		
Total expenditure (including SIP)	100	100	100
Agriculture (agricultural and industrial complex)	5.8	4.8	4.5
Transport and communications	9.1	5.0	4.8
Mining industry and construction	0.9	0.4	0.3
Fuel and energy complex	15.8	26.4	24.3
<i>Khojagii manziliyu kommunali</i> (Communal Service Agency)	5.8	3.3	3.7
Education	15.8	19.2	20.8
Healthcare	6.0	6.2	6.7
Social welfare	15.7	12.2	12.5
Other social sectors	3.2	3.3	3.6
Public administration and other budget expenditures	21.9	19.2	18.8

7. The SIPs, which are funded by the foreign aid on a priority basis (Table 3) and the Centralized Investment Programme (CIP), which is funded by the internal budget (Table 4), remain the main tools, and will be harmonized with the PRS key policy directions.

8. The funding within the SIP includes a large package of investment resources: an investment equal to 4.3 percent of the GDP (preliminary information) was invested out of the SIP funds in 2009; it

is anticipated that the level of investments within the framework of the SIP for 2011–2012 will be 6.6, 10.5 percent and 8.5 percent of the GDP accordingly.

The process of development of the State Investment Programme for 2010–2012 is closely related and coordinated with the development process of this PRS, which makes it possible for the SIP for 2010–2012 to reflect the measures of the PRS (Table 3).

The bulk of the SIP funds will be spent on the implementation of the following measures of the PRS (see Chapter 3): (i) development of the private sector and encouragement of investors by implementing investment projects on energy, transport, agricultural sector and water services; and (ii) development of human potential by implementing institutional reforms in education, healthcare and social welfare and by increased investment in the social infrastructure. These measures within the framework of the PRS will, at the same time, promote the improvement of public administration, i.e. implementation of the priority area of the next PRS, because most the SIP projects include measures for the institutional development of the relevant sectors of economy.

9. The expected the MTBF for 2010–2012 (US\$ 820 million) annually is 5.1 percent of the GDP (1.5 percent of the overall cost of the PRS programmes). This amount is shown as the contribution of the budget to finance the needs of the PRS, which must be covered, without distribution based on separate measures (Table 5). The sectoral sample distribution of the MTP within the period of action of the PRS is outlined in Table 4. Every year, the Government identifies the distribution of resources of this Programme according to the sectors and measures outlined in the matrix of actions within PRS aligned to PRS priorities

10. The main part of the PRS funds will be spent on implementing the PRS priority and top priority measures. General information about the financial need for this programme is outlined in Table 4, and more detailed financial information on each measure is outlined in Annex 1.

*Table 3.*

*Prospect of the distribution of the State Investments Programme funds*

	2010	2011	2012
Totak SIP, in percentage against the state budget expenditures	50.4	39.7	33.6
Including on sectors:			
Economy management	6.9	0.2	0.3
Agriculture, irrigation and water supply of rural areas	6.7	6.1	5.6
Water supply and sewage system	3.0	3.6	3.5
Energy	11.0	11.7	10.4
Transport	15.0	12.7	8.7
Education	2.8	3.8	3.0
Health care	5.0	1.2	1.2
Multi-sectoral and other spheres	0	0.4	0.9

11. The total cost of the PRS programme was US\$ 10,976.9 million, including US\$ 1,914.1 million of the external privileged loans and grants. The funds approved are currently US\$ 2,875.5 million, including US\$ 935.8 million out of the budget funds, US\$ 1,139.7 million out of the SIP and US\$ 800.0 million out of the FDI.



Table 4.

*Estimates on the distribution of the MTP funds*

	2010	2011	2012
The MTP– total, in percentage against the state budget expenditures	18.6	19.9	17.6
Including:			
Education	1.9	1.7	1.5
Healthcare	0.4	0.4	0.4
Agriculture	0.005	0.01	0.01
Transport	0.2	0.3	0.3
Energy	10.2	12.8	11.5
<i>Khojagii manziliyu kommunali</i> (Communal Service Agency)	3.3	2.8	2.4
Other sectors	0.9	0.9	0.8

12. The financial needs that have not yet been allocated to the programme are valued at US\$ 8,242.5 million. In order to cover the financial gap, there are plans to attract US\$ 774.5 million of privileged external aid within the SIP and US\$ 7,153.1 million within the framework of FDI. While identifying the size of the external debt, particular attention is given to observe the prudential factors of the fiscal sustainability and the external debt resistance, such as conducting an assessment of the external debt against the GDP. During the identification of Tajikistan's external loans volume, primary focus will be on the sustainability of the external debts, such as the net value of the external debt per GDP. The main source to cover the deficit of the programme is FDI and the additional needs are 65.2 percent of the total amount of the programme.

13. It is considered that all of the funds provided by the development partners to Tajikistan for poverty reduction, above all, the investment funds, will be accounted for in the state budget and will be used to implement the measures outlined in the matrix of activities of this PRS.

Table 5.

*Needs for financing of the Poverty Reduction Strategy measures (US\$)*

Economic sector of the Republic of Tajikistan	General needs	Approved financing*				Needs to be covered				Comparative weight of the needs to be covered against the general needs in percent			
		Budget	Foreign aid/financing		Total	Budget	Foreign aid/financing		Total	Budget	Foreign aid/financing		Total deficit
			SIP- total (cred./gr.)	FDI			SIP-total (cred./gr.)	FDI			SIP total (cred./gr.)	FDI	
Public administration	86,000	–	–	–	–	–	86,000 (0/86,000)	–	86,000	–	100.0	–	100.0
Macro-economic policy	44.88 m	2.36 m	12.52 m (0/12.52 m)	–	14.88 m	–	30.0 m (0/30.0 m)	–	30.0 m	–	66.8	–	66.8
Improvement of the investment climate and development of the private sector	2.8 m	–	–	–	–	–	2.8 m (0/2.8 m)	–	2.8 m	–	100	–	100
Regional development, cooperation and integration into the global economy	10.1 m	–	0/200,000	–	200,000	–	9.9 m (0/9.9 m)	–	9.9 m	–	98.0	–	98.0
Development of transportation	721.4 m	44.5m	347.4 m (300.0m/47.4m)	–	391.9 m	–	288.0 m (288.0m/0)	41.5 m	329.5 m	–	40.0	5.7	45.7
Development of communications	4.9 m	–	2.9 m (2.47m/430,000)	–	2.9 m	–	2.0 m (0/2.0 m)	–	2.0 m	–	40.8	–	40.8
Development of energy	3,501.6 m	69.4m	339.2 m (313.7 m/25.5 m)	658.5 m	1,067.1m	–	322.5 m (309.9m / 12.6m)	2,112.0 m	2,434.5m	–	9.2	60.3	69.5
Development of industry	5,303.1 m	303.0m	–	141.5m	444.5m	–	-	4,858.6m	4,858.6m	–	–	91.6	91.6
<b>Total for development of infrastructure, communications, energy and industry</b>	<b>9,531.0m</b>	<b>416.9m</b>	<b>689.5m (616.2m/73.3m)</b>	<b>800.0m</b>	<b>1,906.4m</b>	–	<b>612.6m (597.9m/14.6m)</b>	<b>7,012.1m</b>	<b>7,624.6m</b>	–	<b>6.4</b>	<b>73.6</b>	<b>80.0</b>
Food security and development of the agricultural sector	507.5m	84.7m	345.7m	–	430.4m	77.1m	–	–	77.1m	15.2	–	–	15.2

Economic sector of Tajikistan	General needs	Approved financing <sup>1</sup>				Needs to be covered				Comparative weight of the needs to be covered against the general needs in percent			
		Budget	Foreign aid/financing		Total	Budget	Foreign aid/financing		Total	Budget	Foreign aid/financing		Total deficit
			SIP-total (cred./gr.)	FDI			SIP-total (cred./gr.)	FDI			SIP-total (cred./gr.)	FDI	
Development of Education sector	310.5m	68.6 m	69.7m	–	138.3m	172.2m	–	–	172.2m	55.5	–	–	55.5
Development of Science sector	14.0m	4.45m	–	–	4.45m	9.55m	–	–	9.55m	68.2	–	–	68.2
<b>Total in Education and Science Sector</b>	<b>324.5m</b>	<b>73.05m</b>	<b>69.7m</b>	–	<b>142.75m</b>	<b>181.75m</b>	–	–	<b>181.75m</b>	<b>56.0</b>	–	–	<b>56.0</b>
Development of the healthcare system	325.6m	309.9m	15.7m	–	325.6m	–	–	–	–	–	–	–	–
Development of the social welfare	50.55m	1.37m	14.08m	–	15.45m	35.1m	–	–	35.1m	69.4	–	–	<b>69.4</b>
Expansion of access to water supply, sanitation and housing and municipal services	90.9m	1.0m	–	–	1.0m	1.0m	88.9m	–	89.9m	1.1	97.8	–	<b>98.9</b>
Promotion of environmental sustainability	61.0m	2.5m	9.6m	–	12.1m	20.0m	28.9m	–	48.9m	32.7	47.3	–	<b>80</b>
Promotion of gender equality	2.2m	164,000	735,000	–	899,000	–	<u>1.3m</u> (0/1.3m)	–	1.3m	–	59.1	–	<b>59.1</b>
<b>Total expenditures on the PRS</b>	<b><u>10,951.1m</u></b>	<b><u>891.94m</u></b>	<b>1,157.74 m</b>	<b>800.0</b>	<b><u>2,849.7m</u></b>	<b>314.95m</b>	<b>774.4m</b>	<b>7,012.1</b>	<b>8,101.4m</b>	<b>2.9</b>	<b>7.1</b>	<b>64.0</b>	<b>74.0</b>

<sup>1</sup> This includes the following projects: (i) projects that are signed and that will be implemented within this Strategy; (ii) projects that are being developed and that are ready for the implementation of this PRS; and (iii) project that are included into the donors' assistance programmes and that will be implemented within this PRS.

14. The PRS will be primarily funded by the State budget, which outlines goals, tasks and measures. The Medium-term Budget Programme (MBP) will have a key role to play in aligning the state budget to the policy priorities determined in NDS/PRS. Since the sectoral approach is accepted in the NDS/PRS, the MBP also needs to be based on the sectoral distribution of the state budget.

## **8. MONITORING AND EVALUATION OF THE POVERTY REDUCTION STRATEGY**

1. The monitoring and evaluation of the PRS will involve all the various segments of society in the poverty reduction effort and the rational use of the internal and the external resources, ensuring independent, transparent assessment and result-oriented activities. As a result, proposals will be prepared to improve the development process, taking into consideration the achieved results.

2. To ensure cooperation between all the government branches and civil society for national development based on constructive partnership principles, the National Development Council under the President of Tajikistan was established by Presidential Decree No. 355 of 19 December 2007 and its Charter was approved. Membership of the National Development Council under the President of the Republic of Tajikistan was approved by Decision No. 122/10-4 of 2 March 2009 of the Chairman of the National Development Council under the President. In accordance with this Decree, the President was appointed the Chairman of the National Development Council. Membership of the Council includes representatives of the Government, the Parliament and civil society. The Council determines the overall reform strategy and was established to ensure cooperation between government agencies, the private sector and civil society in order to implement the measures of the NDS and the PRS.

3. All of the practical activities aimed at PRS implementation will be coordinated by the Government. Also, it will be ensured that the Medium-Term Budget Framework and annual budgets are consistent with the PRS goals, tasks and measures. Sectoral ministries, departments and local government authorities will be the principal working bodies engaged in the implementation of the PRS within the relevant sectors and regions. They will be responsible for the implementation of the relevant sections of the activity matrix, which are integral components of the PRS. In their annual reports, the sectoral ministries, agencies and local authorities will include actions for implementing PRS priorities. The Government will engage in constructive cooperation with the donor organizations to ensure the coordinated and effective use of the foreign aid provided to the country. Further, it will foster a favourable environment to attract FDI and domestic investment in the economy.

4. The Lower Assembly of the Parliament is called on to draft legislation that reflects the policy measures outlined in the PRS, and to take into account PRS goals and priorities in the review and approval of the state budget.

5. The non-governmental and civil society organizations will have an important role to play in achieving the Strategy's goals. The various forms of participation by civil society will include dissemination of information on the PRS to the public, participation in PRS monitoring and in the consultative process related to its implementation, and ensuring transparency and accountability in the implementation process. Effective cooperation and partnership between the government bodies and the non-governmental organizations, civil society and the international organizations will be particularly important.

6. By Decree No. 216 of 2 May 2008, the Ministry of Economic Development and Trade was appointed the responsible authority for conducting the monitoring and evaluation of the effectiveness of the implementation of the medium-term poverty reduction strategies (PRSs). The ministries, departments and government agencies established and/or identified special structures (directorates, departments, units) to conduct sectoral monitoring and evaluation within the medium-term PRSs.

7. One of the most important elements of the PRS implementation management system is the PRS Monitoring and Evaluation System (MES). Its purpose is to track progress towards achieving PRS goals, identify positive experience gained and the current problems in the Strategy implementation, analyse development processes within the PRS framework, and develop sound proposals to make adjustments in the poverty reduction policies aimed at enhancing its effectiveness.

The MES allows transparent and direct feedback on policy decisions, the results of their practical implementation, as well as transparency and accountability in activities related to the PRS goals.

8. The fundamental principles of the PRS monitoring and evaluation are: independence of the evaluation process; transparency and accountability; a focus on results; use of the latest monitoring methods by the PRS priorities; and involvement of the Parliament, the executive government authorities at all levels, the local self-government bodies and the development partners.

9. The quantitatively defined PRS goals form the basis for the MES structure. A system of indicators is used to measure the country's progress toward these goals, which makes it possible to track the effectiveness and outcome of the policy measures set out in the PRS. The data collection system for monitoring indicator values and other quantitative and qualitative information that describes Tajikistan's socio-economic development is the key subsystem of the MES. Other components of the MES include:

- a system for analysing the information collected in the monitoring process, which would evaluate the effectiveness of measures aimed at the country's socio-economic development within the PRS framework and the drafting of proposals to improve PRS policies;
- a system for disseminating information on the results of the monitoring of PRS implementation and collecting feedback by the various participants in the PRS implementation process;
- the effective functioning of the entire MES, which is determined by the institutional and financial support provided for monitoring and evaluation processes.

10. The PRS goals fully incorporate the MDGs, which Tajikistan adopted together with the international community and which are, at the same time, the intermediate goals of the NDS.

Effective monitoring and evaluation of the PRS implementation activities are possible since these goals are interdependent, have been quantitatively defined, and are linked to the PRS time horizon.

11. The system of monitoring indicators includes all PRS policy directions, all types of resources used for its implementation, and all results to be achieved in its implementation process. PRS monitoring will be carried out using baseline and target indicators for the country and, where possible and appropriate, by region. The sectoral and the local government bodies may use additional indicators that reflect their specific development tasks. Thus, the system of indicators will provide a full range of information for monitoring at all the levels: national, sectoral, regional, project and programme.

12. The information collection system will be organized to ensure that the requirements for complete data in order to make management decisions and economical use of the government resources for obtaining this information are both taken into account. Substantial improvements will be made in the collection of information on the level and the nature of poverty in the country. This information will become the basis for PRS monitoring.

13. The period of data collection for various indicators will be determined by the degree of variability of the phenomena reflected by them and by the need for new data to make management decisions and develop policies; data will be updated at least once a year for all indicators. Measures will be taken to reduce the time taken to publish indicator values, particularly in regard to the poverty rate and other poverty indicators. This will allow decision-makers to base policies on the actual data.

14. The relevant statistical agencies, which will provide for the timely collection, processing and presentation of most of the data for all the indicators, have a central role to play in the data collection system. With the support of the international development organizations, steps will be taken to reinforce the capacities of the statistical agencies, including regional offices, to obtain objective, accurate and timely information on the country's socio-economic development.

15. The ministries and departments responsible for the sectors under their jurisdiction in the Strategy implementation process will prepare information on the state budget expenditures under all components of the PRS in drafting and implementing the MTB Framework and the annual budget. To accomplish this, formats will be adapted to the PRS monitoring and evaluation needs for presenting the budget information, including changes in the budget classification.

16. Specialists from the government and independent research organizations, NGOs and other representatives of civil society will be increasingly involved in the analysis and drafting of proposals on government policy.

17. According to the institutional structure of the monitoring and evaluation system, the Ministry of Economic Development and Trade is the competent body of the NDC Secretariat in this area.

The principal functions of the Ministry of Economic Development and Trade in monitoring and evaluation are to:

- establish the legislative basis for the legal status of NDS/PRS;
- organize monitoring and evaluation processes at all levels of management;
- draft regulatory legal acts in the monitoring and evaluation component;
- integrate monitoring and evaluation results into the entire Strategy;
- prepare annual reports on PRS implementation;
- coordinate the activities of other MES participants and to maintain a dialogue with the development partners; and
- disseminate information on monitoring and evaluation processes and results.

The Ministry of Economic Development and Trade will also provide full information on the foreign assistance received by the country to assist in PRS implementation.

18. The statistical structures and relevant ministries and agencies will be the main sources of monitoring data. In addition, these bodies will hold an important role to provide expert support to other participants in the monitoring and evaluation process with regard to data collection methodologies.

19. Specially identified units (monitoring and evaluation divisions/analytical divisions) within each of the specialized ministries and departments will be assigned responsibility for the monitoring and evaluation of the PRS sectoral components. These units will coordinate the data collection activities and present integrated results of the monitoring of the PRS implementation in the respective sectors on the basis of the departmental and statistical committees' data, linked to information on execution of the state budget, including the PIP and the Central State Investment Programme (CSIP), and if available, the data from independent studies performed by civil society organizations and international organizations. These units will prepare regular sector reports on the PRS implementation.

20. The Lower Assembly of the Parliament will be actively involved in PRS monitoring and evaluation. The Head of the Lower Assembly participates as a member of the NDC under the President of the Republic of Tajikistan by Decree No. 122/10-4 of the Chairman of the NDC of 2 March 2009. Annual government reports on the PRS implementation will be presented to the Lower Assembly of the Parliament together with the annual state budget.

21. The role of the local government authorities in the monitoring and evaluation system will consist of organizing the data collection on the implementation of government programmes being carried out within their jurisdiction, analysing progress in the PRS implementation within their regions and, on the basis of this analysis, preparing proposals for improving PRS policies and implementation mechanisms. To this end, the local government authorities will maintain a regular dialogue and discuss monitoring results pertaining to their region with the respective ministries (departments), the local communities and civil society organizations.

22. The participation of civil society in the PRS monitoring and evaluation processes will be broad and varied. The local communities (*jamoats*) are called on to provide information on how the PRS implementation process is perceived by the population and on the problems at the local level that require particular attention. They have been assigned an important role in the monitoring processes. The public will have access to all the results of PRS monitoring and evaluation, and suggestions and comments will be collected from citizens and public organizations on all aspects of the PRS implementation policies and practices. Civil society organizations will be involved in conducting research on PRS problems, particularly in the areas not covered by the official statistics.

23. The system for reporting on the results of PRS implementation in regions will be organized as follows. The local government authorities will provide summary reports to the Ministry of Economic Development and Trade on the PRS implementation activities in their region, and sectoral

reports to specialized sectoral ministries. Projects carried out under the PIP and the CSIP will also be reported to the State Committee on Investment and State Property Management and to the specialized ministries. The sectoral ministries will collate all the information pertaining to their specific sector and will present the summary reports to the Ministry of Economic Development and Trade, where all the information on the PRS implementation will be collected.

24. The monitoring of projects carried out with the support of the international donor organizations will be integrated into the overall monitoring system, which will increase the effectiveness of monitoring funds and will allow to strengthen the country's Monitoring and Evaluation System (MES). Organization of the MES will take into account the interests of all the participants in the PRS implementation process. Significant efforts will be made to strengthen the capacities of all the participants in the monitoring and evaluation process. This will include attractive additional donor funds for these purposes. Many international organizations are already carrying out or planning to begin technical assistance projects in this area. In addition, there will be an increase in government resources earmarked for monitoring needs.

25. The appropriate amount of funding of the monitoring system will be provided through the state budget. Donor funds will be allocated for investments in the human and organizational capacities of the MES. Support will be provided for donor efforts to develop the capacities of civil society in monitoring and evaluation.

26. The MES structure, functions and mechanism will be detailed in the relevant regulatory act (Decree No. 216 of 2 May 2008 "On Monitoring and Evaluation of the Implementation of the Medium-Term Poverty Reduction Strategy in the Republic of Tajikistan").

27. The Government, together with donor organizations, will undertake a number of measures to establish an effective MES, including:

- training of personnel capacities on the monitoring and evaluation system;
- analysis of the key aspects of the current system and development of a system for the management of the PRS results; and
- establishment of the special monitoring and evaluation units in the ministries, agencies and local authorities in the regions.

- APPENDIX 1. MATRIX OF ACTION FOR 2010–2012**
- APPENDIX 2. GENERAL INDICATORS FOR MONITORING THE POVERTY REDUCTION STRATEGY FOR 2010–2012**
- APPENDIX 3. DYNAMICS OF THE POVERTY RATE DECLINE, 2007–2012**
- APPENDIX 4. PARTICIPATION IN THE DEVELOPMENT OF THE POVERTY REDUCTION STRATEGY FOR 2010–2012**