

Republic of Tajikistan: Poverty Reduction Strategy Paper Second Progress Report

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GOVERNMENT OF THE REPUBLIC OF TAJIKISTAN

Poverty Reduction Strategy Paper

Second Progress Report

DUSHANBE-JUNE 2005

Abbreviations:

ADB	Asian Development Bank
CCP	Cash Compensation Program
COJ	Council of Justice
CPC	Criminal Procedure Code
DOTS	Tuberculosis treatment strategy
GBAO	Gorno-Badakhshan Autonomous Oblast
GDP	Gross Domestic Product
GOT	Government of Tajikistan
EBRD	European Bank for Reconstruction and Development
HIV/AIDS	Human Immunodeficiency Virus / Acquired Immune Deficiency Syndrome
IDB	Islamic Development Bank
IFC	International Finance Corporation
ILO	International Labor Organization
MDG	Millennium Development Goals
MOC	Ministry of Communication
MOE	Ministry of Education
MOET	Ministry of Economy and Trade
MOF	Ministry of Finance
MOH	Ministry of Health
MOLSP	Ministry of Labor and Social Protection
MOSRD	Ministry of State Revenues and Duties
NBT	National Bank of Tajikistan
NCAE	National Center on Agricultural Education
NGO	Non Government Organization
NSIFT	National Social-Investment Fund of Tajikistan
OSI	Open Society Institute
PAU	Poverty Assessment Update
PHC	Primary Health Care
PIP	Public Investment Program
PPP	Purchasing Power Parity
PRSP	Poverty Reduction Strategy Paper
PRSP ECG	Expert Consultative Group for PRSP Monitoring
PRSP MU	PRSP Monitoring Unit
PRSP RMC	PRSP Regional Monitoring Center
PRSTF	Poverty Reduction Strategy Trust Fund
PTA	Parents and Teachers Association
RRS	Rayons of Republican Subordination
SAC	Structural Adjustment Credit
SCEP	State Committee on Environment Protection
SCS	State Committee on Statistics
SEC	State Employment Services
SEDP2015	Social Economic Development Program 2015
SM	National currency Somoni
TC	Tax Code
UNDP	United Nations Development Program
UNICEF	United Nations Children's Fund
USAID	US Agency for International Development
WB	World Bank
WHO	World Health Organization

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Attachment 1: PRSP Statistical Indicators

1. Introduction

This is the second annual PRSP PR prepared by the GOT. The first PRSP PR was published in March 2004 and covered the period from the adoption of the PRSP in June 2002 until the end of 2003. This PR covers the year of 2004. The report serves a double purpose. On one hand, it aims to inform the audience about the development of Tajikistan's key poverty reduction policy and indicators. On the other hand, it takes a critical look at the current poverty reduction strategy and proposes ways to enhance it.

Chapter 2 of the report introduces the key developments in the status and dynamics of poverty-related indicators. Although economic growth has generated significant reductions in poverty rates in the past years, the chapter concludes that people's livelihoods have not changed drastically. Income poverty remains high. People's access to energy, water, communications, education and health services remain highly problematic.

Chapter 3 reviews GOT's macroeconomic management performance during the reporting period. The GOT was generally successful in its efforts to strengthen macroeconomic stability and promote growth. Fiscal deficit, inflation and exchange rates were brought under control. The economy grew at a stable rate for the past five years.

Chapter 4 discusses the GOT's institutional shortfalls affecting the poverty reduction effort. The chapter concludes that there is considerable space for improvement in the quality of public administration. The inadequacy of the current strategic framework is a major factor constraining the GOT's poverty reduction effort. Chapter 12 discusses proposals on improving the framework.

Chapter 5 discusses the performance of the health, education and social sectors. The GOT continues to increase the funding of these public services. However, unless action is taken to reform these services, the additional funding will bring little practical change.

Chapter 6 discusses labor market performance. The GOT works to create jobs through vacancy fairs, but employment is clearly failing to provide an engine for economic recovery. The structure and dynamics of the labor market are poorly researched.

Chapter 7 discusses private sector development. Although the number of private entrepreneurs is growing, many continue to regard the business climate in Tajikistan as difficult. As in the case of employment, private sector dynamics is poorly understood and managed to a very limited extent. People's awareness about business opportunities and legislation remains very low.

Chapter 8 reviews the actions of the GOT targeting physical infrastructure rehabilitation.

Chapter 9 reviews the actions of the GOT targeting environmental protection and development of eco-tourism.

Chapters 10-11 discuss the roles of the GOT, civil society, ECG, RMCs, Parliament, media and the donor community in the monitoring and implementation of the PRSP. Most stakeholders experience severe capacity shortfalls, and their contribution to poverty reduction strategy remains low.

2. Current Poverty Status and Dynamics

This chapter presents the current status and key developments related to poverty reduction in Tajikistan. Human poverty is examined under two aspects: income poverty and capability poverty.

It should be noted that estimating and analyzing poverty in is a difficult matter. The GOT has limited capacity to conduct complex and extensive surveys. Existing studies are by and large random and poorly coordinated. To some extent the GOT sought to cover this gap by utilizing data from the WB PAU and Social Exclusion Survey as well as from studies completed by ADB, Oxfam, UNICEF, UNDP and other partners. A summary of PRSP indicators is presented in Attachment 1 to this report.

2.1 Income Poverty: Economic Growth and Employment

Growth Since 1999 GDP per capita in current prices grew by an average annual rate of 10 percent¹. In 2004 it reached USD309. Higher growth rates were recorded in the poorer oblasts of Khatlon, Sogd, and in GBAO. The economies of Dushanbe and RRS grew at a relatively slower pace.

Much of this growth was generated by the expansion of the cotton market and rise in world cotton prices². Two of the three high-growth oblasts, Khatlon and Soghd, were responsible for 85 percent of Tajikistan's cotton production. GBAO's economy grew as a result of a successful humanitarian program and progress in private sector development. RSS' industry-led growth helped achieve the most appreciable results in poverty reduction.

Growth in the cotton industry did not contribute towards any major results in poverty reduction. Although the number of poor³ fell to 64 percent in 2003 compared with 81 percent in 1999, the highest levels of poverty remained in the high-growth oblasts of Khatlon (78 percent) and GBAO (84 percent). While people's average earnings increased, the revenue and expenditure gap continued pushing different income groups farther apart. Gini coefficient by expenditures rose from 0.33 in 1999 to 0.35 in 2004 and by revenues from 0.47 in 1999 to 0.51 in 2004. Although inequality growth was higher in rural than in urban areas, their absolute poverty rates of 65 and 59 percent respectively suggest a relatively uniform distribution of poverty.

Table 1. GDP per capita and Cash Earnings

Indicator	1999	2000	2001	2002	2003	2004
GDP per capita, USD	177	189	203	220	237	N/A
Cash earnings, current prices, million SM	738.3	1004.6	1302.5	1587.3	2352.7	2796.9
Cash expenditures and savings, current prices, million SM	716.1	909.9	1256.2	1553.9	2343.3	2582.2
Average monthly salary, SM	11.61	15.57	23.50	32.55	44.31	71.77
Average monthly pension, SM	3.53	4.06	6.01	10.09	13.07	18.78

¹ Unless otherwise stated, all data referenced in this document was reported by SCS.

² Estimated at by 45 percent in 2003-04 compared with 1999-00.

³ Living on less than USD2.15 per day (UD Dollar PPP).

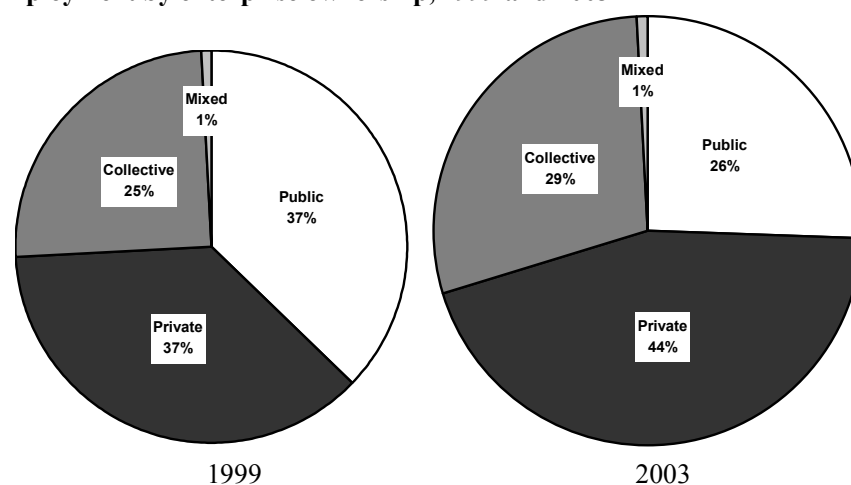
Minimal wage size (average monthly), SM	1.00	1.00	2.00	4.00	7.00	12.00
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Employment The PRSP underpins unemployment as a “basic source of poverty”. The number of officially unemployed decreased by 9.5 percent to 38.8 thousand or 2.2 percent of the economically active population⁴ in 2004 by comparison with 2003. The WB PAU estimated that unemployment decreased from 16 percent in 1999 to 12 percent 2003. Assessing unemployment is difficult as not all unemployed register with the SEC. High levels of informal employment remained. Also, different assessments employ different evaluation criteria.

The total number of the economically active population increased by 2.3 percent in 2004 compared with 2003. Although employment during the same period increased by 2.9 percent, it continued to lag behind the growth of the labor force by almost 40 percent. If sustained, this trend will exert growing pressure on the labor market and public services in the long-term. The average level of education remained high, but job seekers lack marketable skills. Despite the oversupply of labor, a large number of vacancies, requiring specialized professional knowledge, remained unoccupied.

Economic liberalization led to significant changes in sector employment. Public employment fell and private-sector employment, particularly in agriculture, grew in 2004 compared with previous years.

Chart 1. Employment by enterprise ownership, 1999 and 2003



Enterprise ownership	1999	2000	2001	2002	2004
Public	646.4	558.5	520.0	517.1	481.2
Private	641.7	751.7	743.5	816.0	843.5
Collective	432.6	415.2	550.2	510.8	542.4
Mixed with foreign capital	6.7	14.1	13.2	12.0	16.9
Mixed without foreign capital	9.6	5.9	1.9	1.2	0.8
Total	1737.0	1745.4	1828.8	1857.1	1884.8

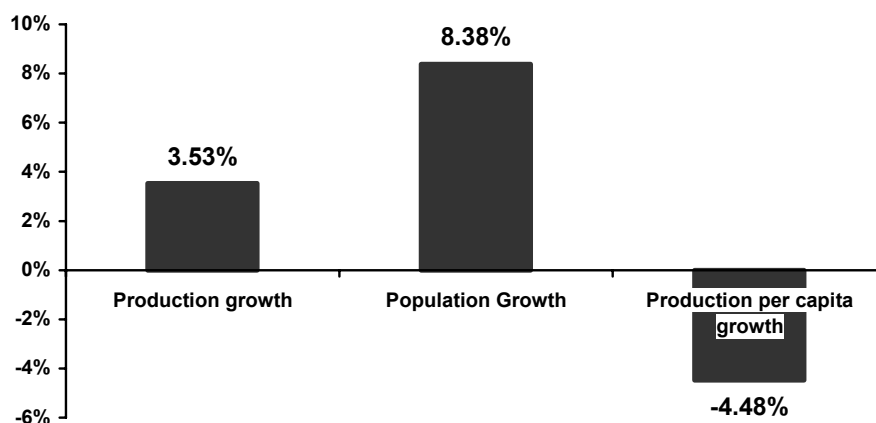
⁴ Defined as the employed population plus unemployed individuals actively seeking employment opportunities.

Significant regional differences in the employment structure remained with especially high concentrations of labor resources in the densely populated *oblasts* of Soghd and Khatlon. Slight migration of labor resources from urban to rural areas was noted.

2.2 Capability Poverty: Access to Services, Education and Healthcare

Energy Although more power was generated in Tajikistan in 2004 than in previous years, production increase rates fell behind population growth rates. Service remained sporadic and of poor quality in winter months, particularly outside the capital. Central heating was available to 6 percent of consumers. Twenty-one percent were using gas heating; however the reliability of gas supply remained problematic. Coal and biomass were generally accessible, but were used primarily by poor populations in rural areas.

Chart 2. Electricity production and population growth, 1999-2003



Years	Power production, million kW-hr	Population, thousands	Per Capita Electricity Production, kW-hr
1999	15797	6126.7	2578.4
2000	14247	6250.0	2279.5
2001	14336	6375.5	2248.6
2002	15244	6506.5	2342.9
2003	16304	6640.0	2455.4
2004	16354	n.a.	n.a.

Water According to UNICEF and WHO, Tajikistan remained the most poorly supplied with drinking water country in the world. A third of consumers had access to chlorinated piped water, 29 percent used spring water, and the rest coped with river and ditch water. Rivers and canals froze in winter and consumers had to rely on alternative sources or buy water. Forty percent of water consumed in 2004 was undrinkable, 41 percent of the population had access to piped water of uncertain quality. Half of the respondents interviewed by the National Nutrition, Water and Sanitation Survey claimed using less than 20 liters of water per day due to the remoteness of sources.

Communications Improvements in access to communications services during 2004 paint a mixed picture. Although 93.1 percent of the population was covered by TV broadcasting and 76.4

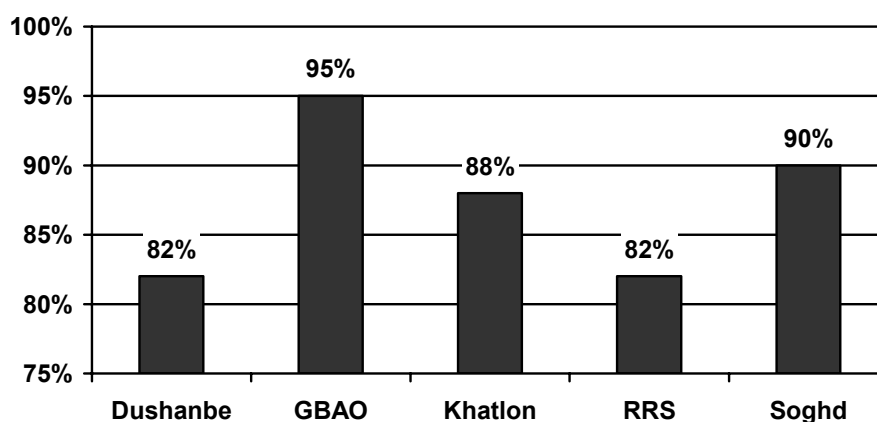
percent by radio broadcasting⁵, frequent and protracted power cuts prevented many from fully benefiting from these services. On the other hand, access to stationary and mobile telephones expanded and modernized. Over three-quarters of telephone accounts were served by digital switchboards. Access to the World Wide Web remained limited as service costs of USD0.5-2 per hour could be afforded only by a marginal number of users. However, Voice-Over-IP telephony continued gaining acceptance as a cheaper alternative to land-based long-distance telephony. The number of weekly newspapers increased. More than half of them are now privately owned.

Table 2. Teledensity

Year	Stationary telephones per 100 people	Mobile telephones per 100 people	Internet accounts per 100 people	E-mail accounts per 100 people ⁶
2000	3.50	0.009	0.001	0.11
2001	3.50	0.04	0.004	0.19
2002	3.57	0.14	0.006	0.03
2003	3.65	0.82	0.02	0.03
2004	3.83	2.47	0.03	0.03

Education Demographic expansion and financial difficulties continued to exert pressure on children's access to education. Secondary school attendance rates fell consistently across all five *oblasts* to a national average of 88 percent in 2004. Some disparities existed between urban and rural rates as well as between genders. On the average 6 percent of boys and 18 percent of girls in urban areas and 4 percent of boys and 7 percent of girls in rural areas failed to attend school beyond the 3rd grade. The situation was most serious in Dushanbe where 21 percent of girls and 4 percent of boys failed to attend school beyond the 3rd grade. Despite this, literacy rates remained relatively high at 95 percent, although by comparison with 1991 they had too fallen by 4 percent. Poverty was the most frequently-cited barrier to continuing education. The families of 65 percent of children, who failed to attend school regularly, were experiencing financial difficulties.

Chart 3. Secondary school attendance rates, 2004, percent by region



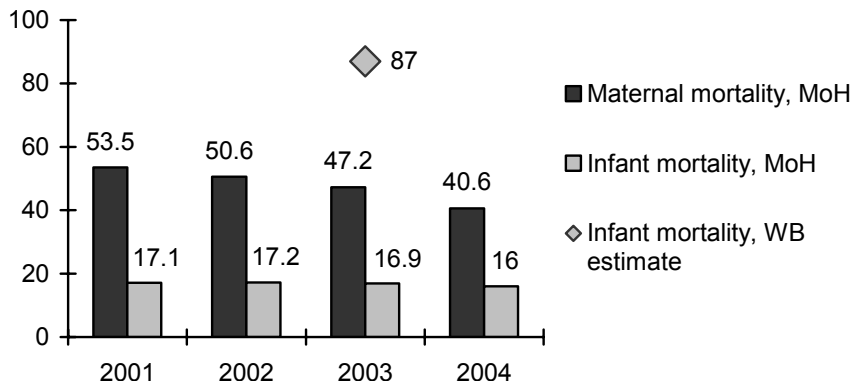
Public Health Health sector statistics paints a mixed picture. Infant mortality decreased by 6.4 percent between 2001 and 2004. Maternal mortality decreased by 24.1 percent during the same period. However, these rates may not reflect the situation fully, as they do not include unregistered

⁵ GBAO has significantly lower radio (37.7 percent) and TV (89 percent) coverage rates.

⁶ SCS data only include POP3 accounts opened by Tajik ISPs.

births. The WB PAU estimated infant mortality to be 65 per 1000 live-births in 2003, or 3.8 times higher than the official rate.

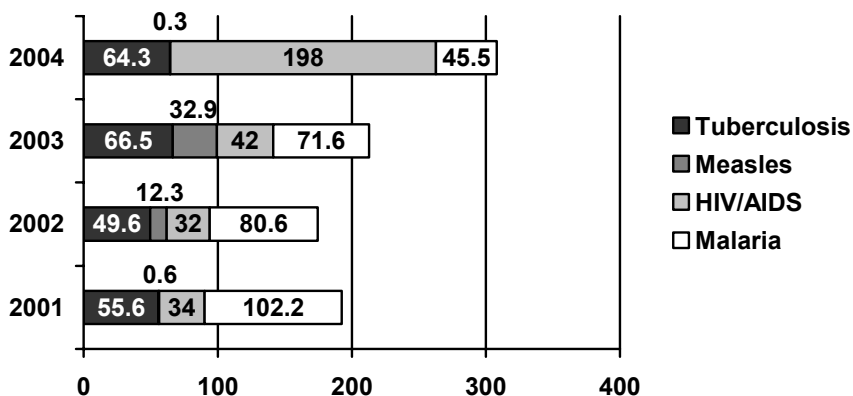
Chart 4. Maternal and infant mortality, per 1000 live-births, 2001-2004



Source: MOH, WB

Infectious disease rates show an equally uneven progress. The implementation of DOTS, a national program to improve patient registration and enhance access to preventive treatment helped stabilize tuberculosis rates. A national immunization campaign supported by UNICEF led to a decrease in the incidence of measles. However, HIV/AIDS and malaria rates continued increasing.

Chart 5. Incidence of main infectious diseases, per 100,000 people, 2001-2004⁷



Nutritional problems continued throughout 2004. A survey of Action Against Hunger suggests that the incidence of acute hypotrophy (malnutrition) among children under 5 increased from 4.7 percent in 2003 to 7.6 percent in 2004 (in some areas by up to 11 percent). The incidence of chronic hypotrophy among children under 5 has increased from 30 percent in 2002 to 31.4 in 2004.

2.3 Poverty Perceptions and Gender Issues

⁷ All data for 2004 are preliminary except for the HIV/AIDS incidence rate.

National polls suggest that most Tajiks continued to perceive themselves as poor in 2004. Three-quarters of households ranked themselves lower than the national average. Sixty-five percent of respondents were unsatisfied with their financial situation. More than a half believed that their welfare condition did not improve compared to 1999.

Women-dominated social groups remained the most economically marginalized in 2004:

- Elderly (over half);
- Unskilled manual agricultural labor (85-90 percent⁸);
- Women-led households;
- Unemployed (56.5 percent of the officially registered unemployed⁹);
- Orphans and large families.

Women's employment status remained inferior to that of men's. Twice more men were permanently employed in 2004 than women. The labor market remained divided into *male* and *female* segments. The *male* segment has a traditionally higher status. Most jobs in this segment relate to business and other high-income occupations. Most jobs in the *female* segment relate to education, medicine, social services, agriculture and small business. Although some of them may have a relatively high status, revenues in the *female* segment are 4-8 times lower than in the *male* segment. Women's average income in 2004 was 1.4 times lower than men's.

Legislative measures alone have generally failed to promote gender equality in the social context of Tajikistan. Many women continued to be excluded from decision-making processes and constrained in their access to resources. Only 6.8 percent of *dekhan* farms were managed by women in 2004. Although 70 percent of the recipients of micro-credits in rural areas were women, further expansion of their participation in loan programs was limited by the fact that they seldom own collateral assets.

3 Macroeconomic Management

Stabilization, growth and diversification remained Tajikistan's key macroeconomic policy priorities throughout 2004. This chapter discusses (3.1) the dynamics of key macroeconomic policies and indicators, (3.2) GOT's progress in expanding its capacity for macroeconomic management, (3.3) GOT's analysis of present macroeconomic risks, and (3.4) PRSP budgeting and the PIP.

3.1 Macroeconomic Development in 2004

Key Indicators Tajikistan's economy continued to expand throughout 2004. The GDP grew at the fastest rate since 1999. Inflation and budget deficit were brought under control. Exports continued to grow and diversify.

At the same time, Tajikistan's economy continues to be heavily influenced by cotton and aluminum production and by massive inflows of labor migrant remittances. Commodity exports make up 70 percent of the export structure. The IMF estimates that remittances may have generated up to 20 percent of the GDP in 2004. As a result, Tajikistan remains in a precarious position vis-à-vis the possibility of external labor and commodity market and regulatory shocks.

⁸ Estimate by Tajik NGO Khamkori Bakhri Tarakiyot.

⁹ This rate is likely to be higher as not all employed register with the relevant services of MLSP.

Table 3. Key macroeconomic indicators, 1999-2004

	Actual					
	1999	2000	2001	2002	2003	2004
GDP (mill Sm.)	1,345	1,807	2,512	3,345	4,758	6,158
GDP(% change)	3.7	8.3	10.3	9.1	10.2	10.6
Inflation (% end of the period)	30.1	60.6	12.5	14.5	13.7	5.6
GDP distribution (%)						
Agriculture	25.4	27.0	26.7	22.0	21.1	21.6
Industry	21.7	23.9	22.6	18.7	17.7	19.6
Trade	19.7	18.3	19.3	19.4	19.0	19.7
Construction	5.4	3.4	4.1	2.6	3.1	5.5
Other	27.8	27.5	27.4	37.3	39.1	33.6
Foreign trade (USD mill)						
Exports	689	784	652.0	734	798	914
Imports	663	675	682.0	721	881	1372
Net exports	26	109	(30.0)	13	(83)	457
External debt (%GDP)	118.0	128.0	99.0	82.0	73.0	42.2
Current account operations (% GDP)	(3.4)	(6.5)	(7.1)	(2.7)	(1.3)	(3.9)

1999-2003 source: MOF, MOET, SCS, NBT

2004 source: IMF

Finance The new Tax Code contributed to further improvements in the tax legislation and created additional incentives for private sector development. Greater than expected tax revenues and stronger fiscal discipline allowed supplemental allocations in the social sector. The further simplification of the tax structure and streamlining of administrative procedures are expected to have a positive impact on the tax revenue to GDP ratio in the long-term. However, the introduction of a single tax on land increased the fiscal pressure on *dekhans* and may have led to decreased profitability in agriculture.

The GOT successfully reduced its foreign debt burden from 80 to 42.8 percent of the GDP. The debt to Russia decreased by more than USD300 million. However, additional efforts to reduce the debt are required as the outstanding obligations remain fiscally unsustainable.

The Government continued to reduce the share of the PIP financed from foreign sources. The 2004 budget allocated SM152.8 million or 2.9 percent of the GDP to the PIP. Following the successful restructuring of the foreign debt, and consistently with the recommendations of the donor community, this amount will be increased to 4 percent of the GDP in following years.

Monetary and Credit The exchange rate of the SM to the US Dollar leveled out at 3.0271. Growing inflows of labor migrant remittances and expanding trade helped secure exchange-rate stability and led to further increases in private and corporate deposits in Tajik banks. Aggregate private deposits grew by 43.5 percent to SM108.6 million. Private currency deposits grew by a factor of 1.4 or by SM26.1 million. Private SM deposits grew by 54.9 percent or by SM6.6 million. Aggregate corporate deposits grew by 16 percent to SM183 million. Of them currency deposits amounted to SM77 million and SM deposits amounted to SM106 million.

Improvements in monetary policy implementation, particularly concerning reserve levels, allowed the NBT to control the inflation at a relatively stable 7 percent. Reserve money increased by the targeted rate of 10 percent. However, inflation remained high and prices continued to be vulnerable to structural and seasonal shocks related to rising services and fuel prices, natural disasters, the growing purchasing power of the population, and the import orientation of the domestic market.

The banking sector climate continued to improve as the refinancing rate was lowered from 15 to 10 percent and the liquidity ratio was lowered from 75 to 30 percent. This allowed the banks greater flexibility in determining interest rates and helped further increase lending to the private sector. The total amount of loans disbursed by Tajik banks in 2004 rose to SM1,091.5 million. Of this amount, foreign currency loans amounted to SM635.8 million and SM loans amounted to SM455.7 million. The role of micro-credit institutions continued to expand as over 17,200 of loans for a total of SM55.5 million were disbursed through these organizations in 2004.

Table 4. Composition of micro-credits disbursed in 2004, million SM

	Up to SM300	SM1,000-10,000	SM11,000-30,000
Million SM	0.6	27.3	27.6
Percent	1	49	50

Banks increased their aggregate statutory capital from 71.91 million to 96.45 million Somoni during the first nine months of 2004 in preparation for the higher the minimum statutory capital requirement of USD5 Million, which would be phased in at the start of 2005. Credit associations increased their aggregate statutory capital from 2.36 million to 3.96 million Somoni during the same period. In October 2004 foreign financial institutions owned 21.4 percent of the Tajik banking sector.

3.2 Macroeconomic Management Capacity

Public Expenditure Management GOT's budget management toolset continued to improve throughout 2004. An *Automated Budget System* was established to ensure transparency and facilitate the budget preparation function of the MOF. New public expenditure classifications and annual budget preparation guidelines were adopted. Donor-sponsored loans and grants were incorporated into the budget preparation process. A Budget Commission to enhance control over revenues and expenditures was established. The single treasury account was introduced to simplify control over expenditures.

However, numerous challenges remain. Many of these measures were implemented partially and will require continuous improvement in the near-term. The Budget Commission lacks important organizational features. Ministerial staff lack technical knowledge about the *Automated Budget System* and continue to submit budget requests in the old format. The presence of multiple developmental strategies makes it difficult to maintain clear linkages between developmental priorities and budget allocations.

Financial accounting is improving. NBT's Accounting Division was augmented with an auditing unit. Centralized accounting procedures are being introduced and planned audits of large enterprises are being implemented. The transition to international accounting standards continues. However, due to the lack of qualified staff, the progress of accounting reforms is slow. Of 41 accounting reports, only eight have gained widespread use.

Monetary Policy Management Banking sector regulation was further strengthened in 2004. NTB's Committee on Monetary Policy contributed positively to decision making on monetary

policy, money circulation, and refinancing rates. NBT's interventions on the interbank currency market helped stabilize the exchange rate of SM. Regulations concerning non-banking financial institutions are being developed. Insolvent banks were closed. A private deposit guarantee fund was established. In a bid to streamline its overhead costs, the NTB reduced its personnel by 20 percent and will plan more staff cuts in due course. Yet despite these measures, the financial markets remain weak and people's confidence in the banking sector is very low.

Key Challenges GOT is committed to continue and deepen institutional reforms as a key element of its macroeconomic management capacity development agenda. In this respect, the GOT is emphasizing two aspects of reforms:

- Increasing the transparency, accountability and the overall quality of macroeconomic management, and enhancing the quality, timeliness and coverage of its macroeconomic research capacity. To this end GOT will take steps to further streamline ministries' apparatus, eliminate duplication of functions, improve the effectiveness of public service, increase public career incentives, and offer better training for public officials.
- Streamlining the roles of various public agencies involved in macroeconomic decision making and integrating the multiple existing macroeconomic policy and planning instruments. To this end GOT will take steps to enhance coordination mechanisms between MOF and NBT, particularly in the areas of monetary policy and inflation control. PRSP will be integrated with SEDP2015 and PIP by establishing long-term developmental benchmarks. PRSP concepts will be mainstreamed into the state budget.

The GOT's reliance on the donor community for macroeconomic research and policy formulation does not contribute to strengthening its ownership of the reforms process. To this extent GOT is committed to improving its overall capacity for macroeconomic management and reducing its current dependences in managing the economic affairs of Tajikistan.

3.3 Macroeconomic Risks

The main near-term risks to the implementation of poverty reduction strategy come from the potential deterioration of the external environment. Cotton and aluminum price declines could be deeper than projected if global growth were to weaken. Higher oil prices would impose additional costs on agriculture and increase the value of imports. However, stronger growth in Russia and Kazakhstan would partly offset the latter negative impact by increasing the demand for Tajik agricultural exports and receipts from migrant remittances.

3.4 Public Investments Programs 2004 and 2005-2007

The PIP remained the main poverty reduction programming instrument employed by the GOT throughout 2004. It was originally designed to include 32 projects with a total cost of USD499.5 million, of which USD60.5 million were to be contributed by the GOT, USD379.5 million by foreign creditors, USD41.7 million by foreign donors, and USD17.6 million by extra-budgetary sources. Of the whole program, only USD81.4 million or 16 percent was realized effectively.

The 2005-07 PIP will include 63 projects with a total budget of USD952.6 million. Of them 25 projects with a total cost of USD470.2 million will be carried over from previous years. Thirty-nine projects with a total cost of USD482.4 million will be new in the program. By comparison with the 2004-2006 PIP, the share of social programs in the 2005-2007 PIP will increase.

As in 2002-03, the PIP and PRSP remained poorly correlated. Limited capacity and focus on fundraising prevent the PIP planners from adopting a priorities-driven approach to project development. As a result, the PIP remains a random list of projects, few of which stand a chance to secure donor funding. The usability of the PRSP as a prioritization instrument in the context of the PIP remained limited due to the following constraints¹⁰:

- Not all national and local government agencies understand the role of the PRSP as a strategic framework for poverty reduction and have the capacity to use it as such;
- There is weak coordination between the PRSP and donor programs;
- The linkages between the PRSP, SEDP2015, PIP and the state budget are poorly defined;

The GOT understands these constraints and is committed to take continued steps to address them. At the same time, the GOT notes the critical nature of consensus over how these constraints should be addressed in a sustainable fashion, both within and between the GOT and the donor community.

4 Institutional Reforms

4.1 Factors Constraining the Poverty Reduction Effort

There is broad consensus that economic growth led a general decrease of poverty levels in the past five years. However, many sectoral indicators either remained unchanged or worsened during this period. By many accounts, the quality of social services and the performance of infrastructure elements continued to decline.

So why is that macroeconomic improvements have so far failed to translate into better livelihoods for the people of Tajikistan? This report identifies the lack of a comprehensive approach to the *poverty reduction process management*, caused by the following institutional shortcomings, as a key problem constraining the ongoing efforts:

- Poor coordination and lack of clarity concerning vertical and horizontal relationships within the GOT;
- Limited institutional capacity to manage the economy using free market mechanisms;
- Incompatibility among various sectoral institutional and regulatory frameworks;
- Poor quality of information used for strategy decision-making and implementation.

4.2 Institutional Capacity and Strategic Framework

Limited institutional capacity remained a key constraint on effective strategy formulation and implementation within the GOT. Such strategy documents as there existed, were based on disparate approaches and lacked integration into one coherent prioritization mechanism. Implementation efforts were often inconsistent and duplicative.

Although the two major poverty-related strategies, PRSP and SEDP2015, remained substantively disconnected and supported by different resource allocation mechanisms, the GOT

¹⁰ These constraints were identified and described in the 2003 PRSP PR.

continued their concurrent implementation¹¹. The GOT also continued the implementation of numerous sectoral and regional programs, most of which are poorly coordinated among themselves and with the PRSP and SEDP2015, and lack meaningful fiscal support.

Strategic framework problems fuel the cycle of institutional capacity problems. Existing planning mechanisms do not encourage agencies to prioritize their objectives. Budgeting processes are focused on operational needs and funding opportunities and not on targets. Public spending remains category- rather than program-oriented. The PRSP is viewed as a fundraising exercise rather than a strategy.

4.3 Structural Reforms

The first stage of structural reforms was generally successful. Small scale privatization led to private sector growth, notably in the retail and services sectors. In 2004 the GOT sought to build on this success by efforts to further develop the economic legislation and strengthen regulatory mechanisms in the energy, transportation and telecommunications sectors.

Reforms in transportation resulted in a decrease of the outstanding debt across the sector to SM281,478. Total receivables decreased to SM948,775. Reforms in telecommunications resulted in a decrease of the outstanding debt across the sector to SM7,184 thousand.

At the same time, the overall poor understanding of reforms persisted, particularly concerning the separation of policy-making, regulatory and control functions, and the role of independent regulation. There were setbacks in the process of corporatization. The inclusion of Barki Tojik into the MOE led to conflicts between the ministry and the private sector. Decentralization and commercialization in the absence of a market-oriented business structure in the utilities sector led to further deterioration of the infrastructure and sharp criticism from consumers and public agencies.

4.4 Administrative Reforms

The 2003 PRSP PR noted the old soviet command and control methods employed by the GOT and the lack of progress in this area. This state of affairs persisted throughout 2004. Rather than focus on policy-making consistent with national developmental priorities, ministries continued to micromanage their respective sectors. Their unreformed structures retained large networks of sub-agencies with poorly defined and often duplicative functions. Pilot institutional reforms supported by foreign partners generally failed to introduce sustainable changes.

The GOT understands that the current pace of administrative reforms is out of step with the changing economic landscape and remains committed to undertaking radical reforms designed to modernize public administration in Tajikistan. These reforms will be introduced across the entire government system in a manner consistent a Common Public Administration Reform Strategy.

4.5 Public Service Development

¹¹ The SEDP2015 is a multi-year investment program. It was designed to have strong linkages to the state budget and the PIP, but it does not account for macroeconomic planning considerations, particularly concerning foreign debt management. Budget development takes place separately from decision-making related to the PRSP and PIP. It is not clear whether PIP's primary linkage is with the PRSP or with SEDP2015.

Shortages of qualified staff, low salaries, and corruption remained key challenges to achieving sustainable improvements in the quality of public services, particularly in areas related to the poor.

To address these challenges the GOT adopted a Register of Public Functions, a Code of Ethics for Public Servants, and a procedure for competition-based public appointments. The Register defines the scope of public service and serves as a career management tool for public officials. It will be introduced in the first half of 2005.

The salaries of public servants continued falling short of the living wage while many GOT structures remained overstaffed. To address this issue and improve the overall effectiveness of budget allocations the GOT adopted a three-stage plan of staff reductions. The implementation of this plan began in 2004.

The GOT is committed to take further steps to separate political and administrative functions in the public service and introduce changes in the structure of the public payroll.

4.6 Judiciary and Legal Reform

Building a modern legal and judiciary system will be critical for the success of the poverty reduction effort. With a view to reform the old court system, GOT has undertaken a number of reforms designed to enhance the capacity and streamline the operation of courts at all levels.

The GOT's efforts to reform the court system in 2004 included extending the term of appointment for judges from five to ten years, transferring part of the Supreme Court's authority to *oblast* courts, and increasing the frequency of ambulatory court sessions. In due course, the judges will receive life-long terms of appointment.

A new CPC, limiting the range of grave crimes and providing for lesser penalties, was drafted. A moratorium on capital punishment was introduced. Measures are taken to enhance the capacity of the justice system. In October 2004 the COJ opened a training program involving 160 judges from all parts of the country. It is projected that 240 judges will graduate the program in 2005. Courses for senior court officials and training materials are being developed.

Despite these measures, the legal system remained weak, a situation, argues ADB, exacerbated by poor enforcement of court decisions and corruption. President Rakhmonov is addressing these problems in his regular meetings with law enforcement and court officials.

Partial reviews of the judiciary system were conducted in the past, but a complete analysis of the situation was never carried out.

4.7 Local Authorities

Local authorities play a key role in the poverty reduction effort by serving as primary providers of public services. The PRSP has generally failed to assign them clear strategy and monitoring responsibilities. The GOT is taking measures to address this gap; however poor capacity and financial constraints are preventing rapid progress from taking place.

Where local authorities lack the capacity to provide public services, their efforts are supplemented by the communities. Community-based development is supported by foreign partners

in a number of useful ways. The UNDP is implementing investment projects through its network of *Jamoat* Development Committees. The NSIFT is offering training on needs prioritization and project development and supplementing the training with financial resources. The MSDSP is implementing projects at the level of village organizations. The GOT fully supports these efforts, but notes the importance of transparency and accountability in their implementation.

The efforts to expand community participation in development planning are not merely consistent with, but contribute directly to building sustainable institutions and improving governance at local levels. The PRSP acknowledges that communities, including *jamoats*, have strengthened their role in a number of poverty-related areas, such as education. However, despite this initial progress, the capacity of communities to deal with poverty reduction in a comprehensive and sustainable fashion is yet to be proven.

5 Social Sector

5.1 Health

Policy and Funding Underfunding remained one of the key challenges in the health sector throughout 2004. The GOT's efforts to address this situation focused on increasing the aggregate level of funding for public healthcare providers and reforming the existing appropriation mechanisms.

The 2004 healthcare budget was increased by SM25.8 million to 6.6 percent of the state budget compared to 2003. The 2005 healthcare budget will be further increased by SM28.8 million to 7 percent of the state budget. For the first time since independence the GOT allocated funds for the critical area of public vaccination, SM90 thousand in 2004 and 100 thousand in 2005.

Table 5. Public Health Budget, percentage of GDP

1999	2000	2001	2002	2003	2004
1,1	0,9	0,86	0,9	0,93	0,9 ¹²

Despite this positive dynamics, the current levels of public funding remained insufficient. The state budget financed 16 percent of all total health sector expenditures in 2004. Foreign assistance contributed 13 percent and households, 71 percent. This funding structure could not ensure that a comprehensive range of free medical services is available for the entire population of Tajikistan, but the poorest remained clearly the most affected. In 2003, the WB estimated that half of those in need received no treatment due to lack of financial means. A third practiced self-treatment and 11 percent had hoped that their sickness will disappear without medical assistance.

Pilot projects designed to address the appropriations challenge focused on the introduction of separate packages of guaranteed free services and pay services. Generally these efforts resulted in an improvement of conditions in the pilot institutions. The quality of services, salaries of medical personnel and patient flows increased and illegal payments by and large stopped. The main challenges in translating this experience throughout the entire healthcare sector are the outdated organizational structure and appropriations mechanisms in the public health sector. The GOT has committed to developing a strategy for appropriations reforms, introducing a set of new concepts, such as guaranteed free services, per-capita funding of public healthcare providers, increased appropriations for primary healthcare, and introduction of pay services. In addition, GOT is working to update the Concept Paper for Reforms in the Healthcare Sector and translate the measures stipulated in the Concept Paper into specific project proposals.

¹² Preliminary data.

PHC and Reproductive Health The PHC development effort continued throughout 2004. Fifteen doctors and 22 nurses for the oblast-level PHC training centers in Soghd and Khatlon were trained at the National PHC Training Center in Dushanbe.

Progress is being achieved in the area of reproductive health. The GOT adopted a 10-year strategic plan for reproductive healthcare, and took steps to implement a number of strategies, laws, and presidential decrees adopted previously. The MOH conducted a series of information events on HIV/AIDS and gender issues in Dushanbe and Karategin Valley, involving educational institutions and mass media. As a result, the percentage of women of fertile age having access to contraceptives increased by 3.2 percent to 23.3 percent in 2004.

Distribution of Medications and Other Reforms The GOT strengthened the controls over the quality and distribution of pharmaceutical products and improved the coordination between public acquisitions of medications and donor assistance. A national center for centralized public acquisitions of medications was established with the assistance of the ADB and Pharmaciens Sans Frontiers. Public acquisitions in 2004 were conducted on a competitive basis and targeted the essential types of drugs. The MOH established a commission to control horizontal acquisitions of medications by public healthcare providers. The MOH is drafting a plan to develop a national pharmaceutical industry.

Other policy initiatives currently in process of being developed by the MOH include a concept paper for reforms in the medical education system and a strategy to reform hospital services.

Donor Support The reforms in the health sector are supported by a large number of international organizations. The AKDN estimated that 23 international and 84 national NGOs were involved in community-level healthcare projects in 2004. Most NGOs focused on the issues of reproductive healthcare, HIV/AIDS and healthy lifestyle. Several donors, including the WB, ADB, the government of Switzerland, WHO, UNICEF and USAID supported investment projects in healthcare infrastructure. The GOT welcomes this assistance, but points out that the needs of Tajikistan's health sector would be addressed in a more sustainable fashion, if the growing number of donor-supported policy, technical and humanitarian assistance projects were integrated into a more limited number of large-scale and long-term projects.

5.2 Education

Policy and Funding Lack of funding remained one of the key challenges in the education sector throughout 2004. Although the 2005 education budget was increased by SM88.8 million compared to 2004, the present levels of funding remain inadequate. A large share of education expenditures in 2004 was supported by foreign donors and households.

Table 6. Public Education Budget, Percentage of GDP

1999	2000	2001	2002	2003	2004
2,1	2,3	2,5	2,6	2,8	2,7 ¹³

The GOT initiated of a five-year plan of education reforms and adopted the Law on Education. These documents provided for an increase of academic the pay scales by up to 25 percent

¹³ Preliminary data.

and allowed the introduction of per capita financing schemes in a limited number of pilot secondary schools.

Communities were encouraged to increase their role in education administration. Until recently, the role of parents in school management was limited to fundraising. The newly-established PTAs had expanded this role to include such areas as developing small-scale educational infrastructure projects and policing children's rights in schools. PTAs are generally successful but their coverage is limited to a number of pilot projects supported by the WB, ADB, OSI, UNICEF, and Care International in Dushanbe, Khujand, and a few *rayons*.

Infrastructure The overall condition of the educational infrastructure remained weak, but the needs of the schools were also poorly understood and quantified. The MOE estimated the total equipment needs of secondary schools to be of 153.7 thousand sets of school desks and chairs, 66.8 thousand chairs, 9.9 thousand teacher desks, 29.7 thousand cabinets, and 9.9 thousand boards. However, these estimates were not based on any meaningful inventory of the existing equipment or commonly accepted benchmark of what should constitute a standard set of classroom equipment.

As in previous years, the status of textbook provisions was problematic. Despite the donor-sponsored acquisition of 1.5 million copies, many schools continued to be short of textbooks. The development of new textbooks was delayed. Minority Russian and Uzbek schools continued using either old Soviet-era textbooks or textbooks published in other countries. Many schools introduced payments for the use of textbooks.

Teacher and Vocational Training Uneven progress was achieved in the area of advanced teacher training. The institutes in Dushanbe and Khorog, supported by the Soros Foundation and AKDN were in considerably better condition than the institutes in Khujand, Kulyab, and Kourgan-Tyube, which are relying entirely on public funding.

The GOT adopted of the Law on Vocational Training, a concept paper on reforms in the vocational training, and a set of national standards on vocational training. The MLSP is in process of implementing a Vocational Training Reform Project.

5.3 Social Protection

Policy and Funding The social protection policy has not changed dramatically since the adoption of the PRSP. Most aspects of policy reform, such as protection of family, children, labor, and unemployed, were treated as cross-cutting issues in the PRSP. Donor-supported attempts to reform the system lacked a clear direction and remained generally incomplete.

The GOT continued to increase the funding of the existing system. In 2004 social protection spending amounted to 2 percent of the GDP and 16.3 percent of the state budget. The latter rate will be increased to 17.7 percent of the GDP in 2005. Nevertheless, this level of funding does not fulfill the requirements of the unreformed system.

The condition of children, particularly street children¹⁴ warrants special concern. Despite the efforts of the GOT's Commission on Children's Rights to provide a coordination mechanism between the agencies involved with street children, their respective roles and authority remained ambiguous.

¹⁴ Society and Children's Rights, a Tajik NGO, estimated that there may have been as many of 3,000 children on the streets of Dushanbe in 2002.

CCPs The CCP targeting schoolchildren continued throughout 2004 with 323,558 individuals receiving a total of SM7.76 million. This level of funding is not sufficient to satisfy the needs of the growing number of schools and schoolchildren. To address this problem and ensure that the CCP takes on a more targeted approach in the future, the MLSP is revising the criteria for defining poverty-affected households. The savings realized as a result of this measure could be directed either towards expanding the coverage of poverty-affected households or increasing the number of recipients in each eligible household.

A total number of 545,545 households received compensations for electricity consumption in the amount of SM11,225 thousand and a total number of 417,316 households received compensation for gas consumption of SM8,436.3 thousand in 2004. The GOT is working to increase the targeting of the CCP.

Jobs and Labor Migration More than 82.5 thousand new jobs were created in 2004. However, the rate at which new jobs are being created is approximately the same as the rate of new entries into the job market generated by demographical trends. Due to limited funding, only 5,163 of the officially registered 38,827 unemployed received unemployment benefits in 2004. Only 6,047 unemployed participated in career retraining programs. The public works program involved 22,939 individuals.

Labor migration remained a key survival strategy for many households. Several intergovernmental agreements, most importantly the agreement with Russia, have helped increase the safety and improve the general condition of the migrants. The MLSP estimates that 420.6 thousand people migrated abroad in 2004. Of them 2,349 were supported through official channels, a drop of 9,833 compared to the previous year. The introduction of foreign travel passports had had no negative impact on migration flows. Of the 78.6 thousand applications for foreign passports received in 2004, 63.4 thousand were satisfied by the end of the year.

Labor Conditions The newly established regional divisions of MLSP's State Labor Inspection focused on training and inspections. In 2004 they conducted a number of regional seminars, a 12-day course on labor conditions and more than 3,000 inspections. However, most labor standards and regulations remained outdated and the development of new regulations was slow. To some extent this shortfall was compensated by the Law on Employers' Unions and the ongoing work on the new draft law on Labor Protection.

Public Salaries Public salaries, student loans and retirement benefits were increased on the average by 25 percent. The average salary in 2004 amounted to SM60.79, a 37 percent increase from 2003. The average pension in 2004 amounted to SM15.9, a 22 percent increase from 2003. The public salary scale was increased between 8 and 27 percent depending on rank.

Retirement Benefits The system of retirement benefits remained poorly targeted and financially unsustainable. The MLSP is in process developing a new system of accrual-based individual retirement accounts subject to indexation. Due to the younger-generation bias in Tajikistan's demographic development¹⁵, the transition to the new system is expected to be relatively straightforward. The challenge will be in accounting for people's informal income. Until the transition to the new system is complete the GOT will operate a mixed system involving elements from both the old and new system. The mixed system will require public appropriations of SM42 million per year.

Table 7. Recipients of Retirement and Social Benefits

¹⁵ More than 63 percent of the population is aged 15-59.

Types of Pensions	Numbers	Average Size of Pensions
Labor	473 273	16,9
Social	60 920	6,37

In the absence of effective mechanisms for the social protection of invalids, elderly, and orphans, several government agencies became sponsors of the institutions serving these vulnerable groups. The question is for how long these proxy measures can sustain reasonable living standards in these institutions.

6 Labor Market and Employment

Despite the net growth of the number of employed citizens by over 100 thousand in 2004 and improvements in the labor legislation, the overall employment policy remained remarkably underdeveloped. The GOT adopted the laws *On Promoting Employment* and *On Unions of Employers*. A set of new regulatory documents is being developed. However, the labor market as a whole remained poorly monitored and understood. The SEC by and large lacked the capacity to reach out to all the unemployed.

The SEC Employment Centers worked to bridge the supply and demand for labor through vacancy fairs. In 2004, 193 vacancy fairs involving 2311 agencies and private companies were organized nationwide, a 5.7 percent increase in the supply-side participation compared to 2003. The participants offered 39,853 vacancies, 13.9 percent more than in 2003. As a result of these fairs 3,701 individuals received employment offers, 2,951 joined paid public works programs, and 1,435 enrolled in vocational training programs.

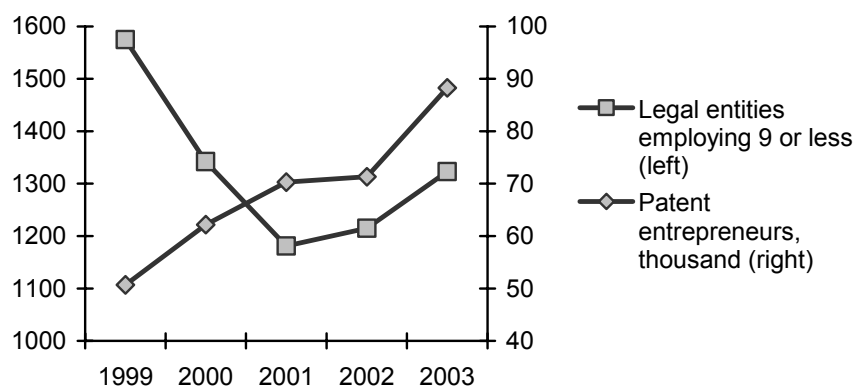
Formal non-government and informal employment agencies supplemented the efforts of the SEC. Local authorities are establishing volunteer employment coordination committees. The unregulated market of *mardikors* continued expanding. *Women's Labor Markets* opened in Kourgan-Tyube and Khorog. These markets involved over a thousand individuals, some of whom were able to find full-time employment, others joined paid public works programs, became enrolled in vocational training programs, or gained access to microcredit loans.

7 Private Sector Development

7.1 Private Sector Development

Business Climate Recent surveys suggest that the number of entrepreneurs is growing. The number of legal entities employing 9 or less is recovering after the sharp drop in 1999 and 2000. The number of patent entrepreneurs has almost doubled since 1999. The structure of small entrepreneurship has not changed. Most businesses operate in the wholesale, retail, and catering industries.

Chart 6. Number of Entrepreneurs



	1999	2000	2001	2002	2003	2004
Legal entities employing 8 or less	1575	1342	1181	1215	1323	1483
Patent entrepreneurs	50,7	62,2	70,3	71,3	88,3	n.a.

According to a survey of IFC conducted in 2003, most small and medium-size enterprises continued to regard the business climate in Tajikistan as *difficult*. Half of the respondents considered that administrative requirements, such as licensing, certification, standardization, import-export documentation and taxes, are difficult to fulfill due to their complexity and the poor condition of the public agencies administering them. Only 42 percent kept track of the inspections and controls to which their businesses were subjected. Only 14 percent of entrepreneurs had a good understanding of business laws. A small number employed computer technology or made use of business support services.

Policy The GOT's private sector policy focused on legislative development and promotion of micro-credit resources. The draft law On the State Control of Entrepreneurship will simplify and streamline the various existing state controls over private companies. The Concept on the Development of Entrepreneurship to 2015 will serve as background for the Strategy on Entrepreneurship. However, legislative improvements seem to have had little constructive effect on the business climate. Laws are often poorly explained and lack effective implementation mechanisms. Business support structures are poorly known and are seldom supported by meaningful financial assistance. Two-thirds of the entrepreneurs surveyed by IFC did not know about the existence of the State Agency for the Support of Entrepreneurship.

Micro-credit agencies were established in several *rayons*. In 2004, 354 individuals have received loans in the total amount of SM141.6 thousand.

Knowledge Gap On the whole, the dynamics of the private sector is not well understood. The GOT has not conducted any meaningful research in this area. Donor community studies of entrepreneurship in Tajikistan have been by and large random and poorly publicized. In general, it is believed that economic liberalization and incentives have generated little indigenous private investment.

7.2 Privatization

Privatization continued in 2004 with the sale of 110 medium and large enterprises. The proceeds from this sale exceeded the planned amount by 5.3 times. The State Property Committee continued to work with sectoral ministries on developing privatization plans. As of the end of 2004, 8037 or 90 percent of all state enterprises subject to privatization became private.

Table 8. Privatization in 2004

	Small Enterprises	Medium and Large Enterprises
Privatized	7348	689
To be privatized	32	349

The status of privatized enterprises is improving. In 2004, 54.2 percent of them increased their staff and salaries.

Table 9. Post-Privatization Situation

Regions	Total Privatized Enterprises	Functioning Privatized Enterprises	Percent
Dushanbe	1669	1567	93,8
Khatlon Oblast	2447	1204	49,2
Sogd Oblast	2304	1755	76,1
GBAO	196	97	49,4
RRS	1320	943	71,4
Republic	7973	5566	69,8

7.3 Land Reform

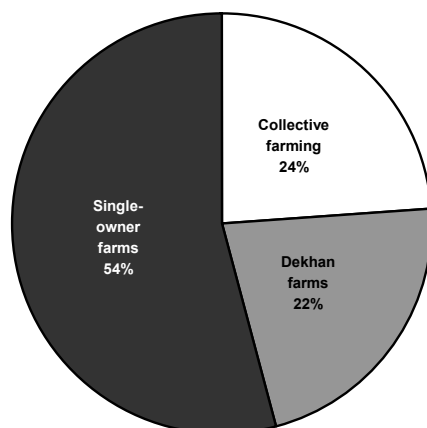
Restructuring and Privatization Farm restructuring and privatization remained the key agricultural policies of the GOT in 2004. Forty-five large farms were restructured into 1524 smaller entities of different types. Of this number, 856 were *dekhan* farms with a total area of 19,327 hectares of arable land. Land titles were issued to 45,232 farmers. Three out of the 156 specialized breeding and seed-growing farms included into the 2004-2015 plan were restructured.

Since 2002, 185 large farms were restructured into 2,670 *dekhan* farms. At total of 4,681.1 hectares of land or 60.1 percent of all arable lands have become private.

Plans for 2005 include the restructuring of the remaining 40 large farms and restructuring of the 22 breeding farms.

The first stage of reforms in agriculture is generating limited recovery. The total agricultural output in 2004 was SM2,259.9 thousand, an 11.3 percent increase from 2003. This rate recovery is too low to satisfy the food security requirements of Tajikistan. Productivity remains a serious concern. Centralized acquisitions of seeds are expected to help raise it. Two thousand metric tons of seeds were imported in 2004 for 2005 planting season. The GOT plans to increase Tajikistans self-reliance by establishing 65 new seed-growing farms.

Chart 7. Agricultural Output by Organization of Farming, 2004



Reforms Awareness Oxfam names limited knowledge of land reform, and limited access to agricultural inputs, technology, credit, and markets among the key factors limited the growth of rural incomes. Lack of information is considered the most serious offender. The GOT is addressing this need by organizing radio and TV broadcasts and distributions of printed material, explaining land reform. In 2004, SECs organized 41 TV and 35 radio programs on land reform. Seven thousand copies of the law *On Dekhan Farms*, ten thousand legislative booklets and 18 thousand copies of the title Collection of Laws on Land were distributed. The NCAE trained eight thousand managers, specialists and farmers in 2004 and more than 12 thousand in the past two years. It should be noted that the information dissemination and training effort is receiving considerable support from the donor community, and particularly from USAID, UNDP, Oxfam and other international organizations.

Debt Debt, particularly cotton-related debt remains a heavy burden on the agricultural sector. ADB believes that the problem at its most serious involves less than 500 farms. Although the categorization of this debt is not complete yet, ADB estimates as of January 1, 2004 total agricultural debt was USD180 million. Of this amount, USD115 million were seasonal debts, USD15 were debts that can be repaid in the next three years, and USD50 were bad debts. The GOT is planning to adopt a strategy to address the issue of agricultural debt.

Other Issues Donor-supported seminars on plant protection and quarantine brought little change to Tajikistan's status concerning plant diseases. Lack of funds prevents the re-equipment of old quarantine laboratories and entry into the European and International Convention on Quarantine and Plant Protection.

7.4 Private Sector Investments

The GOT's strategy concerning private investments was focused primarily on legislative development and promotion of micro-credit programs, offered through EBRD, IFC, and a number of private foundations and NGOs, such as the AKDN.

Official sources do not provide any comprehensive evaluations of the investment environment.

8 Infrastructure Rehabilitation

Communications Broken telephone circuits between ten villages in GBAO and Soghd Oblast and between 11 villages in the RRS were restored. Radio-telephone circuits were established in 11 villages. Across Tajikistan, 1612 broken wired radio accounts and 620 telephone accounts were restored. All telephone switchboards in Dushanbe and a number of switchboards in nine other towns were digitized. Internet facilities became available in Khorog, Vakhdat, Tursunzade, Hissar, Istravshan, Nourek, Dangara, Yavan, and Roudaki. TV and radio coverage is increasing. Nineteen satellite TV transmitters were established in the Soghd oblasts, two in Khatlon and 41 in the RRS. Rehabilitation work on seventy-four transmitters in GBAO will soon allow the nation-wide coverage of TV Tajikistan.

Roads The restoration of the Dushanbe-Kourgan-Tyube-Koulyab proceeded as planned with a delivery rate of 62 percent of the total project cost of USD26.8 million. Delivery rates on other road projects were 57 percent for the USD31.75 million Shkev-Zigar highway rehabilitation project and 82 percent for the USD11.4 million Shagon-Zigar highway rehabilitation project. Lack of financing, low capacity, and natural disasters are slowing down the the Anzob tunnel project.

Energy Of the four planned power lines, only the 53km Kanibadam-Batken was put into operation in 2004.

Water Irrigation projects covered a surface area of 15,408 hectares. Their total cost of SM2,117 million was financed by the state budget jointly with donor assistance and local budgets. By contrast, drinking water projects are financed through community contributions. Their total cost in 2004 was of SM780 million.

Health infrastructure One hundred and seventy-two healthcare providers were built or restored and 33 sanitary-epidemiological laboratories were established with funding provided by the ADB. Three family medicine centers, two polyclinics, and four rural health centers were built and equipped with vehicles with funding provided by the WB. Twenty-one additional objects are in the finishing phase. The Institute of Obstetrics, Gynecology, and Pediatrics was restored with funding provided by the Saudi Fund and the Reserve Fund of the President. Several hospitals were built and restored with funding from the state budget.

Social Sector Infrastructure Twelve boarding houses for invalids, elderly, and orphans were rehabilitated at a total cost of SM1.09 million, or 51.8 percent more than in 2003.

9 Environment Protection

The GOT policy on environmental protection continued to focus on issues of institutional and legislative development. The SCEP was augmented with units responsible for the areas of environmental monitoring and standardization, usage of environmental resources, environmental information, and biodiversity. The ADB will support the establishment of a Center for Environment Policy and Information affiliated to SCEP in 2005. New standards and regulations will allow economic estimates of environmental impacts.

Environmental control measures implemented as part of the State Environmental Program were intensified. The SCEP conducted environmental audits at 2,630 companies and agencies resulting in 4,663 directives to implement operational changes relating to environmental impacts. Of these directives, 2,564 were implemented. Fines of SM24,194 were levied against 1,096 individuals. Sixteen claims of environmental damage were made against private agencies.

Tree planting measures are being intensified in Dushanbe. The SM172 thousand Tree-Planting Program for the Karategin and Zekhmatabad *rayons* of Dushanbe is supported by the state budget.

Challenges in environmental protection relate to poor knowledge of environmental issues and relating legislation. The capacity of environmental agencies remains very low. Many of people's environment-hostile actions are caused by poverty. Poor financing prevents the implementation of environment protection projects, such as power generation based on biological waste.

Donor assistance is helping overcome some of the challenges. The UNDP will finance the Hissar Ridge Biodiversity project in 2005.

The development of eco-tourism is seen as another useful way of generating funding for environmental protection programming. In 2004 Dushanbe hosted the first Tourism Faire at which 25 tourist programs were publicised. The Soros Foundation conducted an international conference on strategic issues in developing Tajikistan's tourism industry.

10 PRSP Monitoring

Systematic and transparent monitoring is key requirement in the implementation of the PRSP. The original paper contained a model monitoring plan. This plan is continuously updated with regard to the emerging implementation challenges and lessons-learned.

10.1 Institutional Framework for PRSP Monitoring

The institutional framework for PRSP monitoring remains inadequate. Both primary stakeholders in the PRSP – the GOT and civil society – lack the capacity to participate effectively in monitoring activities. PRSP ECG and RMCs are yet unproven institutional resources.

Government Most GOT agencies lack the capacity to contribute to PRSP monitoring due to poor capacity, weak organization and ineffective information flows. Many are having difficulty to understand the purpose and objectives of the PRSP altogether. The weakest are local governments, which were seldom involved in PRSP-related activities. The PRSP MU lacks the capacity to serve as an overall coordinator of PRSP-related activities within the GOT.

Civil Society NGOs and other civil society organizations have proliferated widely in the last decade. Many of them are involved in sectoral monitoring funded by donor agencies. Some are members of large networks providing good spatial coverage and logistical resources. However, PRSP monitoring requires specialized skills – such as performing reviews, assessments, and consultations – that few of these organizations can readily deliver. Most sustainable NGOs, which have the capacity to participate in PRSP monitoring, are concentrated in Dushanbe and Khujand.

PRSP ECG A group of donor organizations, GOT agencies and NGOs created the PRSP ECG. The task of the ECG is to carry out PRSP-related regional and sectoral dialogues involving local authorities, the private sector, civil society, media and other stakeholders. The first meetings of the ECG have yielded positive results. However, the group has yet to prove itself as an important forum for policy debate and decision making.

PRSP RMCs The GOT proposes to establish PRSP RMCs, as a nationwide monitoring network drawing on stakeholder participation, communities and donor resources.

10.2 Indicators

Poor data collection capacity and inconsistencies between data processing methods employed by sectoral agencies and the SCS are limiting the usability of the official statistics. The proposed monitoring indicators were revised multiple times, including by the ECG. However, until present time, the final list of indicators was not approved by all stakeholders. The last version of the list (Annex 1) was published for general discussion in news media.

10.3 Public Awareness and Feedback

The Law on State Statistics regulates interagency data flows within the GOT by establishing mandatory data reporting forms and timetables. Most public agencies limit their feedback to these requirements. An exception from the general rule is the MOE, which has recently initiated a number of independent surveys. The results of these surveys are shared with other public agencies for joint discussion and decision-making. However this practice is by and large random and does not represent a qualitative change in the existing system. The GOT receives no PRSP-related feedback from the civil society, other than occasional press-releases, and no feedback directly from the public.

Clearly then, public awareness and feedback remain weak spots in the implementation of the PRSP process. The GOT's plan to address this challenge is focused around the following measures:

- Development of a General Public Awareness and Feedback Strategy;
- Establishing a mechanism for collecting PRSP-related feedback, consisting of: a) provisions for improved sharing of information on the results of PRSP-related activities between the GOT and donor partners. In this respect the PRSP MU could act as a link between providers and consumers of data; b) provisions for establishing a network of PRSP RMCs.

The PRS TF provides partial support for implementation of GOT's public awareness plan.

A public awareness and feedback plan was developed and is currently being implemented by the PRSP TF, however grant funding covers only part of the budget envisaged by this plan.

11 PRSP Monitoring and Implementation Partners

The Parliament The Parliament's role vis-à-vis the PRSP consists in providing legislative sanction for the state budget and overseeing the performance of the executive branch of the government. However, at present time the legislative is not discharging this role in a proactive way. The PRSP does not provide sufficient policy structure for the Parliament to mainstream PRSP concepts into legislation, including the state budget. The members are lacking in-depth knowledge about the PRSP.

The GOT proposes to enhance the level of legislative participation in PRSP monitoring and implementation in several ways:

- Two members of the Parliament could be included into the PRSP ECG. By participating in ECG events, these individuals would increase their knowledge about the PRSP-related activities implemented by other stakeholders and translate this knowledge to their associates in the Parliament.
- The Parliament could establish a permanent Poverty Reduction Policy Committee, which would include members from sectoral committees and operate as a legislative watchdog over the implementation of the PRSP.
- Members of the Parliament could attend a series of training, consultative meetings and seminars aiming at expanding their knowledge about the PRSP and poverty reduction policy as a whole.

In 2005, the PRSTF has budgeted USD50,000 for poverty reduction policy capacity-building events within the Parliament and media community.

Media Tajik journalism is represented by a growing number of print, radio and TV organizations. As of October 1, 2004, 249 periodicals¹⁶, 18 radio stations, 23 TV stations and 17 representative offices of foreign media organizations were registered in Tajikistan. More than half of the print and radio press in Tajikistan is privately-owned. Reporters Without Borders' Press Freedom Index ranks Tajik media as the 95th on a scale of 167, and the most liberal in Central Asia¹⁷. Journalists are free to report on issues related to poverty situation and policy.

Table 10. Tajik Mass Media Organizations

Mass Media	Total Number	State-Owned	Private
Newspapers	186	89	97
Magazines	63	27	36
Information agencies	10	1	9
Publishers	68	9	59

At the same time, news availability remains a problem. Because of poor distribution, printed press is scarce outside the capital and major cities. There are no daily periodicals, only weekly publications. While some of the press production facilities are new, radio and TV broadcasting equipment is mostly old and obsolete as well. The quality of news reporting leaves some to be desired. Often media stories reflect journalistic opinions rather than facts. What facts are used in stories, are seldom cross-referenced. Few media organizations have a policy on improving the quality of reporting.

At present time Tajik media hardly has a role in PRSP monitoring and implementation. If it is to take on such a role in the future, its reporting, technical and distribution capacities should be upgraded to an appreciably higher level.

Civil Society At the forefront of the provision of public services, the NGOs sector fully supports the PRSP effort. Their wide spatial and sectoral coverage of the NGO and their sound relationships with constituencies and public agencies offer the GOT an excellent implementation partner. However, most NGOs continue to rely on donor funding and lack robust organizational and

¹⁶ Under the Law on Press and Other Means of Mass Media, a periodical is defined as a publication printed at least once every three months.

¹⁷ PFI ranks Kyrgyzstan as 107th, Kazakhstan – 131st, Uzbekistan – 142nd, and Turkmenistan – 164th.

financial capacities allowing them to pursue independent policy advocacy and project implementation efforts. Their programs reflect donors' agendas more than the interests of their constituencies. If NGOs are to become a strong partner in the implementation of the PRSP, they should take a more balanced approach to addressing the needs of their constituencies and invest greater efforts into developing independent capacities.

Other formal and informal civil society organizations, such as political parties, trade unions, community-based organizations, and mahallas are relevant in the context of the PRSP, but generally the capacity for effective implementation or monitoring activity.

Donor Community The donor community and the GOT continue seeking ways to enhance the effectiveness of the donor assistance. Although complete integration between GOT's budgetary process and donors' efforts is impossible to achieve due to the present institutional differences, certain progress in this area is being achieved. Discussions within the Donors' Consultative Group have led to the integration of credit resources into the budgetary process and the treasury system. Some of the donors are becoming specialized in separate areas.

At the same time, the level of coordination among the donors remains low. Although the donors and the GOT agree with the goals of the PRSP, significant differences in regarding priorities and approaches in achieving these goals remain. Many donors continue to rely on their specialized agencies and NGOs for project implementation and hesitate to conduct monitoring jointly with the GOT.

12 Strategic Frameworks

12.1 The MDGs

The MDGs announced at the Millennium Summit in September 2000, established clear objectives for poverty reduction, hunger, disease incidence, illiteracy, environmental degradation, and gender discrimination. The GOT regards the MDGs as priority objectives for poverty reduction and has worked hard to mainstream them into its national policy framework. The key benchmarks of the PRSP are closely related to the MDGs.

GOT officials are playing an active role in the assessment of MDGs' implementation. Joint GOT-UN working groups in the areas of education, health, gender, water supply and sanitation, food security and infrastructure are helping review the progress in these areas, discuss models and scenarios and evaluate resources requirements. The assessment is expected to provide important input for poverty reduction policy framework revision.

The initial assessment of the resources requirements for attaining the MDGs was reflected in the UN MDG team's first report prepared jointly with the Millennium Project. The report estimated that achieving the key MDGs would require per capita funding in the amount of USD133.55, including USD67 in the food security sector, USD42 – health, USD12 – clean water and sanitation, USD20 – education, and USD1.3 – health. The question is to what extent fiscal policy, structural, public administration, and governance reforms will contribute to achieving this level of funding and establishing a system for rational distribution of resources.

12.2 Strategic Framework Revision

This report makes a case for revising Tajikistan's current strategic framework for poverty reduction. Strategy duplication resulting from the concurrent implementation of the PRSP, MDGs, SEDP2015 and a large number of sectoral strategies is taxing GOT's resources and introducing unnecessary ambiguity into the process of programmatic planning. The GOT recognizes this shortfall and proposes to revise and consolidate these documents into one straightforward strategy that would lay the basis for a System of National Development.

In conformity with this according to the President's Decree National Coordination Council was established to develop National Development Strategy. The Council is headed by the Prime Minister of Tajikistan and comprises of officials from the ministries and agencies as well as from international institutions. 12 sectoral working groups has stated working within the frame of ministries and agencies under this Council.

Table: PRSP Statistical Indicators

Sector	Goal	Indicator	Data source	SCS			MDG	Data from other sources, including foreign partners			
				2003	2004	1999		2003	2004	1999	
Overall PRSP	Increase real incomes in the country	GDP per capita, USD	Yearly report	236.7	309.2	178.2	1050	273 ⁱⁱ 237 ³ⁱⁱⁱ	308 ⁱⁱⁱ	149 ⁱⁱⁱ	
	Fair distribution of the benefits of growth	Percentage of population below USD2.15\$ PPP per day	Survey	-	-	-	-	64 ⁱⁱ	-	81 ⁱⁱ	
	Insure a rise in living standards of the poorest groups of the population	Gini coefficient		-	-	-	-	-	-	-	-
		Percentage of population below USD1.08 per day		-	-	-	-	18 ⁱⁱ	-	36 ⁱⁱ	-
		Percentage of the poorest quintile in national consumption		-	-	-	-	-	-	-	-
		Unemployment by age and gender		-	-	-	-	-	-	-	-
	Macroeconomic Management	Consistent macro-economic management with prioritization of poverty alleviation through economic growth	Percentage of able-bodied population employed	Yearly report	51.7	-	55.6	-	-	-	-
			GDP change in real terms, percent	-	110.2	110.6	103.7	98.4 ^{iv}	-	-	-
		Inflation, percent	-	13.7	5.7	26.3	-	-	-	-	-
		Foreign debt, percentage of GDP	-	-	-	-	-	69.4 ⁱⁱⁱ	42.2 ⁱⁱⁱ	95.9 ⁱⁱⁱ	-
Foreign debt service, percentage of total commodity and service exports		-	-	-	-	-	4.4 ⁱⁱⁱ	4.0 ⁱⁱⁱ	6.5 ⁱⁱⁱ	-	
Loans disbursed by the banking sector, percentage of GDP		-	3.3	7.4	3.6	-	-	-	-	-	
Private sector share of GDP, percent		Yearly report	39.1 ^v	39.8 ^v	29.3	-	-	-	-	-	
FDI, percentage of GDP		-	-	-	-	-	-	-	-	-	
Net developmental assistance		-	-	-	-	-	-	-	-	-	

Public Administration	Creation of an effective public administration responding to the democratic	Relative distribution of funds in the state budget	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
		State budget revenues, percentage of GDP	Yearly report	17.3	16.7	18.6	46.8	17.9 ⁱⁱⁱ	15.8 ⁱⁱⁱ															
		State budget, percentage of GDP	-	16.2	17.6	43.4	18.7 ⁱⁱⁱ	21.0 ⁱⁱⁱ																
		Public health expenditures in the state budget, percentage of GDP	-	0.9	0.9	4.8	-	-	-															
		Public education expenditures in the state budget, percentage of GDP	-	2.41	2.7	10,4	-	3.0 ⁱⁱⁱ	-															
		Social protection expenditures in the state budget, percentage of GDP	-	0.5	0.5	-	2.8 ⁱⁱⁱ	3.0 ⁱⁱⁱ																
		Environmental protection expenditures in the state budget, percentage of GDP	-	0.04	0.05	0.03	-	-	-															
		Agricultural sector expenditures in the state budget, percentage of GDP	-	0.5	0.5	-	1.2 ⁱⁱⁱ	1.2 ⁱⁱⁱ	0.6 ⁱⁱⁱ															
		Irrigation expenditures, percentage of GDO	-	0.2	0.1	-	-	0.65 ⁱⁱⁱ	0.5 ⁱⁱⁱ															
		Infrastructure rehabilitation and development expenditures, percentage of GDP	-	1.2	1.3	-	-	2.3 ⁱⁱⁱ	3.3 ⁱⁱⁱ	1.2 ⁱⁱⁱ														
		Average salary in the public service as percentage of average salary in the private sector	-	146.9	-	64.5	-	-	-	-														
		Unemployment, percent	-	2.4	2.2	-	-	-	-	-														
		Household income, Somoni per one member of the household	Survey	35.38	44.32	-	-	-	-	-														
		Average salary in the public service	Yearly and monthly reports	44.47	60.79 ^{vi}	11.61	-	-	-	-														
		Citizens and private sector satisfied with institutional and regulatory frameworks	QS/RC	-	-	-	-	-	-	-														

		Productivity in the public service	QS/RC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
		Level of public participation in decision-making	QS/RC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Creation of an effective court system	Average salary of judges	Yearly and monthly report	50.34	-	20.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
		Range of services provided by legal firms	QS/RC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Improve financial transparency and accountability	Population's awareness of its rights	QS/RC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
		Accounting system transparency	QS/RC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
		Accountability of public administration via mass media	QS/RC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Social Protection	Percentage population covered by the CCP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.52 ⁱⁱⁱ	
		Percentage poor population covered by the CCP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.20 ⁱⁱⁱ
		Ratio of the number of employed population to one retired	Yearly and monthly report	3.53	3.59 ^{vi}	3.10	2.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Average monthly pension, Somoni	Yearly and monthly report	13.07	16.92	3.53	98.7 ^{vii}	20.15 ⁱⁱⁱ	26.7 ⁱⁱⁱ	-	-	-	-	-	-	-	-	-	-	-	-
		Number of disabled receiving benefits, thousand	Yearly and monthly report	78.2	79.1	67.8	48.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Literacy by sex	QS/RC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Education	Illiteracy in the 15-24 age group	QS/RC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Ration of illiterate males to illiterate	QS/RC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

	<p>females in the 15-24 age group</p> <p>Enrollment grades 1-4, by sex</p> <p>Level of knowledge in grades 1-4</p> <p>Completion of grades 1-4, percent</p> <p>Completion of grades 5-9, percent</p> <p>Enrollment in grades 5-9, percent by sex</p> <p>Enrollment in grades 10-11, percent by sex</p> <p>Number of teachers trained on the new curricula</p> <p>Students/teacher ratio</p>	<p>Yearly and monthly report</p> <p>QS/RC</p> <p>Yearly and monthly report</p> <p>-</p> <p>Yearly and monthly report</p> <p>-</p> <p>-</p> <p>Yearly report</p>	<p>52.0</p> <p>100,2</p> <p>-</p> <p>91.4</p> <p>99.2</p> <p>33.6</p> <p>43.2</p> <p>-</p> <p>16</p>	<p>51.8</p> <p>100,3</p> <p>-</p> <p>102.7</p> <p>101.1</p> <p>100.9</p> <p>103</p> <p>-</p> <p>17</p>	<p>53.2</p> <p>104,6</p> <p>-</p> <p>121.2</p> <p>93.6</p> <p>-</p> <p>15</p>	<p>-</p> <p>90,6</p> <p>-</p> <p>102.0</p> <p>94.1</p> <p>-</p> <p>14</p>	<p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>p-51.8/ 48.2</p> <p>p-53.2/ 46.8</p> <p>p-48.9/ 51.1</p>	<p>M100^{ix} f95^{ix}</p> <p>-</p> <p>M-95^{viii} F-93.1^{viii} Σ-94,2^{viii}</p> <p>-</p> <p>m-90^{ix} f-74^{ix}</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>p-95^{ix} s-82^{ix}</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>131^{viii} 100^{ix}</p> <p>89⁴</p> <p>126⁴</p>
<p>Ensure access to primary and secondary education</p>	<p>Distribution of sexes in primary and secondary schools</p> <p>Share of the poorest quintile in the average school attendance rate</p> <p>School attendance rate of the poorest quintile</p>	<p>Yearly report, QS/RC</p> <p>Yearly report, QS/RC</p>	<p>52/48</p> <p>s-60.4/ 39.6</p> <p>-</p> <p>-</p>	<p>s-60.7/ 39.3</p> <p>s-52.6/ 47.4</p> <p>-</p> <p>-</p>	<p>42.9</p> <p>89.0⁴</p> <p>118⁵</p>	<p>20.5</p> <p>65.0</p>	<p>20.5</p> <p>65.0</p>	<p>-</p> <p>-</p>
<p>Eliminating gender and income disparities in access to education</p>	<p>Maternal mortality, per 100,000 live-births</p> <p>Infant mortality, per 100,000 live-births</p> <p>Mortality under 5 years of age, per</p>	<p>Yearly report, QS/RC</p> <p>Yearly report, QS/RC</p> <p>Yearly report, QS/RC</p>	<p>36.5</p> <p>-</p> <p>-</p>	<p>-</p> <p>-</p> <p>-</p>	<p>53.0</p> <p>19.4</p> <p>20.5</p>	<p>42.9</p> <p>89.0⁴</p> <p>65.0</p>	<p>-</p> <p>92⁵</p> <p>118⁵</p>	<p>-</p> <p>-</p> <p>-</p>
<p>Health</p>								

Private sector development	and water	Average salary in agriculture	Yearly report	27	34.96	5.38	-	-	-	-	
		Number of private companies (small, medium and large) established	-	-	-	-	-	-	-	-	
		Percentage GDP generated by the private sector	Yearly report	-	-	-	-	-	-	-	
		Distribution of sexes in the private sector	-	-	-	-	-	-	-	-	
	Creation of an environment conducive to the development of the private sector	Ratio of the average private sector salary to the average public service salary by competency level:	-	-	-	-	-	-	-	-	-
		a) high-level skills	-	24.2	-	-	2.4	-	-	-	-
		b) low-level skills	-	-	-	-	-	-	-	-	-
		c) administrative personnel	-	-	-	-	-	-	-	-	-
		Level of privatization	-	-	-	-	-	-	-	-	-
		Revenues from privatization as percentage of total revenues in the state budget	Yearly report	2.8	3.91	-	-	-	-	-	-
Infrastructure		Percentage of households having reliable access to power, urban and rural	Survey	-	-	-	-	-	-	-	
		Number of telephone lines per 100 residents	Yearly report	3.65	3.83	3.51	-	-	-	-	
	Ensuring access to reliable and affordable infrastructure services for the poor	Number of mobile telephone accounts per 100 residents	Yearly report	0.82	2.42	-	-	-	-	-	-
		Number of Internet users per 1,000 residents	Yearly report	0.1	0.4	-	-	-	-	-	-
		Number of independent electronic information resources	-	-	-	-	-	-	-	-	-
		Percentage of population having reliable access to drinking water, urban and rural	Survey	-	-	44	-	-	-	-	-
								2002 ^{ix} .		U-	U-
								U-93		92,9 ^{viii}	92,9 ^{viii}
								R-47		R-46,9	R-46,9
								Σ-58		Σ-56,9	Σ-56,9

Environment and Tourism		Yearly report	0.002	0.001	0.007	-	-	-	-
Elimination of serious environmental threats to public health and safety of ecosystems	Carbon-dioxide emissions per capita and consumption of ozone-depleting CFCs (ODP tons)	-	-	-	-	-	-	-	-
	Percentage of areas protected to maintain biodiversity	QS/RC	-	-	-	-	-	-	-
	Percentage of population using fossil fuels	Yearly report	2555,4	2523,7	2293,7	-	-	-	-
Creation of a positive image of Tajikistan abroad and developing and developing tourist resources	Production of power per capita, kW-Hr	-	-	-	-	-	-	-	-
	Percentage change of forested areas	-	-	-	-	-	-	-	-
	Number of tourists, including foreign tourists	-	-	-	-	4500 ⁱⁱⁱ	-	-	-
	Number of tourist organizations and camping sites	-	-	-	-	-	-	-	-

ⁱ Base year for the MDGs

ⁱⁱ WB data

ⁱⁱⁱ Data provided by sectoral agency

^{iv} Statistical summary of the Soviet Socialist Republic of Tajikistan

^v Less households

^{vi} Preliminary data

^{vii} Soviet Union Roubles

^{viii} UNICEF MISC

^{ix} UNICEF SOWC

^x Joint UNICEF/WHO assessment.

New Strategic Framework Development Timetable

Purpose This report makes a case for revising Tajikistan's current strategic framework for poverty reduction. Strategy duplication resulting from the concurrent implementation of the PRSP, MDGs, SEDP2015 and a large number of sectoral strategies is taxing GOT's resources and introducing unnecessary ambiguity into the process of programmatic planning. The GOT recognizes this shortfall and proposes to revise and consolidate these documents into one straightforward strategy that would lay the basis for a System of National Development. Attachment 2 to this report presents a draft timetable for the preparation of the new document.

Issues The GOT has identified the following shortfalls in the current strategic framework:

- The PRSP, SEDP2015, PIP, yearly state budget and sectoral strategies are following dissimilar priorities, objectives and planning processes;
- Strategic planning does not follow a *vertical* process;
- Government agencies both at the national and lower levels lack the analytical capacity for effective policy development and implementation;
- The implementation of state policy is not supported by an effective institutional basis.

Approach The GOT intends to adopt a *vertical* process for policy development and implementation, whereas a clear and straightforward set of policy objectives would serve as the basis for developmental strategy, supported by medium-term budgetary planning and yearly budget appropriations. This process would also involve *horizontal* coordination of implementation efforts, across the sectors involved as well as with the donor agents supporting the GOT. The key objective of this approach is to ensure that policy supports strategy, and strategy supports programmatic and operational planning.

Current Strategic Framework At present time, GOT's strategic planning is managed by a number of cross-sectoral working groups involving both GOT officials and donor community representatives, the Coordination Group for the National Strategy of Sustainable Development, the Coordination Group for the Medium-Term Strategy of National Development, various Sectoral Working Groups supported by the Millennium Project.

Developing a New Strategic Framework:

- The new strategy will be developed by a cross-sectoral political agency (see below), and after extensive public scrutiny, will be passed by the Parliament;
- The GOT will revise all existing general and sectoral strategies to bring them into accord with the new strategy. Sectoral agencies will revise their respective programmatic and operational planning to bring them into accord with the new strategic framework. The MOET will coordinate the entire process by conducting inter-agency consultations.

- The MOF will work to ensure that the medium-term measures proposed in the revised strategic framework are supported financially through medium-term budgetary planning, the PIP and yearly budget appropriations.

Institutional Arrangements:

The National Council The GOT proposes to create a National Council charged with conducting quarterly consultations and providing general oversight for the development of the new strategic framework. The Council will consist of key representatives of the GOT, private sector and civil society. To ensure effectiveness and comprehensive coverage of all key policy areas it is proposed that the composition of the Council should, 1) not change over time, 2) involve all appropriate stakeholders, and 3) have a reasonably high-level status. To ensure the latter, it is proposed that the National Council be chaired by the President of Tajikistan, and incorporate the President's current Public Council.

In addition to its core mandate, the National Council will take over the tasks of the Coordination Group for the National Strategy of Sustainable Development, the Coordination Group for the Medium-Term Strategy of National Development, and the Presidential Working Group for Public Administration Reform.

The Secretariat The National Council will be supported by a Secretariat, consisting of the restructured Executive Staff of the President. Initially, the Secretariat will exercise the daily coordination of the development of the new strategic framework and oversee its implementation. Subsequently, it will also take charge of the overall process of reforms, including in the area of public administration.

The staff of the Secretariat will provide technical support for the development of the new strategic framework. The Secretariat will have the authority to plan, implement and veto actions undertaken by sectoral agencies, if such measures violate the objectives set in the new strategic framework.

Establishing the Secretariat would allow the GOT to streamline the institutional framework supporting its policy and strategic planning processes, as most of the existing governmental councils, commissions, and working groups would inevitably disband.

Expert Groups The Secretariat will be supported by a number of working groups providing analytical input and technical expertise for the development of the new strategic framework and designing monitoring and evaluation policy. The working groups could be supported by the MDG assessment working groups and the PRSTF project.

Table: New Strategic Framework Development Timetable (DRAFT FOR DISCUSSION)

Steps	Objectives	Срок	Индикатор	Expected Results
1. National Council established	General coordination and oversight	June 2005	Presidential Decree	Balanced developmental policy based on national interests
2. First meeting conducted, procedures established	Определение объемов работы и распределение полномочий	End of July 2005	Approval of the National Council's operating procedure	Sustainable operation of the National Council
3. National Council Secretariat established	Technical support for the development of the Strategic Framework	Early August 2005	Presidential Decree	
4. Approaches to establish a systematized policy-making process and develop a system of national priorities and strategy planning discussed at a public roundtable	An approach to establishing national priorities and strategy planning agreed on	July 2005	Consensus	A single approach will streamline the strategic planning process and eliminate effort duplication
5. Consultations with donor community partners conducted	Mobilize analytical resources to establish the expert groups of the secretariat	July 2005	Expert groups created	Strategy development is accelerated
6. The existing strategic framework is reviewed	Establishment of linkages between existing objectives and priorities	July-September 2005	Reviews	Grouping and sorting information by long-term objectives, implementation mechanisms, and means of achievement
7. Recommendations concerning the existing	Background for the new	July-September 2005	Recommendations	Recommendations are

strategic framework are prepared	strategic framework			grouped by area, etc.
8. Sectoral MDG groups are merged with the expert groups	Achieve a vertical integration of strategy planning efforts	July 2005	Memorandum of Understanding	Expert groups are created, strategy development is accelerated
9. Approaches and TOR for drafting the new strategic framework agreed on	A common set of approaches to the new strategic framework is agreed on	August 2005	TORs approved	Clear direction for the developers of the new strategic framework
10. Monitoring group subordinated to the Secretariat	Provide monitoring feedback to the Secretariat	September 2005		Secretariat receives feedback
11. Concept Note on the new strategic framework drafted	Present the Concept Note to the September Summit	September 2005	Presentation	Inform the international community about Tajikistan's objectives