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COUNTRY PARTNERSHIP STRATEGY PROGRESS REPORT

FOR

TAJIKISTAN

FOR THE PERIOD FY10-13

October 2, 2012

**International Development Association
Central Asia Country Management Unit
Europe and Central Asia Region**

**International Finance Corporation
Europe and Central Asia**

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Currency Equivalents

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US\$1.00: TJS 4.76

TJS1.00: US\$ 0.20

Fiscal Year

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ABBREVIATIONS AND ACRONYMS

AAA	Analytic & Advisory Activities	GPF	Governance Partnership Facility
ADB	Asian Development Bank	HPP	Hydroelectric Power Project
BEE	Business Enabling Environment	IDA	International Development Association
BEEPS	Business Environment and Enterprise Performance Survey	IFC	International Finance Corporation
CASA	Central Asia – South Asia (transmission project)	IFIs	International Financial Institutions
CEM	Country Economic Memorandum	IMF	International Monetary Fund
CGAC	Country Governance and Anticorruption Strategy	MDGs	Millennium Development Goals
CIF	Climate Investment Fund	NBT	National Bank of Tajikistan
CPIA	Country Policy & Institutional Assessment	NDS	National Development Strategy
CPPR	Country Portfolio Performance Review	NPL	Non-Performing Loan
CPS	Country Partnership Strategy	NTC	National Testing Center
CPSPR	Country Partnership Strategy Progress Report	PEFA	Public Expenditure and Financial Accountability
DCC	Development Coordination Council	PDPG	Programmatic Development Policy Grant
DPO	Development Policy Operation	PFM	Public Financial Management
DSA	Debt Sustainability Analysis	PHC	Primary Health Care
EBRD	European Bank for Reconstruction and Development	PIU	Project Implementation Unit
EC	European Commission	PPA	Power Purchase Agreement
ECA	Europe and Central Asia	PPCR	Pilot Program for Climate Resistance
ESW	Economic and Sector Work	PPP	Public-Private Partnership
EU	European Union	PRS	Poverty Reduction Strategy
FDI	Foreign Direct Investment	SDR	Special Drawing Right
FSAP	Financial Sector Assessment Program	SCISPM	State Committee on Investments and State Property Management
GAFSP	Global Agriculture and Food Security Program	SMEs	Small and Medium Enterprises
GBAO	Gorno-Badakhshan Autonomous Oblast	SOEs	State-owned Enterprises
GDP	Gross Domestic Product	TALCO	Tajikistan Aluminum Company
GIZ	German Agency for International Cooperation	TA	Technical Assistance
		WBG	World Bank Group
		WTO	World Trade Organization

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for
Tajikistan**

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COUNTRY PARTNERSHIP STRATEGY PROGRESS REPORT TAJIKISTAN

I. INTRODUCTION

1. **This Country Partnership Strategy Progress Report (CPSPR) assesses implementation to date of the World Bank Group’s (WBG) Country Partnership Strategy (CPS) for Tajikistan for the period FY10-13.** Prepared in the wake of the 2008-09 global economic crisis, the CPS’ objectives were twofold: (a) to reduce the negative impact on poverty and vulnerability; and (b) to pave the way for post-crisis recovery and sustained development. Governance was a cross-cutting theme in the context of Tajikistan’s Country Governance and Anti-Corruption (CGAC) strategy. Progress towards CPS outcomes since mid-2010 has been broadly satisfactory, particularly the authorities’ two-pronged crisis management response to the global economic downturn. Most intermediate indicators have been met and nearly all the results expected by end-FY13 are on track.

2. **The CPSPR proposes that the shift in emphasis already underway—from crisis mitigation to the structural reforms needed for inclusive growth—be accelerated, while remaining alert to Tajikistan’s chronic vulnerability to external shocks.** Governance will be mainstreamed into all operations and gender will be given greater priority. Originally programmed for FY10-13, the CPSPR proposes that the CPS be extended by one year, *i.e.* to end-FY14, which will align drafting of the next CPS with the government’s timetable for preparation of its second long-term National Development Strategy (NDS), 2016-25.

II. RECENT DEVELOPMENTS AND FUTURE PROSPECTS

A. Recent Economic and Political Developments

3. **Tajikistan withstood the 2008-09 global downturn better than expected, thanks partly to prudent economic management and partly to timely budget support from development partners.** The main effects of the crisis were twofold: a 30 percent decline in remittances from Tajik migrants in Russia—from an estimated \$2.3 billion in 2008 to \$1.6 billion in 2009; and lower international prices as well as reduced exports of aluminium and cotton. As a result, economic growth fell from 7.9 percent in 2008 to 3.9 percent in 2009. The authorities reacted with a two-pronged anti-crisis strategy of increased public spending, including on social programs designed to create jobs, and greater exchange rate flexibility to facilitate current account adjustment. At the same time, budget support from several development partners—including the IDA-financed Programmatic Development Policy Grants (PDPG) 4 and 5—helped maintain public expenditures on education, health, and social protection and supported government efforts to mitigate the impact of the crisis on poverty and vulnerability.

4. **Growth recovered quickly in the post-crisis period, with real GDP expanding by 6.5 percent in 2010 and a further 7.4 percent in 2011.** This was due partly to increased exports and a full recovery and growth in remittance flows compared to the pre-crisis period—estimated at \$2.9 billion or 45 percent of GDP in 2011—and partly to services, which accounted for more than

half of total growth in 2011. Agriculture also contributed, with the value of output rising by 7.9 percent in 2011, owing mainly to the largest cotton harvest in 20 years (up 34 percent over 2010). Meanwhile, industry expanded by 5.9 percent, driven largely by chemicals, food, and textile processing. Going forward, most of the average 6 percent annual growth projected over the medium term is expected to come initially from construction, trade, and other services, with exports of non-cotton agriculture, energy, and mining likely to make an increasing contribution over time.

5. Prudent macroeconomic management has been maintained, leading to better inflation control and fiscal recovery. In 2011, government revenues increased by 31 percent over 2010 in nominal terms and fiscal policy was tightened during the second half in anticipation of a possible regional or global slowdown in 2012. As a result, the fiscal balance (excluding the externally-financed public investment program) recorded a surplus equivalent to 0.5 percent of GDP rather than the 0.6 percent deficit projected earlier. After having risen steadily during the first half of the year, headline inflation declined to 9.3 percent by end-2011 (year-on-year), reflecting lower international food and commodity prices. During January to July 2012, the consumer price index (CPI) rose by 2.9 percent, a modest increase compared to recent trends, which has allowed the National Bank of Tajikistan (NBT) to gradually lower the refinance rate from around 10 percent in end-2011 to 6.5 percent in August. Since Tajikistan is highly dependent on food grain imports, in light of the recent spike in international food prices the government recently signed contracts with suppliers in Kazakhstan and Pakistan to replenish its reserves. The Somoni has been stable in relation to the dollar, and international reserves accumulation by NBT has been in line with IMF program targets.

6. The ratio of Tajikistan's public and publicly guaranteed debt to GDP is projected to decline from 34.4 percent in 2010 to 32.5 percent in 2011, according to the 2011 joint International Monetary Fund (IMF)-World Bank debt sustainability analysis (DSA). Its external debt is largely concessional, shared roughly equally between bilateral and multilateral creditors, with China accounting for about 38 percent of the total. Based partly on a detailed assessment undertaken in 2011, the Ministry of Finance's public debt management strategy for 2012-14 reaffirms the government's commitment to: (a) keep public and publicly guaranteed debt below 40 percent of GDP; (b) only contract new loans with at least a 35 percent grant element; and (c) undertake cost-benefit analyses of large investments.

7. Although the poverty headcount dropped from 72 percent in 2003 to 47 percent in 2009, Tajikistan remains the poorest country in Europe and Central Asia. Economic growth is highly dependent on the external environment: remittances, for example, depend heavily on developments in Russia, where 90 percent of all Tajik labor migrants work. Thus, the risk that these flows could decline again is ever present, with the women and children who rely upon remittance income being especially vulnerable. Moreover, there are signs, including from a recent World Bank analysis, that 2007-09 growth benefitted better-off urban households more than the rural poor, although it is unclear whether this reflects a change in poverty-growth dynamics or simply the sharp, temporary decline in remittances in 2009. Gorno-Badakhshan Autonomous Oblast (GBAO) and Khatlon are the poorest oblasts: 62 percent and 54 percent of their respective populations were living below the poverty line in 2009, compared to 48 percent in Sogd, 39 percent in RRP, and 34 percent in Dushanbe. Recognizing that the country's two main social programs have little or no impact on poverty—their budgets are too small and their resources are

poorly targeted—the government is now taking steps to reform them with World Bank and European Union financial and technical support.

8. **The country's political environment, characterized by a strong presidency, remains essentially unchanged.** The next presidential election is due in November, 2013 and the next parliamentary elections in February, 2014, but neither are expected to alter the political landscape significantly. Meanwhile, deteriorating internal security during the past year, public discontent over poor service delivery (especially long winter power shortages), and civil society's lack of voice could potentially trigger social instability. At the same time, regional cooperation remains complicated, resulting in serious physical and policy obstacles to external trade. Moreover, the political and security outlook in Afghanistan beyond 2014 has created new uncertainties, given Tajikistan's long and porous border with its neighbour.

B. Future Prospects

9. **To maintain recent high levels of growth, Tajikistan needs to tackle several important structural reforms, the effective implementation of which will require more resolute and visible political will** given the difficulties of the reforms. These include changes in difficult areas such as improving energy efficiency, including energy sector governance, the ongoing restructuring of agriculture and related irrigation and water management, the development of the financial and private sectors, and implementation of the new tax code. Continued strong development partner coordination and the support of champions in both government and civil society will also be crucial. Meanwhile, the country's economy remains vulnerable to several external factors. Exports of cotton and aluminum, for example, are unlikely to remain as important in the future as in the past. Similarly, remittances will probably increase more slowly over time from their currently high base. On the other hand, if a greater share of remittances went into productive private investment, they could be an important contributor to future growth. Exports of summer surplus electricity could also become significant in the medium and longer term.

10. **Tajikistan's biggest economic challenge is to lift its very low rates of private investment.** Total investment, dominated by public investment, has averaged around 20 percent of GDP during the past decade, of which private investment accounted for one quarter or only about 5 percent of GDP. While the government has undertaken a wide range of legal, procedural, and regulatory steps in recent years designed to improve the business environment—reflected *inter alia* in Tajikistan's ranking among the top 10 most improved countries in the WBG's *Doing Business* two years in a row (2010 and 2011)—the development of the country's private sector and of an appropriate legal framework for its growth remain a work in progress. For example, beyond the *Doing Business* indicators (many of which show a differential outcome for male and female entrepreneurs), enterprises face numerous practical and structural constraints, such as tax policy and administration, energy supply, access to credit, shortages of skilled labor, and corruption in dealing with public officials.

11. **Achieving higher rates of private as well as foreign direct investment (FDI) will require a strengthened banking system and, more broadly, greater recognition of the role that financial intermediation can and should play in supporting growth.** In this context, although non-performing loans declined from 28 percent of gross loans in early 2010 to 15 percent by end-2011, partly due to the government's cotton debt resolution framework, they remain quite high and will continue to require close monitoring and, if needed, remedial action. Meanwhile, the

resolution of a major commercial bank, now under discussion, needs to follow international principles to improve governance and strengthen the banking system and credit culture. Equally important, directed lending, which distorts local markets, crowds out private investment, undermines banks’ governance, and poses quasi-fiscal risks—needs to be ended without further delay. At the same time, continued prudent macroeconomic management and rebuilding fiscal buffers and international reserves will also be important in dealing with increased risks in the global economy.

12. **An overarching requirement will be to address the country’s gender disparities which, despite relatively high overall levels of human capital endowment, remain significant.** Available data indicate that gender disparities in education are small at the primary and secondary levels, but substantial at the tertiary level. Moreover, though women constitute 45 percent of the labour force, which is comparable to the average for all low income countries, their average monthly earnings are barely half those of men, and the number of female managers and owners of enterprises is very low. (Annex 2 analyses Tajikistan’s gender disparities in more detail.)

III. PROGRESS TOWARDS CPS OUTCOMES

13. **Overall progress towards CPS outcomes since mid-2010 has been broadly satisfactory, particularly the authorities’ two-pronged crisis management response to the global downturn.** With support from development partners, they maintained public spending on education, health, and social protection at 42 percent of the budget, ensured access to key public services for the poor, and strengthened social protection for vulnerable groups. Besides these short-term crisis mitigation measures, the authorities also made significant, albeit variable progress towards: (a) improving the business environment, thereby facilitating private sector development; (b) increasing agricultural productivity through land reform, ‘freedom to farm’, and better water management; (c) upgrading energy efficiency and reliability; (d) enriching the quality of education and health; and (e) strengthening public administration and public finance management, including the piloting of several CGAC-related initiatives (*cf.* paras. 17-18). Box 1 below summarizes progress towards CPS outcomes as measured by selected intermediate indicators.

Box 1: Progress towards CPS Outcomes—selected intermediate indicators¹

<p>Macroeconomic stability and balanced fiscal policy—Achieved</p> <p>Tajikistan maintained positive growth during the global downturn and doubled GDP growth from 3.9% in 2009 to 7.4% in 2011. Public spending on education, health, and social protection was maintained at the targeted (2008) baseline of 42% of total budget, equivalent to 7.3% of GDP.</p>
<p>Access to critical public services—Ongoing</p> <p>IDA/TF-financed basic education and primary health care (PHC) facilities were constructed or rehabilitated as planned. Gross enrollment for basic education was 97% in 2011, including 95% for girls. The average number of PHC visits <i>per capita</i> for Khatlon and Sogd oblasts increased from 2.5 and 3.78 in 2009 to 3.06 and 4.3 respectively in 2011. However, countrywide roll-out of health <i>per capita</i> financing and oblast-level pooling reforms was postponed to 2014, pending a review by the Ministry of Finance of their fiscal impact.</p>
<p>Enhanced social protection for vulnerable groups—Ongoing</p> <p>More than 10,500 people have been involved in public works in the most food insecure districts, earning an</p>

¹ Annex 1 updates the results that the CPS expects to influence by end-FY14 (including intermediate indicators for FY13), linked to the CPS’ original strategic country-level outcomes.

average income of about \$250 equivalent per person. A pilot project targeting social assistance provision to vulnerable groups has been launched successfully in two districts, with plans for countrywide implementation in coming years.

Business-enabling environment—Achieved

Corporate income tax rate was cut from 25% to 15%; the cost and number of procedures required to start a business and obtain a construction permit were reduced substantially; and revisions to laws and/or regulations relating to the central bank, banking, deposit insurance, and bank liquidation were adopted in line with the financial sector action plan (FSAP), though implementation is slow. In *2011 Doing Business*, Tajikistan was one of the 10 most improved countries for the 2nd straight year, although its overall ranking (139 of 183) remains low.

Agricultural productivity—Achieved

Over 50,000 land-use certificates were issued in restructured farms, covering 158,000 individual land shares. Key agricultural reforms are now underway, such as ‘freedom to farm’; agricultural taxation; role of local government; access to credit; and institutional arrangements for off- and on-farm water management. According to a 2011 rural vulnerability and resilience survey, 45% of households reported less government interference in *dekhan* farms’ cropping decisions. Improved access to irrigation was provided on over 44,000 hectares, with 74% of farmers reporting increased crop yields.

Energy efficiency and reliability—Ongoing

Data for power outages and number of days below the (reservoir) dead zone—two end-FY11 indicators—are not yet available, and planned electricity tariff increases to cost recovery level were postponed. *Barqi Tajik* (BT) installed 165,000 meters in Dushanbe, increased billing by 50%, and rehabilitated several distribution networks. The TALCO energy efficiency audit has been completed. BT and *Tajiktransgas* are executing financial management improvement plans (including migration to IFRS).

Quality of education and health—Achieved

Education—*per capita* financing was rolled out nationwide; the EMIS-2 design was reviewed and recommendations adopted; the National Testing Center (NTC) piloted common university entrance examination and standardized classroom assessments; and a life skills training curriculum for migrant workers was developed.

Health—*per capita* financing for primary health care is in place in 42 *rayons* in 2 *oblasts* and 302 doctors and 923 nurses were trained in family medicine.

Public administration/civil service performance—Ongoing

A new performance-based salary grid, including a 35% increase in entry-level salaries, was extended to all civil servants effective September 1, 2011. A new law on public administration organization was approved in December 2011 and Resolution 34 of January 21, 2012 authorized the re-organization of 10 ministries.

Accountability and transparency of public finances—Ongoing

Since 2010, quarterly budget execution reports have been posted on the Ministry of Finance’s website. The unified budget classification and Chart of Accounts compatible with 2001 GFS was implemented for the 2012 budget. A law on external audit was approved in June 2011 and a presidential decree establishing an external audit body was issued at end-2011. The two top auditors received parliamentary approval in 2012. A new Tax Code with input from the private sector was approved in September 2012.

14. **The Bank Group’s response to the crisis, specifically to the country’s needs for emergency budget and energy support, was prompt and practical.** It consisted of two single tranche PDPGs totalling \$35.4 million—\$25.4 million in FY10 and \$10 million in FY11—as well as additional financing of \$15 million for energy emergency recovery assistance in FY10. In addition, two Trust Fund commitments totalling \$16.3 million addressed the crisis’ impact on poverty and vulnerability directly—a \$6.3 million Russia Food Price Crisis Rapid Response Trust Fund grant for emergency food security and seed imports, and a \$10 million EU Food Crisis Rapid Response Facility grant for public employment for sustainable agriculture and water management in selected districts of Khatlon *oblast*. Results on the ground included: (a) the urgent rehabilitation of the power grid in Dushanbe and of local district heating systems to ensure supply to hospitals, schools, and households during the winter; and (b) employment of more than 10,500 people in five of the poorest, most food insecure districts on community-based drainage and irrigation infrastructure public works programs. Meanwhile, a \$2.8 million Japan Social Development Fund grant, approved towards end-FY09, financed nutrition investments in severely food insecure

districts of Khatlon, including micro-nutrient supplements to under five year old children and pregnant and lactating women. Finally, a \$13.5 million grant under the Education for All Fast Track Initiative Catalytic Fund (FTI-3), approved in FY10, increased access to improved primary school infrastructure and more efficient delivery of quality education services.

15. **Besides crisis mitigation, the two PDPGs also supported initial progress towards the second of the CPS' two principal objectives—post-crisis recovery and sustainable growth.** While the larger PDPG-4 in FY10 focused mainly on protecting social spending and the gains from earlier reforms, the PDPG-5 in FY11 (and the proposed PDPG-6 in FY13) put progressively more emphasis on efforts to promote sustainable growth. These include reforms in three policy areas: *first*, maintaining delivery of basic social services; *second*, improving the environment for private sector development; and *third*, increasing the government's effectiveness, including: (a) strengthening the capacity of agencies, committees, ministries, and other public institutions (*e.g.* *per capita* financing for primary health care); (b) improving public financial management (*e.g.* introducing a single treasury account); and (c) enhancing the transparency of large state-owned enterprises (*e.g.* publishing their audited accounts). These PDPG-supported reforms complement those being carried out under ongoing IDA-financed investment projects in agriculture, education, health, and social protection, as well as technical assistance in public administration and public financial management.

16. **Meanwhile, progress was made in laying the foundation for stronger growth and key structural reforms.** Improving the business environment and enhancing the investment climate are two related areas where, with Bank and International Finance Corporation (IFC) technical assistance, Tajikistan's legislation and regulatory environment have progressed significantly during the last 2-3 years. For example, the rate of corporate income tax was reduced from 25 percent to 15 percent; the number of procedures and days required to start a business fell from 13 to 5 and from 62 to 24 respectively; and the number of procedures required to obtain a construction permit was cut from 32 to 26. In addition, a one-stop shop for company registration has been established and a public-private partnership law and amendments to the customs code have been drafted.

17. **Tajikistan's ratings for governance—especially for accountability, transparency, and corruption in public services—are among the worst in Europe and Central Asia.** Governance is thus an integral, cross-cutting theme of the CPS, backed by a four year (FY10-13) \$3.8 million Governance Partnership Facility (GPF) grant. The CPS' governance strategy focuses on the country's three most important governance challenges: (a) increasing public accountability and transparency in key sectors, such as agriculture, banking, and energy; (b) developing institutional capacity; and (c) fostering overall demand for good governance. It also introduces a new project-specific tool—the governance checklist—designed to ensure that each investment project addresses these three challenges throughout the project cycle while at the same time taking fiduciary and political economy risks into account.

18. **The Country Team is fully engaged in implementation of the CGAC strategy.** Progress since FY10 includes the following: *first*, in the area of public accountability and transparency, an energy efficiency audit of TALCO, Tajikistan's largest state-owned enterprise, has been completed, governance assessments of agriculture and mining have been finished, and a policy note for the banking sector is planned; *second*, a civil service administration pilot capacity building program has been initiated; and *third*, support for the promotion of demand for good

governance is being provided to the parliament—to help strengthen its finance and economics committee’s oversight of the budget and the committee’s overall analytical capacity—and to civil society organisations to engage them in the monitoring of IDA-financed projects. Meanwhile, the governance checklist and associated institutional, governance, and political economy analyses helped shape the design of the (FY11) 2nd Dushanbe Water Supply and (FY12) Private Sector Competitiveness (mining component) projects.

IV. IMPLEMENTATION PROGRESS AND ADJUSTMENTS TO CPS

A. CPS Program and Portfolio Performance

19. **Outcomes to date have been broadly in line with expectations in mid-2010.** IDA commitments of \$140.5 million in FY10-12 exceeded original CPS plans by \$21.1 million, or about 17 percent. Budget support (PDPGs 4 and 5) totalling \$35.4 million accounted for 25 percent of the total and additional financing totalling \$43 million—to scale up five ongoing operations in education, energy, health, land registration, and water management—accounted for 31 percent. The balance of \$62.1 million, or 44 percent, was for six new operations: winter energy emergency support, a second Dushanbe water supply project, social protection technical assistance, regional hydro-meteorological capacity building, municipal infrastructure, and private sector competitiveness.

20. **Portfolio performance improved during the period, although several systemic issues remain.** Disbursements increased, thanks mainly to the increasing number of mature projects and in some cases better implementation. Commitments at risk declined from 29 percent in FY09 to 13.5 percent in FY13, although the number of problem projects remained at 3. The most recent country portfolio performance review (CPPR), conducted jointly with the government and the Asian Development Bank (ADB) in July 2012, piloted a focus on results, using health and transport as examples. Previous joint reviews focused mainly on nuts and bolts of implementation of Bank-financed projects. The line ministries concerned demonstrated that a focus on results enabled them to view partnership from both a practical and political perspective and the approach is becoming more familiar to the State Committee on Investments and State Property Management (SCISPM). The government continued moving towards more integrated project implementation arrangements—a key area of concern from the previous (2011) CPPR—specifically the incorporation of project implementation units (PIUs) into line ministries, thereby facilitating institutional impact and project sustainability. During the recent Country Procurement Status Review, the Bank discovered that procurement arrangements in Bank financed projects had been modified by the SCISPM, resulting in implementation delays and lack of accountability. The Bank is working with the SCISPM to find a solution.

21. **Trust Funds were an important supplement to IDA resources in FY10-12, accounting for about 30 percent of total combined commitments.** Tajikistan’s Trust Fund portfolio—one of the largest in ECA—has 48 active operations with net commitments of \$64.5 million. During FY 09-11, more than \$57 million were mobilized—mainly for agriculture (51 percent), but also for education (22 percent), public law & administration (12 percent) and health (9 percent)—and \$19 million disbursed. Efforts to limit new trust fund requests only to supplement existing projects or activities—which accounted for more than half the 21 grants approved in FY11—will continue during the remaining CPS period. Tajikistan is also one of nine countries chosen by the Climate

Investment Fund (CIF) for implementation of Pilot Programs for Climate Resistance (PPCR). Activities under the first phase have been completed and recommendations for the second phase have been submitted to the implementing partners. The recently approved regional hydro-meteorological project is the first phase 2 PPCR project underway.

22. IFC continued to promote private sector development through a combination of investments and advisory activities. It invested \$19.4 million in seven projects during FY10-12, including \$2 million through its Global Trade Finance Program in Eshkhat Bank and \$5 million through a global agribusiness project in a commodity trading company, ECOM. Besides a first investment in agribusiness, the other operations were loans to, and equity investments in existing clients, First Microfinance Bank and Tajik Access Bank, which were accompanied by advisory services to strengthen their microfinance activities and assist their transformation into deposit-taking commercial banks. Tajikistan also benefitted from a regional financial sector infrastructure project, which helped establish the country's first credit bureau. Meanwhile, a new Agricultural Finance and Regulatory Reform Advisory Project was launched, focused on agricultural equipment leasing and finance and key regulatory issues. The long-standing business enabling environment advisory project concluded its next phase, contributing to Tajikistan's improved ranking in Doing Business (2010, 2011 and 2012) and facilitating important progress on permits reform.

B. Analytical and Advisory Activities (AAA)

23. Dissemination of analytical and advisory activities, especially the 2011 Country Economic Memorandum (CEM)², remains an important vehicle for policy dialogue. Analytical and advisory activities remained central to implementation of the CPS and fostering country dialogue. These focused mostly on economic policy, social protection, poverty and agriculture. A social protection study helped inform the piloting of a poverty targeting mechanism for social assistance provision. Besides the CEM, which helped advance the dialogue on macroeconomic management and key structural reforms, a poverty assessment update³ and two studies under the Pilot Program for Climate Change were completed during the period. A Khatlon regional development study (FY13) and sector-specific activities, such as the feasibility study for results-based financing in health, are paving the way for preparation of subsequent operations. Meanwhile, gender received specific attention in rural livelihoods, nutrition, and health projects—a focus that will be broadened in the remainder of the CPS (*cf.* para. 27 below).

C. CPS Program FY13-14

24. Going forward, the shift in program emphasis already underway—from crisis mitigation to the structural reforms needed to achieve inclusive, sustainable growth—will accelerate and intensify. The government's ongoing NDS (2006-15), its upcoming 4th Poverty Reduction Strategy (PRS-4) (2013-15), and the recommendations contained in the Bank's 2011 CEM will together provide the policy framework for planned operational and analytical and advisory activities in FY13-14. The main goal will be to help stimulate increased private investment through private and financial sector development. The other four country-level

² *Tajikistan's Quest for Growth: Stimulating Private Investment*, Report No. 54677-TJ, January 2011

³ *Delivering Social Assistance to the Poorest Households* (Report No. 56593-TJ, April 2011)

priorities are: public administration and governance; human capital development; energy security, and food security. Governance will remain a key cross-cutting theme and be increasingly mainstreamed into operations, in line with the CGAC strategy discussed above (paras.17-18), and gender will be accorded greater focus and priority (*cf.* para. 27 below). The emphasis on financial and private sector development and public sector management will also address the two weakest clusters in Tajikistan's 2011 Country Policy and Institutional Assessment (CPIA).

25. The current CPS would be extended by one year from end-FY13 to end-FY14 to align with the government's medium-term planning process. The rationale for this is two-fold. First, it would enable design of the next CPS (commencing FY15) to be aligned more closely to the government's timetable for preparation of its second NDS, 2016-25. Second, given the shift in program emphasis for the balance of the current CPS, it would permit more time for both the government and the WBG to assess the impact of on-going and planned structural reforms, thereby improving the quality of the baseline for the next CPS.

26. Against this background and building on continued government reform efforts, a new series of annual development policy operations (DPOs) will be initiated in FY14. Although the crisis mitigation response to the global downturn is now completed, continued budget support is justified for the following three reasons: *first*, the series of six PDPG operations now nearing completion has been an important vehicle for policy dialogue and instrumental in catalysing many of the structural reforms now in place or underway; *second*, PDPG operations have complemented and reinforced sector-specific reforms supported under other IDA-financed projects (*e.g.* in agriculture, education, health, social protection, and public administration); and *third*, Tajikistan's CPIA rating has improved - from 3.2 in 2007 to 3.4 in 2011—indirect evidence of the improving policy environment. The scope and timing of individual DPOs would be proportionate to the scope and timing of the government's reform program, with clear *a priori* rules of engagement. The policy framework would be more selective than the PDPG series and designed to achieve results in a fairly short period of time.

27. Given Tajikistan's pervasive gender disparities, a gender lens will be incorporated in individual projects to ensure that sector-specific issues are addressed—especially in agriculture, education, and health. In this connection, a recent study on access to finance for women in rural areas generated important data that will be used to inform future analytical and operational work. With increased migration of men to work outside Tajikistan, women constitute an increasing share of the agricultural labor force. The Tajikistan Environmental Land Management and Rural Livelihoods Project (FY13)—to be funded by the Pilot Program for Climate Resilience (PPCR), GEF, and other partners—provides for planning and screening of rural production and land investments to include consideration of issues faced by women and to involve them in decision-making, access to project benefits, and associated monitoring. Ongoing educational projects, including a national testing center for access to higher education and a proposed skills development project in FY15 will address gender in their design and preparation. Finally, a gender assessment and gender monitoring are planned for FY13 and FY14 respectively.

28. The results framework has been revised, streamlined, and updated to reflect the shift in program emphasis and the adjustments proposed for FY13-14. Three examples of what the shift in emphasis will entail in terms of planned results include the following. *First*, scaling up pilots and/or implementing recently-approved structural reforms to support private sector-led growth—*e.g.* ensuring the functioning of one-stop shops, and introducing new public-private

partnership (together with IFC); introducing an integrated land and property register based on the recently-approved land code, which will also help protect women's property rights; developing links from farm to market and sustainable land management practices, also critical for women who account for up to three quarters of the agricultural labor force. *Second*, implementing new initiatives to strengthen demand side governance—*e.g.* bringing citizens' voice to bear by disseminating a nation-wide scorecard on social services and using this data as a baseline for the next PRSP; and using development policy operations and individual projects (*e.g.* private sector competitiveness-mining, health results-based financing, NGO monitoring of IDA -financed projects) to focus on other critical governance issues. *Third*, from maintaining social expenditures to improving the quality of social services—in education, by focusing on content improvement and early childhood preparation; in health, by introducing results-based financing for better quality maternal and child health services; in targeting social assistance, by scaling up from a 2-rayon pilot to 10 rayons and later to a national register; and in water supply, by combining forces with EBRD to introduce a national mechanism for investment in safe drinking water.

Private and financial sector development

29. **Private sector development would be supported through a combination of investment and associated analytical and advisory activities.** The private sector part of the reform agenda and policy dialogue underway in the context of PDPGs 5-6 will be followed up during implementation of the new \$10 million private sector competitiveness project approved last May. Its objectives are to help further improve the business environment, to encourage the development of high potential industries such as mining, and to increase access to financial services. In addition, reforms in tax policy and administration—identified as one of the main constraints to private sector development—will be supported by a proposed \$15 million tax administration project later in FY13.

30. **The main focus of IFC's activities is expected to remain unchanged.** IFC will continue to provide advisory services for improving the investment climate upon request. These are expected to include simplified tax administration, in consultation with the Bank, as well as activities designed to strengthen the regulatory environment, especially for climate change, energy, and public private partnerships (PPPs). IFC is currently conducting a study of the Khatlon region, jointly with the Bank, which will help chart a path for growth through the combined resources of the public and private sectors. Its contribution will focus on regional comparative advantage and competitiveness and attempt to identify sectors or businesses that could be priorities for investment. IFC's focus on strengthening the real sectors will continue to target agribusiness through investments and ongoing advisory work, including continued engagement with a leading international cotton trading company on a program to strengthen its supplier network in Tajikistan. However, major direct investments in local companies are unlikely, given the widespread under-reporting that precludes a full appraisal of their true financial condition.

31. **In infrastructure, IFC will explore opportunities for advisory work in energy, especially hydropower, where the country's potential is very high.** It is providing PPIAF assistance to establish a bankable Power Purchase Agreement (PPA) for the new Sangtuda hydropower project and is considering a large investment in this project. It will remain engaged in regional transmission programs for power exchange, such as the proposed Central Asia – South Asia power transmission line project (CASA-1000). IFC has an existing advisory engagement with the Government of Tajikistan with regard to structuring a tender for private sector

participation in the development of the Konimansur silver mine. This project requires a substantial amount of institutional capacity building and has progressed slowly to date. If IFC is able to secure the necessary level of political commitment from the Government to take the Konimansur mandate to completion, the project could have a major impact on Tajikistan's economic development and would position the World Bank Group for greater involvement in mining.

32. **In the financial sector, Bank-supported activities include four ongoing grants from the Financial Reform and Strengthening Initiative Trust Fund (FIRST).** These are designed to: (a) strengthen bank regulation and supervision; (b) improve access to credit by modernizing the system for moveable collateral; (c) strengthen the payments system; and (d) promote the development of a more competitive insurance market. At the same time, IFC will explore opportunities to help strengthen the banking system, encourage the development of microfinance, and stimulate leasing. However, there are presently few institutions that IFC can engage with directly, given their limited transparency and/or small asset and equity base. Meanwhile, advisory work on financial infrastructure, agricultural finance, and microfinance may pave the way for potential IFC investments later.

Public administration and governance

33. **Besides the new series of annual DPOs, the ongoing public expenditure review will assess the quality of public spending and make recommendations to strengthen budgetary analysis and processes.** In particular, it will address four main issues: (a) whether the composition of public spending is consistent with the goals of faster economic growth and more rapid poverty reduction; (b) the impact of increased education and health spending on outcomes, regional equity, and public satisfaction with service delivery; (c) whether the current sectoral distribution of capital expenditure is appropriate, including implications for long-term fiscal sustainability; and (d) the quasi-fiscal deficit associated with Barki Tajik (Tajikistan's largest enterprise), especially the measures needed to ensure it operates on sound commercial principles. Second, as noted earlier, the governance checklist and associated institutional, governance, and political economy analyses will help shape the design of the proposed health results-based financing and agricultural competitiveness projects. Third, analytical work on procurement, the TALCO energy efficiency audit, and the institutional governance review planned for FY13 will further the governance, public accountability and transparency agendas.

Human capital development

34. **Human capital development and social protection remain important priorities, given the limited progress on several Millennium Development Goals (MDGs).** Greater emphasis is particularly needed on maternal and child health and also on the quality of education outcomes. Based on a detailed feasibility study carried out last year, a \$15 million health results-based financing project is currently under preparation for consideration later in FY13. At the same time, the Bank is the supervising entity for a proposed Global Partnership for Education grant currently under preparation also for consideration later in FY13. In addition, analytical work on skills development planned for FY14 will draw on the work and experience of GIZ and other development partners and inform a proposed FY15 operation. As for social protection, a European Union-funded pilot project to target cash benefits is now being evaluated as the basis for a proposed nation-wide system; and, the communal services strategy included in the above-mentioned \$11.9 million additional financing for municipal infrastructure would pave the way for

the proposed communal services development fund tentatively planned for FY14, together with the European Bank for Reconstruction and Development (EBRD). Finally, if and when needed to address contingencies arising from the country's vulnerability to natural disasters, IDA would seek to mobilize the incremental resources required.

Energy security

35. Additional financing of \$18 million for the Energy Loss Reduction Project approved in FY12 will help establish the preconditions necessary for further development of the sector, including financial management reforms and improvements in energy efficiency. It also includes financing for studies of the proposed CASA-1000 transmission line and assessment studies for the Rogun hydropower project under consideration by the government. Responding to a government request for an independent economic, environmental, social and technical assessment of Rogun, the Bank committed to a role designed to ensure credible, transparent assessments that will bear international scrutiny and facilitate riparian dialogue. Per the Government's binding instructions, activity at the site will be restricted to general maintenance and construction for safety purposes only, until i) the assessment studies are completed and reviewed by the Panel of Experts; and ii) the riparian consultations have taken place. In particular, there will be no activity leading to diversion of the Vaksh River during this period. An independent panel of Bank-financed experts will review the assessment studies and prepare a separate report. The Bank will also undertake a comprehensive review of all relevant reports, including on the prospects for broadly beneficial regional water management arrangements. Finally, the ongoing power alternatives study, expected to be completed later this year, will examine power alternatives (without reservoir storage), as well as efficiency measures, power supply, and regional trade options.

Food security and agriculture

36. A \$28 million Global Agriculture and Food Security Program (GAFSP) grant, with an additional \$18 million grant from IDA, will strengthen food security in the poorest districts of the south. The operation scales up successful experience under the EU grant (*cf.* para. 14) while advancing institutional reforms in water management and land property rights. Private investment in agriculture will be promoted through strengthened property rights as a result of the \$10 million additional financing for land registration and cadastre approved in FY12. At the same time, to mitigate the risks of spring flooding, the additional financing of \$11.9 million for municipal infrastructure approved in FY12 also included a special allocation of up to \$2 million to fortify river embankments and, as a result, an estimated 1,000 rural homes were protected. Meanwhile, analytical work in FY13 on Khatlon Regional Development, the role of government in agriculture, irrigation and drainage investment planning and management, and a rural investment climate assessment will together provide a holistic view of the reforms required to facilitate preparation of agricultural competitiveness and water management operations in FY14 and FY15 respectively.

Regional issues

37. At the regional level, the Bank will continue to help Tajikistan explore opportunities for enhanced cooperation. For example, the proposed CASA-1000 project (FY14) would enable Tajikistan and Kyrgyzstan to export summer surplus electricity to Afghanistan and Pakistan.

Tajikistan is receiving financial and technical advisory services through the ongoing Energy Loss Reduction Project. The next meeting of the Tajikistan Development Forum currently planned for December 2012 will focus on multi-donor, cross-sectoral initiatives that may also include stronger connectivity through regional linkages.

D. Coordination & Partnerships

38. **Given the limited IDA and other resources available, greater coherence among development partners will be a focus of the next meeting of the Tajikistan Development Forum.** The Development Coordination Council (DCC) in Dushanbe has played a key role in strengthening country ownership and mutual accountability through sector and thematic working groups, in line with the 2005 Paris Declaration on Aid Effectiveness. In December 2010, it helped organize a 2-day high-level meeting of the Tajikistan Development Forum and, in December 2011, a 1-day follow-up meeting. The World Bank is currently chair of the DCC and will lead its preparations for the upcoming Development Forum. Meanwhile, it will coordinate with development partners having supplementary resources and, in addition, seek to use Trust Funds more strategically, *i.e.* to co-finance ongoing or planned IDA-financed operations rather than to finance new, separate activities.

V. RISKS

39. **None of the specific contingencies discussed in the original CPS materialized, but two of the four risk areas identified—macroeconomic and geo-political—remain valid.** Regarding macroeconomic risks, although Tajikistan weathered the 2008-09 global downturn better than expected at the time, the risk of possibly slower growth in Russia—and thus of declining remittances and even the involuntary repatriation of Tajik migrants—remains. Second, weaknesses in the prudential regulation and supervision of Tajikistan's banks exacerbate concerns about directed lending and the resolution of associated non-performing loans—the accumulation of which poses significant quasi-fiscal risks. These must be reduced while eliminating directed lending altogether. The Bank is working closely with the IMF with the aim of ensuring that directed lending is discontinued without further delay and also that the troubled banks concerned are resolved according to international principles. Finally, Tajikistan's public finance management system is characterized by insufficient internal controls, inadequate transparency, weak governance, low capacity, and poor cash management and budget execution—all of which could undermine efforts to enforce fiscal discipline and accountability. These are being addressed through technical assistance in response to key recommendations of the PEFA, CPSR, and IMF reports and implementation of the Public Finance Management Modernization Project. The Bank sees closer collaboration with other development partners as key to moving this agenda forward as well as a high degree of vigilance in its operational activities. However, some risks remain and cannot be fully mitigated.

40. **The potential for political and social instability as a result of uncertainties in neighbouring Afghanistan remains high.** Increasing tension between Tajikistan and its neighbours over regional issues—especially the management and use of trans-boundary energy and water resources—constitutes a continuing risk. The public consultations among riparian states in connection with the Rogun assessment studies will allow for open discussion of national viewpoints and potentially contribute to a process of evidence-based policy dialogue.

Furthermore, although the government has consolidated its control of the country, sporadic incidents could affect political stability. Broader risks related to political-military issues are beyond the scope of the WBG's mandate, and hence, staff will liaise with key bilateral agencies as well as the UN Specialized Agencies concerned to monitor political and security developments, and to assess their potential impact on the CPS program.

41. **Finally, the country's weak human and institutional capacity and governance remain significant risks to CPS implementation.** These weaknesses are partly a legacy of Tajikistan's civil war and partly a function of its political economy and limited financial resources. Capacity constraints also may limit the scope for governance reforms. In addition, weak public financial management may pose a macro and governance risk. It was partly for these reasons that Tajikistan was one of four countries in Europe and Central Asia selected to pilot the Country Governance and Anti-Corruption Framework (CGAC) with, as reported elsewhere in this CPSPR, broadly satisfactory initial experience. Continued implementation of CGAC-related activities, in particular the planned mainstreaming of the governance checklist in all ongoing and new projects, as well as ongoing and planned analytical activities and technical assistance in public administration and public finance management, will be the main instruments for mitigating and managing operational risks related to governance.

Annex 1: Results Matrix

(New): new or refined result;

(On Track): on track to reach end of CPS objective;

(Achieved): achieved during the first half of the CPS period (Scaled Up): target scaled up for additional year

Strategic country-level outcomes ⁴	Results CPS expects to influence by end-FY14 and related indicators	Milestones for monitoring progress	
1. Strengthening the business enabling environment			
<p>Improving investment climate and developing private sector and entrepreneurship (NDS p. 15)</p>	<p>Strengthen financial sector legislative and regulatory framework*(<i>Ongoing</i>)</p> <ul style="list-style-type: none"> Expand number of bank or micro finance accounts and associated deposits : <i>Baseline:</i> 3% of population & 11% of GDP (2008) <i>Target:</i> 6% of population and 18% of GDP (2014) (<i>New</i>) Number of taxes paid by businesses to be reduced. <i>Baseline:</i> 21 (2008) <i>Target:</i> 11 (2014) – (<i>New</i>) 	<ul style="list-style-type: none"> New Permits Law adopted (<i>Achieved</i>) Amendments to NBT Law, Banking and Deposit Insurance Laws (<i>Achieved</i>); Secured lending regime, and related regulations adopted as per FSAP (<i>Ongoing</i>) Medium-term post-FSAP strategy and action plan adopted and implementation underway (<i>Achieved</i>) IFC investment debt and equity in financial institutions and MFOs increased (<i>Ongoing</i>) \$4 million investment facilitated by IFC AS projects Credit Bureau established and banks utilizing credit bureau information New draft Tax Code adopted (<i>Achieved</i>) 	<p>Ongoing Projects:</p> <ul style="list-style-type: none"> Land Registration and Cadastre System (2005) Business Enabling Environment AS (IFC) Konimansur Infrastructure Advisory Mandate (IFC) Central Asia Corporate Governance, Microfinance, and Financial Infrastructure (IFC) PDPG 4-6 series (2010-13) DPO1 (2014) Tax Administration Reform Project (2013-17) Private Sector Competitiveness project (2012-16) <p>AAA:</p> <ul style="list-style-type: none"> Doing Business Reform TA <p>Trust Funds:</p> <ul style="list-style-type: none"> IDF: PSD Reform IDF: Tax Service Capacity Strengthening FIRST: Payment Systems FIRST: Secured Transactions FIRST: Banking Regulation and Supervision

⁴ Cf. Tajikistan: National Development Strategy (NDS), 2006-15

			<ul style="list-style-type: none"> • FIRST: Insurance Market Development • SECO Trust Fund on PSD <p>Partners: DFID, EC, IMF, SECO, USAID</p>
2. Improving public sector administration and public finance management			
<p>Develop public administration characterized by transparency, accountability and anti-corruption (NDS p. 11)</p>	<p>Strengthen incentives for better performance by civil servants</p> <ul style="list-style-type: none"> • Expand merit-based recruitment, as measured by ratio of applicants per vacancy filled competitively (grades 3 and below) * <i>Baseline:</i> 1.4:1 (2008) <i>Target:</i> 2:1 (2014 - <i>Ongoing/Scaled Up</i>) • New performance-based, salary grid introduced throughout civil service (2012 – <i>Ongoing/Scaled Up</i>)* 	<ul style="list-style-type: none"> • Ratio of applicants per vacancy to reach 2:1 by end-2012 (<i>Achieved</i>) • 10 ministries reorganization plans implemented by end-2013 (Resolution 34 of January 24, 2012) (<i>Ongoing</i>) • Law on Organization of Public Administration implemented by end-2012 (<i>Ongoing</i>) • Performance-based appraisal and salary grid implemented by end-2012 (<i>Stalled</i>) 	<p>Ongoing Projects:</p> <ul style="list-style-type: none"> • PDPG-6 (FY2012-13) <p>AAA:</p> <ul style="list-style-type: none"> • IGR <p>Partners: DFiD, EC, IMF, Japan, SDC, USAID</p>
<p>Increasing transparency in management of public finances, including strengthened preparation and execution of state and local government budgets (NDS p. 17)</p>	<p>Improve transparency and accountability of public financial management</p> <ul style="list-style-type: none"> • Budget comprehensiveness and transparency improved, as measured by PEFA indicator PI5 (budget classification) * <i>Baseline:</i> D (2007) <i>Target:</i> B (2014 – <i>New</i>) • Improved control of budget execution, as measured by timely submission of annual audit reports to parliament * <i>Baseline:</i> 0 (2009) <i>Target:</i> Timely submission of annual audit reports to parliament (2014 - <i>Scaled Up</i>) 	<ul style="list-style-type: none"> • New (2001 GFS) budget classification and Chart of Accounts implemented in 2012-14 budgets (<i>Achieved for 2012</i>) • Budget execution reports covering central and local governments published in timely manner • Implementation of Law on External Audit underway by mid-2012 (<i>Ongoing – law approved</i>) • Independent external audit body created by end-2012 (<i>Achieved</i>) 	<p>Ongoing Projects:</p> <ul style="list-style-type: none"> • PFMMP <p>New Projects:</p> <ul style="list-style-type: none"> • PDPG-6 (FY2010-13) • Tax Administration Reform Project (TARP) FY13-17 (under preparation) <p>New AAA:</p> <ul style="list-style-type: none"> • IGR • PEFA <p>Trust Funds:</p> <ul style="list-style-type: none"> • EC-DFID MDTF • SECO TF: Public Sector Accounting Reform Project <p>Partners: DFiD, EC, IMF, USAID</p>

3. Improving access to higher quality social services			
<p>Expanding access to water supply and sanitation services (NDS p. 50)</p> <ul style="list-style-type: none"> • Reduce by half population without sustainable access to safe drinking water (MDG #7) 	<p>Improved provision of safe water in Dushanbe and selected municipalities:</p> <ul style="list-style-type: none"> • Population with access to safe water expanded in Dushanbe and in 8 municipalities: <i>Baseline:</i> 1.3 million (2008) <i>Target:</i> 1.6 million (2013) • Combined technical and commercial losses reduced* <i>Baseline:</i> 70% (2008) <i>Target:</i> 50% (2013) 	<p>Dushanbe:</p> <ul style="list-style-type: none"> • New billing & collection system in place • Pressure zones established to reduce leakage (2014 – <i>New</i>) • SWTP filters upgrade underway (2014 – <i>New</i>) <p>Municipalities</p> <ul style="list-style-type: none"> • New billing & collection systems piloted in Kurgan-Tuibe, Vosé, Kulyob, Dangara, & Farkar (2014 – <i>New</i>) • Metering program piloted in Farkhar (2014 – <i>New</i>) 	<p>Ongoing Projects:</p> <ul style="list-style-type: none"> • 2nd Dushanbe Water Supply (2011-15) • Municipal Infrastructure Development (MIDP)—AF <p>Partners: ADB, EBRD, Switzerland, UNICEF, USAID</p>
<p>Developing human potential by increasing quantity & quality of social services for poor (NDS p. 11)</p> <ul style="list-style-type: none"> • Achieve 100% net primary school enrollment by 2015 (MDG #2) • Increase share of girls completing 9 years of education to 98% by 2015 (MDG #3) • Reduce infant mortality (MDG #4) • Reduce maternal mortality (MDG #5) • Reduce prevalence of infectious diseases (MDG #6) 	<p>Strengthen quality of public education and health services</p> <ul style="list-style-type: none"> • Administration of fair, transparent university entrance exams <i>Baseline:</i> 0 entrance exams (2008) <i>Target:</i> New Unified Entrance Exams system is ready for 2014/2015 academic year Higher Education Admission;(FY14 - <i>Ongoing</i>) • Improved efficiency of health care, measured by implementation of provider payment reforms* <i>Target:</i> By 2014, full <i>per capita</i> financing in place in two <i>rayons</i> and primary health care results-based performance payment system in place in 1 <i>rayon</i> (from 0 in 2012) (<i>New – Scaled down</i>) • Quality of primary health care services improved in project areas, measured by number of doctors & nurses trained in updated clinical disease mgt. protocols <i>Target:</i> By 2014, 425 doctors and 1,233 nurses (from 183 and 453 in 2009) (<i>On</i> 	<ul style="list-style-type: none"> • EMIS-2 design reviewed and recommendations adopted (<i>Achieved</i>) • National Testing Center (NTC) operationalized (<i>Achieved</i>) • Unified university entrance exam piloted by NTC (<i>Scaled Up</i>) <ul style="list-style-type: none"> • Full <i>per capita</i> financing in place in at least 2 districts (<i>Achieved</i>) • Operational manual for results-based financing scheme prepared in Sogd and Khatlon (<i>Achieved</i>) 	<p>Ongoing Projects:</p> <ul style="list-style-type: none"> • EMP • CBHP and AF • Central Asia HIV/AIDS <p>New Projects:</p> <ul style="list-style-type: none"> • EMP AF (FY2010) • Health (FY2013) <p>Trust Funds:</p> <ul style="list-style-type: none"> • EFA-FTI III • Russian Education Aid for Development (READ) • Health Results Innovation Trust Fund • Japanese Social Development Fund Nutrition Project • Rapid Social Response Trust Fund-Protecting & Promoting Access to Maternal & Neonatal Health Services • Health Policy Monitoring IDF Grant <p>Partners: ADB, AKF, Australia, EC, GTZ, IOM, KfW, Russia, SDC, UNICEF, USAID, WHO</p>

	<i>Track)</i>		
4. Strengthening the energy sector			
Ensuring Tajikistan's energy security (NDS p. 27)	<ul style="list-style-type: none"> • Reduce commercial and technical losses* <i>Baselines:</i> 19.3% electricity and 16.8% gas (2008) <i>Targets:</i> 12% electricity and 15% gas (2013) • Improve transparency in financial management of Barki Tajik and Tajiktransgaz, as measured by timeliness and public availability of audited financial statements on their respective websites* <i>(On Track)</i> • Expand regional transmission network <i>Baseline:</i> No construction (2008) <i>Target:</i> First contract signed (2014 - <i>Scaled Up</i>) • Increase in electricity tariffs to cost recovery levels (\$0.03 cents per kwh) <i>(Delayed)</i> 	<ul style="list-style-type: none"> • 160,000 electricity meters installed in Dushanbe and 80,000 gas meters installed countrywide (<i>Achieved</i>) • Commercial agreements on export electricity market negotiated with governments of Kyrgyz Republic, Afghanistan, and Pakistan (<i>Scaled Up</i>) 	<p>Ongoing Projects:</p> <ul style="list-style-type: none"> • Energy Loss Reduction (ERLP – 2005-14) • AF to ERLP (2013) • PDPG FY2012-2014 • Regional Transmission Inter-connection, (CASA-1000) – (2014-2018) <p>AAA:</p> <ul style="list-style-type: none"> • A&A ROSC • Final Feasibility Study for CASA 1000 • Alternative Power Options Study <p>Trust Funds:</p> <ul style="list-style-type: none"> • Financial Management Improvement Program at Barki Tajik and Tajiktransgaz (SECO) • CAEWDP multi-donor Trust Fund <p>Partners: ADB, DfID, IMF, KfW, SECO, USAID</p>
5. Increasing food security			
Raising agricultural productivity (NDS p. 27)	<ul style="list-style-type: none"> • Farmers' access to land improved, as measured by issuance of new land use certificates, disaggregated by sex <i>Baseline:</i> 808 (2009) <i>Target:</i> 86,000 (2014) (<i>Scaled Up</i>) – 25% women (<i>New</i>) • Annual incremental revenue per beneficiary household increased as result of selected successful rural production 	<ul style="list-style-type: none"> • 60,000 new land use certificates to be issued by March 2013 (<i>On track</i>) 	<p>Ongoing Projects:</p> <ul style="list-style-type: none"> • Land Registration and Cadastre • FVWRMP (2005-2013) • EFSSIP • South Tajikistan Cotton Lending (IFC) • PDPG 4-6 • Agri-finance Advisory Services (IFC) • Public Employment Program

	<p>investments <i>Baseline:</i> \$400 from productivity investments; \$ 140 from land resource investments (2009) <i>Target:</i> \$550 and \$550, respectively (2014) <i>(Scaled up)</i></p> <ul style="list-style-type: none"> • Proportion of farmers and other stakeholders reporting less government interference, disaggregated by sex* <i>Baseline:</i> 35% (2009) all 20% women (<i>New</i>) <i>Target:</i> 75% (2014 – <i>Scaled up</i>) all 75% women (<i>New</i>) 	<ul style="list-style-type: none"> • Proportion of farmers and other stakeholders reporting less government interference in planting/production decisions to increase to between 45-50% (<i>Achieved</i>) 	<p>AF (2013)</p> <ul style="list-style-type: none"> • Regional Hydromet project (2011-2016) <p>AAA:</p> <ul style="list-style-type: none"> • CAWEDP • Enhanced Livestock Productivity • Integrated Water Management • TA for PPCR Strategic Program preparation <p>Trust Funds:</p> <ul style="list-style-type: none"> • GEF: Land Management <p>Partners: ADB, AKDN, CIDA, DFID, EBRD, GTZ, KfW, SECO, UNDP, USAID</p>
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*Governance-related indicators are mainstreamed at the sector level.

Annex 2. Gender Disparities in Tajikistan

Despite relatively high levels of human capital endowment compared to other low income countries and progress in several gender-related areas over the last decade, Tajikistan is still affected by significant gender disparities—in education, especially in enrollments at the tertiary level, and in health, especially in terms of maternal mortality. Access to economic opportunities by women—characterized by low labor force participation, depressed wages, and few female business managers and owners—is also limited.

GENDER GAPS IN HUMAN CAPITAL

Education. While enrollment rates at all levels of education are significantly higher in Tajikistan than the average for low income countries, net primary and secondary enrollment rates for boys are respectively 4 and 5 percentage points higher than for girls. Moreover, gross tertiary enrollment rates for boys are 17 percentage points higher than for girls. This large gender gap at the tertiary level may be a function of the high out-migration of young men and consequently the differential rates of return to education and ultimately wages.

Health. Selected health indicators point to an overall reduction in gender disparities between 2000 and 2010. The gender gap in life expectancy is 7 percentage points, which is comparable to the OECD average. Moreover, female life expectancy in Tajikistan is 71 years, compared to 60 years for low income countries in 2010. Maternal mortality is an estimated 65/100,000 births, which, although double the ECA developing countries' average, is about six times lower than the average for all low income countries, and reflects the number of women receiving pre-natal care (80 percent in 2008). Finally, fertility rates in Tajikistan remain the highest in Central Asia, despite a decline since 1990, although adolescent fertility is in line with the ECA average.

GENDER GAPS IN ECONOMIC OPPORTUNITIES

Labor markets and entrepreneurship. Gender disparities in labor markets and access to economic opportunities are large. Labor force participation (60% for women and 78% for men) is similar to the ECA developing countries' average (58 and 76% respectively), but below the average seen in low income countries. It decreased between 2000-2010 for both women (—2%age points) and men (—1%age point), in contrast to low income countries where it increased by 2%age points for women.

Gender inequalities are also present in terms of female earnings relative to male earnings. According to UNECE, women's average monthly earnings are 49% of men's in 2011 which places Tajikistan scores well below ECA's average. This wage gap could be due to occupational segregation, differences in hours worked and productivity, and/or discrimination. Lastly, the share of formal SMEs with women's ownership in Tajikistan is similar to the ECA regional average at 34%. The share of these firms with women in top management positions is low (12%) compared to ECA regional average of 19%.

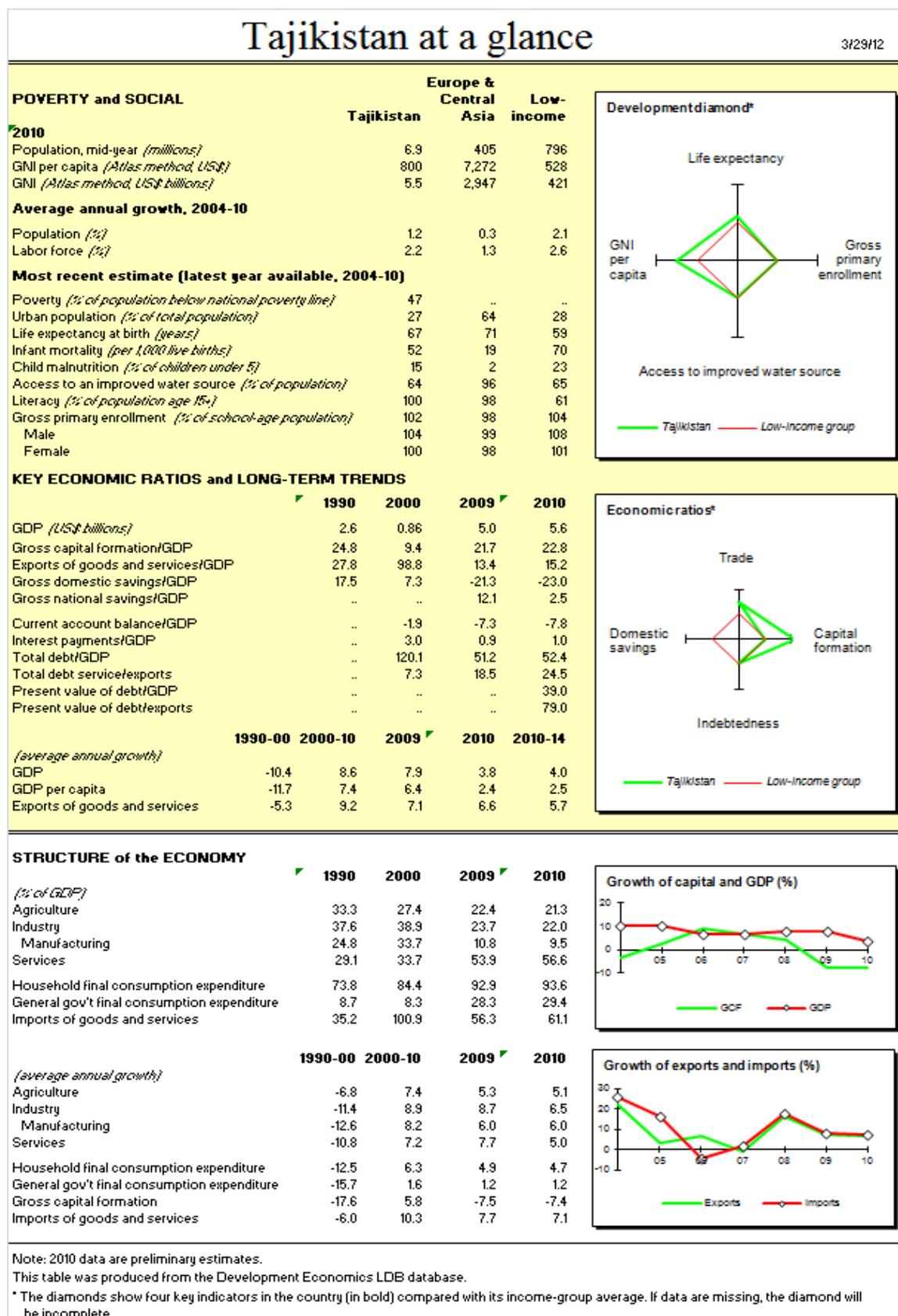
Voice and agency. Women's political participation in Tajikistan, as in most countries, remains low but has shown improvements in recent years. Women represent a low but increasing share of members of parliament (19% in 2010 compared to 15% in 2000, according to UNECE), and an even lower share of government ministers (12% in 2006, in line with the ECA average of 13%).

Sources: WDI, World Bank Gender Statistics, UNECE Gender Statistics

Annex 3. AAA, IDA and TFs by CPS themes

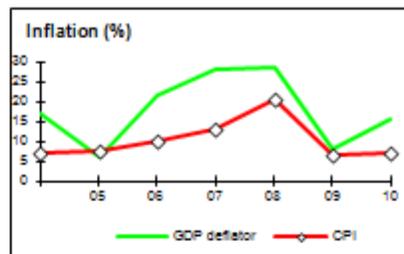
CPS Themes	Analytical and Advisory Activities	IDA grant	Trust Funds
Cross Cutting	Institutional governance review Gender assessment and monitoring		Governance Partnership Facility
1. Strengthening the business enabling environment	Country Economic Memorandum Pipeline: Khatlon Regional Development Study (FY13)	PDPG 4 Private Sector Competitiveness Pipeline PDPG 6 (FY13, \$20 m) DPO 1 (FY14, \$10 m)	SECO PSD TF
2. Improving public sector administration and public finance management	Institutional and Governance Review Country Economic Memorandum PEFA Country Procurement Status Review	Pipeline Tax administration (FY13, \$18 m)	
3. Improving access to higher quality social services	Health, nutrition & population statistics and indicators Protecting access to maternal & child health services Pipeline: Water management Professional and vocational skills development	Community and Basic Health Project (AF) Social Protection Technical Assistance Education Modernisation (AF) Land Registration & Cadastre (AF) Ferghana Valley (AF) Municipal Infrastructure Development Pipeline PDPG 6 (FY13, \$20 m) Health Services Improvement (FY13, \$15m) Municipal Services Development Fund (FY13, \$20 m)	Emergency Food Security Crisis and Seed Imports (AF) Social Protection Technical Assistance (RSR) Protecting and Promoting Access to Maternal and Neonatal Health Services Pipeline Education Fast Track Initiative – 3 Global Partnership for Education (GPE-4)
4. Strengthening the energy sector	Rogun Assessment Studies Power Supply Alternatives Study	Winter Energy Emergency Support Facility PDPG 4 Energy Loss Reduction (AF) Pipeline PDPG 6 (FY13, \$20 m) CASA 1000 (FY14, \$3 m)	CAWEDP multi-donor Trust Fund
5. Increasing food security	Role of government in agriculture development Rural Investment Climate Assessment	Hydromet Regional Project Pipeline: Public Employment for Sustainable Agriculture (PAMP II) (FY14, \$7 m)	Pipeline Public Employment for Sustainable Agriculture (PAMP II) Pilot Program for Climate Resilience Land Management and Rural Livelihoods

Annex 4. Tajikistan at a glance



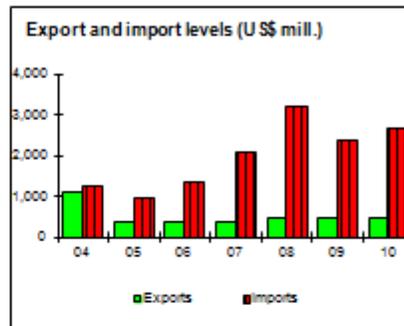
PRICES and GOVERNMENT FINANCE

	1990	2000	2009	2010
Domestic prices (% change)				
Consumer prices	6.5	7.0
Implicit GDP deflator	6.2	22.7	7.9	15.4
Government finance (% of GDP, includes current grants)				
Current revenue	..	16.0	23.3	22.5
Current budget balance	..	3.4	8.7	6.3
Overall surplus/deficit	..	-5.6	-5.1	-2.8



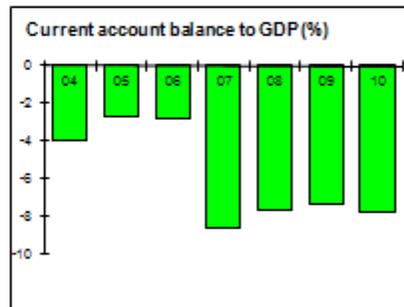
TRADE

	1990	2000	2009	2010
<i>(US\$ millions)</i>				
Total exports (fob)	..	788	458	468
Aluminum	..	424	589	696
Cotton fiber	..	92	100	94
Manufactures	..	38	146	165
Total imports (cif)	..	811	2,387	2,655
Food	..	45	175	180
Fuel and energy	..	303	451	511
Capital goods	..	39	238	264
Export price index (2000=100)	..	100	32	31
Import price index (2000=100)	..	100	137	152
Terms of trade (2000=100)	..	100	24	20



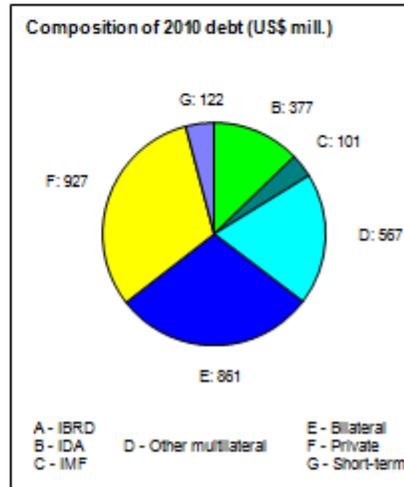
BALANCE of PAYMENTS

	1990	2000	2009	2010
<i>(US\$ millions)</i>				
Exports of goods and services	..	850	818	877
Imports of goods and services	..	868	2,825	3,130
Resource balance	..	-19	-2,008	-2,253
Net income	..	-36	-67	-71
Net current transfers	..	39	1,712	1,887
Current account balance	..	-16	-363	-437
Financing items (net)	..	45	517	547
Changes in net reserves	..	-29	-154	-110
Memo:-				
Reserves including gold (US\$ millions)	..	87	354	414
Conversion rate (DEC, local/US\$)	2.77E-5	2.1	4.1	4.4



EXTERNAL DEBT and RESOURCE FLOWS

	1990	2000	2009	2010
<i>(US\$ millions)</i>				
Total debt outstanding and disbursed	..	1,034	2,549	2,955
IBRD	..	0	0	0
IDA	..	143	373	377
Total debt service	..	63	468	683
IBRD	..	0	0	0
IDA	..	1	6	7
Composition of net resource flows				
Official grants	0	50	252	267
Official creditors	..	20	177	214
Private creditors	..	-11	-66	50
Foreign direct investment (net inflows)	..	24	16	16
Portfolio equity (net inflows)	0	0	0	0
World Bank program				
Commitments	..	26	0	0
Disbursements	..	23	9	15
Principal repayments	..	0	4	4
Net flows	..	23	5	11
Interest payments	..	1	3	3
Net transfers	..	22	2	8



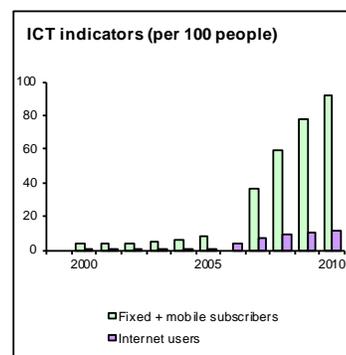
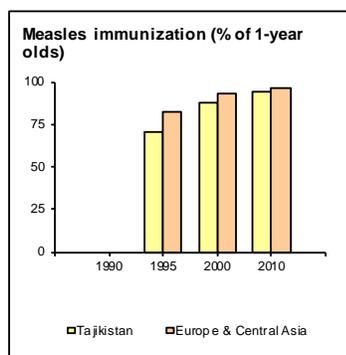
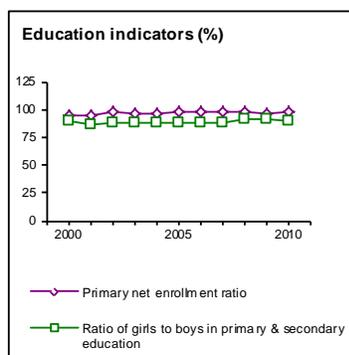
Note: This table was produced from the Development Economics LDB database.

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With selected targets to achieve between 1990 and 2015

(estimate closest to date shown, +/- 2 years)

	Tajikistan			
	1990	1995	2000	2010
Goal 1: halve the rates for extreme poverty and malnutrition				
Poverty headcount ratio at \$1.25 a day (PPP, % of population)	..	..	49.4	6.6
Poverty headcount ratio at national poverty line (% of population)	..	..	96.0	46.7
Share of income or consumption to the poorest quintile (%)	..	..	8.4	8.3
Prevalence of malnutrition (% of children under 5)	..	..	..	15.0
Goal 2: ensure that children are able to complete primary schooling				
Primary school enrollment (net, %)	..	..	95	97
Primary completion rate (% of relevant age group)	..	99	93	104
Secondary school enrollment (gross, %)	102	81	74	87
Youth literacy rate (% of people ages 15-24)	100	..	100	100
Goal 3: eliminate gender disparity in education and empower women				
Ratio of girls to boys in primary and secondary education (%)	..	..	89	90
Women employed in the nonagricultural sector (% of nonagricultural employment)	37	40	40	37
Proportion of seats held by women in national parliament (%)	..	3	3	19
Goal 4: reduce under-5 mortality by two-thirds				
Under-5 mortality rate (per 1,000)	116	111	93	63
Infant mortality rate (per 1,000 live births)	91	87	75	52
Measles immunization (proportion of one-year olds immunized, %)	68	70	88	94
Goal 5: reduce maternal mortality by three-fourths				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	120	170	120	64
Births attended by skilled health staff (% of total)	90	81	71	83
Contraceptive prevalence (% of women ages 15-49)	..	..	34	37
Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases				
Prevalence of HIV (% of population ages 15-49)	0.1	0.1	0.1	0.2
Incidence of tuberculosis (per 100,000 people)	93	91	125	206
Tuberculosis case detection rate (% of total)	50	38	36	44
Goal 7: halve the proportion of people without sustainable access to basic needs				
Access to an improved water source (% of population)	..	62	61	64
Access to improved sanitation facilities (% of population)	..	89	90	94
Forest area (% of total land area)	2.9	..	2.9	2.9
Terrestrial protected areas (% of land area)	1.9	4.1	4.1	4.1
CO2 emissions (metric tons per capita)	1.3	0.4	0.4	0.5
GDP per unit of energy use (constant 2005 PPP \$ per kg of oil equivalent)	3.0	2.7	2.8	5.5
Goal 8: develop a global partnership for development				
Telephone mainlines (per 100 people)	4.5	4.5	3.5	5.3
Mobile phone subscribers (per 100 people)	0.0	0.0	0.0	86.4
Internet users (per 100 people)	0.0	..	0.0	11.5
Computer users (per 100 people)	..	..	..	..



Note: Figures in italics are for years other than those specified. .. indicates data are not available.

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Development Economics, Development Data Group (DECDG).

**Annex 5. Selected Indicators* of Bank Portfolio Performance and Management
(as of 9/18/2012)**

Indicator	2010	2011	2012	2013
Portfolio Assessment				
Number of Projects Under Implementation ^a	16	14	12	12
Average Implementation Period (years) ^b	4.9	4.2	4.8	5.0
Percent of Problem Projects by Number ^{a, c}	0.0	7.1	25.0	25.0
Percent of Problem Projects by Amount ^{a, c}	0.0	2.6	14.4	14.4
Percent of Projects at Risk by Number ^{a, d}	18.8	7.1	25.0	25.0
Percent of Projects at Risk by Amount ^{a, d}	25.5	2.6	14.4	14.4
Disbursement Ratio (%) ^e	32.5	55.7	25.8	4.1
Portfolio Management				
CPPR during the year (yes/no)				
Supervision Resources (total US\$)				
Average Supervision (US\$/project)				

Memorandum Item	Since FY 80	Last Five FYs
Proj Eval by OED by Number	22	5
Proj Eval by OED by Amt (US\$ millions)	361.9	63.9
% of OED Projects Rated U or HU by Number	22.7	20.0
% of OED Projects Rated U or HU by Amt	29.6	39.1

- a. As shown in the Annual Report on Portfolio Performance (except for current FY).
- b. Average age of projects in the Bank's country portfolio.
- c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).
- d. As defined under the Portfolio Improvement Program.
- e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.
- * All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

Annex 6. IFC Investment Operations

	2008	2009	2010	2011	2012
<u>Commitments (US\$m)</u>					
IFC and Participants	17.1	16.2	1.0	6.4	12.0 *
IFC's Own Account	17.1	16.2	1.0	6.4	12.0 *
<u>Original Commitments by Sector (%)</u>					
Financial Markets	100	44	100	80	44
Agribusiness	-	-	-	20	56
Consumer & Social Services	-	43	-	-	-
Infrastructure	-	12	-	-	-
Total	100	100	100	100	100
<u>Original Commitments by Investment Instrument (%)</u>					
Loan	91	74	-	82	56
Equity	-	12	44	-	-
Quasi-Equity (Loan) and Quasi-Loan	-	12	-	-	42
Guarantee	9	1	56	18	2
Total	100	100	100	100	100

* Includes a fraction of a global project allocated to Tajikistan

Annex 7: Operations Portfolio

Closed Projects 28

IBRD/IDA *

Total Disbursed (	136.76
of which h	0.00
Total Disbursed (	225.02
of which h	21.76
Total Disbursed (	361.78
of which h	21.76
Total Undisburse:	85.79
Total Undisburse:	0.00
Total Undisburse:	85.79

Active Projects

Project ID	Project Name	Last PSR		Fiscal Year	Original Amount in US\$ Millions				Difference Between Expected and Actual Disbursements ^{2f}	
		Supervision Rating			IBRD	IDA	GRANT	Cancel.	Undisb.	Orig. Frm Rev'd
		<u>Development Objectives</u>	<u>Implementation Progress</u>							
P078978	COMM & BASIC HEALTH	S	MS	2006	18		0.0	0.6	-8.4	-0.4
P098889	COTTON SEC RECOV	S	S	2007	15			1.0	0.7	
P118196	DUSHANBE WATER SUPPLY II	S	MS	2011	16			15.4	1.7	
P069055	EDUC MOD	S	MS	2003	22			1.6	-2.8	-1.0
P110555	EERAP - ENERGY EMERGENCY	S	MS	2008	21.5			3.0	-12.0	3.0
P089244	ENERGY LOSS REDUCTION	MS	MS	2005	36			18.5	-3.1	
P084035	FERGHANA VALLEY WATER RES	MU	MU	2006	23			7.2	-3.3	
P089566	LAND REGIS & CADASTRE	S	S	2005	20			9.5	-1.2	-1.2
P079027	MUNICIPAL INFRASTRUCTURE DEVELOPMENT	S	S	2006	26.85			12.0	-1.2	-1.2
P099840	PFM MODERNIZATION (APL#1)	MS	MU	2009	5			4.1	9.5	
P130091	PVT SECTR COMP	S	S	2012	10			10.0	0.2	
P122039	SOCIAL SAFETY NETS	MU	MU	2011	3.2			3.0		
Overall Result					216.55		0.0	85.79	-19.9	-0.7

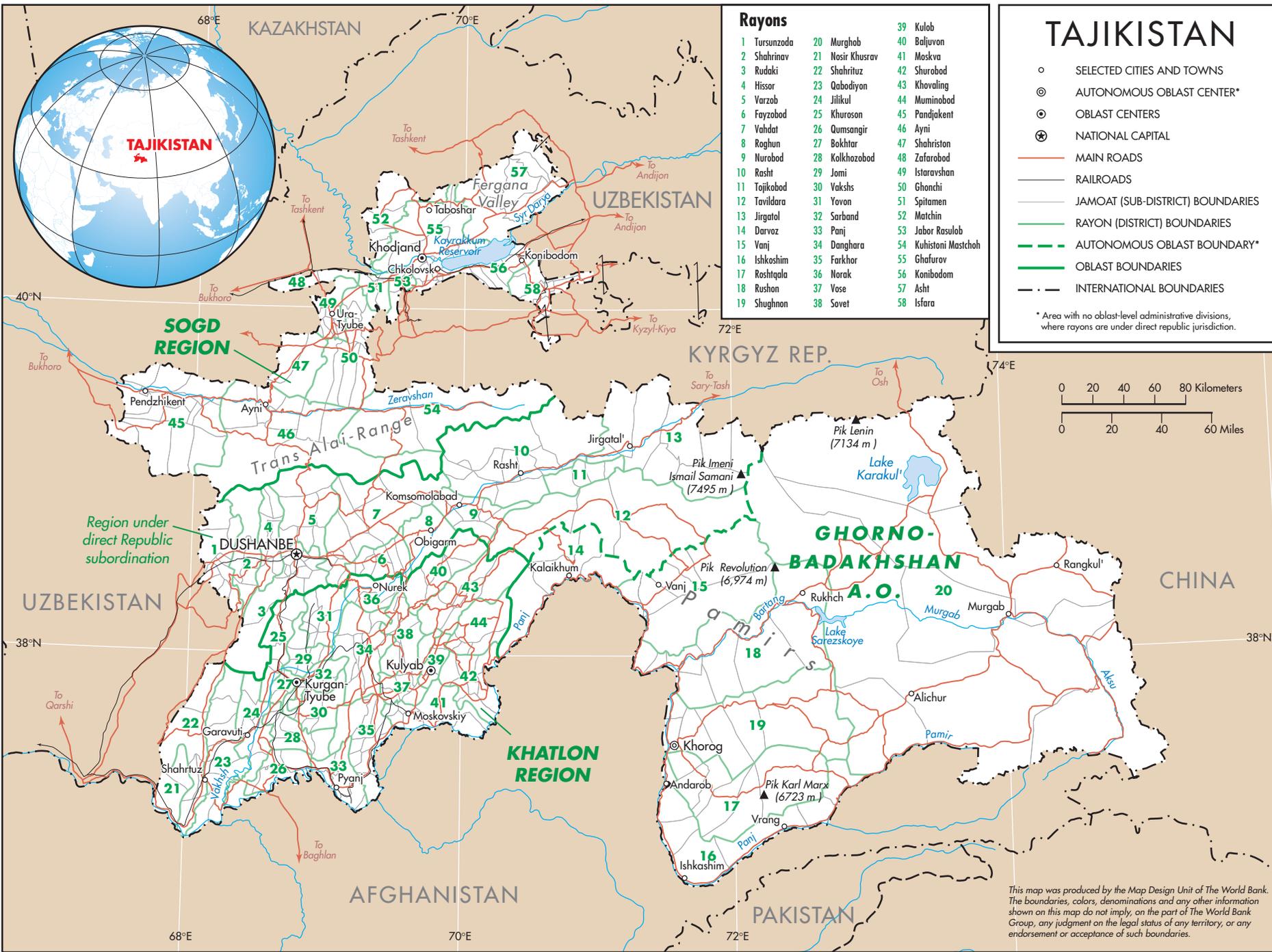
Annex 8: IFC Committed and Outstanding Portfolio by Client

As of 06/30/2012

In USD millions

Sector	Institution	Committed Portfolio						Outstanding Portfolio					
		LN	ET	QL + QE	GT	Total	PART	LN	ET	QL + QE	GT	Total	PART
Financial Markets	Eskhata Bank	4.3	-	-	0.3	4.6	-	3.0	-	-	0.3	3.3	-
Financial Markets	FMBT	1.7	0.5	-	-	2.2	-	1.7	0.5	-	-	2.2	-
Financial Markets	SEF IMON	6.2	-	-	-	6.2	-	6.2	-	-	-	6.2	-
Financial Markets	Tajik Access	4.0	2.0	-	-	6.0	-	3.4	2.0	-	-	5.4	-
Manufacturing	Amiri	1.3	-	-	-	1.3	-	1.3	-	-	-	1.3	-
Manufacturing	Giavoni	-	0.4	-	-	0.4	-	-	0.4	-	-	0.4	-
Manufacturing	SEF FOM	0.2	-	-	-	0.2	-	0.2	-	-	-	0.2	-
Manufacturing	TPS (T)	6.5	-	-	-	6.5	-	6.5	-	-	-	6.5	-
Agribusiness	ECOM Global*	-	-	5.0	-	5.0	-	-	-	5.0	-	5.0	-
Agribusiness	Tajero	1.7	-	-	-	1.7	-	1.7	-	-	-	1.7	-
Infrastructure	Pamir Energy	0.0	0.0	-	-	0.0	-	0.0	0.0	-	-	0.0	-
Infrastructure	Stucky LakeSarez	-	-	1.9	-	1.9	-	-	-	-	-	-	-
Total Portfolio		25.9	2.9	6.9	0.3	36.0	-	24.0	2.9	5.0	0.3	32.2	-

* Fraction of a global project allocated to Tajikistan



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