

TAJIKISTAN: 2012 DEVELOPMENT FORUM

Presentation by Development Coordination Council (DCC)

11 December 2012

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I. INTRODUCTION

1. **The overall objective of the Development Coordination Council (DCC)¹ is to improve the efficiency and effectiveness of its members' development activities in Tajikistan**—a goal that is anchored in the 2005 Paris Declaration on Aid Effectiveness and the subsequent 2008 Accra Agenda and 2011 Busan Partnership. To this end, it facilitates the exchange of information and promotes cooperation between members and, in addition, undertakes dialogue with the government on the country's development priorities. DCC support for Tajikistan's 3rd Poverty Reduction Strategy (PRS-3), whose commitments totaled just over \$1.3 billion during 2010-12 (*cf.* Annex 1), was guided by nine country-specific shared principles of aid effectiveness linked to the targets for 2010 set out in the Paris Declaration. Likewise, DCC support for the country's new medium-term Living Standards Improvement Strategy (LSIS) will be based on the updated list of ten *Shared Principles for Cooperation* attached to this report. These reflect not only the intent of the original Paris Declaration but also the four priorities agreed at the 4th High Level Forum in Busan last year, namely: country ownership of development; focus on results; inclusive development partnerships; and, transparency and mutual accountability.²

2. **This paper assesses what, in DCC development partners' view, were the principal outcomes of the PRS-3 (2010-12) and suggests key development challenges and policy priorities for the LSIS period (2013-15).** Its final section besides re-affirming continued DCC support for Tajikistan's development, proposes several cross-sectoral, multi-partner initiatives designed to achieve measurable results by 2015 in the LSIS' six priority areas, namely: public administration and governance; private sector-led growth; development of human potential; energy independence; food security; and, transport connectivity

II. PRS-3 OUTCOMES—RETROSPECTIVE

A. Macroeconomic Trends—Steady progress

3. **Tajikistan withstood the 2008-09 global downturn better than expected, thanks partly to prudent economic management and partly to timely support from development partners.** The main effects of the crisis were twofold: a 30% decline in remittances from Tajik migrants in Russia (from \$2.3 billion in 2008 to \$1.6 billion in 2009); and lower international prices as well as reduced exports of aluminum and cotton. Consequently, GDP growth fell from 7.9% in 2008 to 3.9% in 2009. The authorities' two-pronged anti-crisis strategy comprised increased public spending, including on social programs designed to create jobs, and greater exchange rate flexibility to facilitate current account adjustment. At the same time, budget support totaling about \$288 million and technical assistance from several DCC members helped maintain public expenditures on education, health, and social protection and helped government efforts to mitigate the crisis' impact on poverty and vulnerability.

4. **The economy recovered quickly following the 2009 slowdown and the medium-term outlook is favorable.** Real GDP expanded by 6.5% and 7.4% in 2010 and 2011 respectively and by 7.5% during

¹ The DCC currently comprises representatives of 26 bilateral, multilateral and United Nations agencies (www.untj.org/dcc)

² *Busan Partnership for Effective Development Cooperation* (paragraph 11), December 1, 2011

the first nine months of 2012, powered mainly by increased remittances—equivalent to 45% of GDP in 2011 and 46% in the first half of 2012—and, in turn, by services, which accounted for more than one-third of total growth in both 2011 and 2012. Growth in 2012 to date has been spurred by services (up 13%), industry (up 10.4%), and agriculture (up 9.8%). Looking ahead, most of the 6% average annual growth projected over the medium term is expected to be driven by construction, trade, and other services, with exports of non-cotton agriculture, energy, and mining likely to play an increasing role in the longer term.

5. **Inflation has subsided but remains susceptible to higher global food and commodity prices.** Thanks mainly to lower food prices offset partly by increased electricity tariffs, the consumer price index (CPI) rose by only 2.9 % in the first half of 2012, much less than the 9.3% recorded in 2011. However, this decline may not be sustainable, with smaller, drought-affected grain harvests in Russia, Kazakhstan, Ukraine, and the United States already resulting in higher global food prices in 2012-13. In this context, given Tajikistan's dependence on food grain imports and the fact that food items account for more than half the consumption basket, the government recently signed contracts with suppliers in Kazakhstan and Pakistan to replenish its reserves.

6. **The fiscal deficit declined steadily, capital spending increased sharply, and social expenditures grew modestly.** Energy and transport together accounted for 77% of public investment during 2007-11, more than double their 32% share in 2001-03. Spending on education, health, social insurance, and social protection increased from 36% of total public expenditures in 2001-03 to 43% in 2007-11 (excluding the public investment program). Meanwhile, thanks to higher revenues and tightened budgetary policy, the fiscal deficit (including the externally-financed public investment program) declined steadily, from 5.4% of GDP in 2009 to 3.5% of GDP in 2011.

7. **Tajikistan's public and publicly guaranteed debt to GDP ratio continued to decline gradually.** By end-2011, it was 32.6%, down from 34.4% in 2010.³ External debt is largely concessional and shared roughly equally between bilateral and multilateral creditors, with China accounting for about 43% of the total. Based partly on a detailed assessment undertaken in 2011, the Ministry of Finance's (MoF) public debt management strategy for 2012-14 reaffirms the government's commitment: (a) to keep public and publicly guaranteed debt below 40% of GDP; (b) to contract new loans only with a minimum 35% grant element; and (c) to undertake cost-benefit analyses of large investments.

B. Millennium Development Goals (MDGs)—Uneven progress

8. **Strong growth over the past decade has helped reduce poverty substantially, although Tajikistan remains the poorest country in Europe and Central Asia.** According to the latest data (based on statistical modeling), the poverty headcount dropped from 47% in 2009 to 39.6% in 2012, or by almost half since 2003. Several non-income dimensions of living standards also improved: primary and lower secondary enrollment is now almost universal (though gender disparities remain at secondary and tertiary levels); and infant and under-5 mortality had dropped to 52 and 65/1,000 live births respectively by 2010. Further, according to 2006 and 2010 EBRD-World Bank Life in Transition Surveys (LITS), Tajikistan enjoys one of the highest rates of life satisfaction in Europe and Central Asia: over 75 percent of respondents said that the economy in 2010 had improved compared to 2006; 70 percent of households reported that they live better than in 2006; and almost 60 percent were satisfied with their financial situation.⁴

9. **On the other hand, Tajikistan's progress towards achieving its Millennium Development Goals (MDGs) remains uneven.** According to the most recent (2010) UNDP progress report, 13 of 32

³ 2012 Joint IMF-World Bank Debt Sustainability Analysis

⁴ *Satisfaction with Life and Public Service Delivery in Tajikistan: Key Findings from 2006 and 2010 EBRD-World Bank Life in Transition Surveys*, World Bank (mimeograph), November 2011

MDG target indicators for 2015, or 40%, are likely to be achieved; an additional 13 are still possible; but six are unlikely. Moreover, four of the latter relate to gender: maternal mortality (one of the highest in Europe and Central Asia), the ratio of girls to boys in upper secondary and especially tertiary education, the share of women in non-agricultural employment, and the number of female members of parliament. These indicators confirm recent World Bank findings that gender disparities in Tajikistan remain significant. For example, although women constitute 45% of the labor force, their average monthly earnings are barely half those of men. Finally, access to safe drinking water remains a serious challenge, especially in the countryside where only 48% of rural communities have access to water supply and 63% of supplied water does not meet local or World Health Organization standards.⁵

10. **Access to essential public services and their quality, in particular electric power, education, and health, require significant improvement.** A recent survey of 2000 households in the country's five regions found *inter alia* that: (a) for electricity, while nearly all respondents were connected, over 80% nationwide experienced unscheduled outages; (b) for education, satisfaction with quality is very low, with only 1/3 of urban households and 19% of rural households satisfied or fully satisfied; and (c) for health, access to both ambulatory and in-patient hospital services was inadequate, averaging 36% and 29% nationwide respectively, with the quality of services rated very poorly—only 16% of households were satisfied with ambulatory care and 19% with inpatient hospital services. A more detailed summary of this survey's findings is attached to this report (Annex 2).⁶

C. Private Sector—Important laws adopted, but implementation now critical

11. **Tajikistan is expected to become a member of the World Trade Organization (WTO) by mid-2013.** In October 2012, the Tajikistan Working Party on WTO Accession agreed the terms and conditions of membership, which include enactment of a package of reforms to the country's trade régime, and its recommendation is expected to be considered and approved by WTO's General Council on December 11. Tajikistan's membership of WTO will thus mark a significant step towards establishing a more transparent and predictable trade and foreign investment environment.

12. **The recently approved land code is one of the most important achievements of the ongoing overall agrarian reform process.** Approved in July 2012, the amended land code provides for land use rights to be life-long, inheritable, exchangeable, and marketable—all essential preconditions for small farms and rural households to make their own production decisions, as well as to stimulate private sector development in agriculture. Effective implementation, however, will require continued issuance of land use certificates, definition of land valuation methods, further improvements to the mortgage law, and strengthening of the unified registration and cadastre land market systems.

13. **The revised tax code, approved by parliament September 5, 2012 and effective commencing 2013, will simplify tax administration, making it more efficient and, indirectly, enhancing incentives for private investment.** By consolidating individual taxes for related purposes, their number was reduced from 21 to 10. In addition, to help improve the business environment: (a) the VAT threshold was raised from TJS 200,000 to TJS 500,000, (b) corporate income tax rates will be reduced from 25 and 15 percent to 23 and 13 percent respectively by 2017; and (c) the road user tax will be phased out by 2017. Besides these and other detailed improvements, the new Code reduces or eliminates the red tape involved for private businesses in fulfilling their tax obligations by reducing the frequency of filing, combining filing forms, and aligning filing thresholds for small and medium-sized enterprises. The main challenge going forward will be implementation in key areas such as: protecting private enterprises from harassment and unnecessary inspections; improving dispute resolution procedures; ending corruption and improving performance by tax officials; and ensuring that Tax Committee decisions are respected not only by all state bodies, but also at all levels of tax administration.

⁵ Source: TajWSS: *Rural 'Water Trust Fund' Concept*

⁶ *Tajikistan: Access to and Quality of Public Services for Population*, World Bank, 2012

14. **The law on public-private partnerships was submitted to parliament in August, 2012.** Public private partnerships are a viable option to attract investment in key sectors such as energy, infrastructure, transport, and, potentially, health and education. While there is a law on concessions and other investment-related legislation, passage of a public-private partnership law and creation of a dedicated institution or agency can reduce constraints such as poor transparency and oversight over concessions, limited capacity to negotiate with international investors, and slow processing of individual transactions.

15. **In the financial sector, a number of new laws have been passed and existing laws amended, although enforcement is uneven.** Since 2010, new laws on banking, deposit insurance, and bank insolvency have been passed, the National Bank of Tajikistan (central bank) law amended, and a number of banking regulations strengthened. However, governance in banks remains weak and non-performing loans as a result of directed lending have increased, at least partly because of NBT's regulatory forbearance in several cases.

D. Public Administration and Governance—Slow but steady progress

16. **Progress continues towards creation of the single treasury account in the Ministry of Finance (MOF).** To date, four local treasuries in the cities of Dushanbe and Tursunzade have closed their transition accounts and opened corresponding accounts in the treasury single account and all remaining local accounts are to be transferred in the near future. Effective completion of this process, however, will depend on the modernization of the MoF's information and communications technology infrastructure, as well as its continued commitment to the public finance management reforms underway.

17. **In 2012, the government introduced a new salary grid for all central government staff, with the aim of eventually extending it to all public sector employees.** The new salary grid enhances the transparency of civil service remuneration, for example by eliminating all *ad hoc* bonuses. In particular, it increases the salaries of junior professional staff, whose recruitment and retention had become problematic. The planned extension of the new grid to the entire civil service is expected to help attract more well-qualified candidates, thereby facilitating genuinely competitive recruitment.

18. **Significant steps have been taken to improve transparency and efficiency in several large state-owned enterprises, including in energy and industry.** *Barki Tajik* (BT), for example, has shifted to billing based on actual metered consumption and is implementing a comprehensive financial management improvement plan. Second, an energy efficiency audit of TALCO, which accounts for 40% of domestic energy consumption, was recently completed. It identified priority measures for potentially significant energy savings at the plant, which TALCO plans to carry out together with other recommendations for improving energy efficiency. As even modest efficiency gains would help extend electricity access to other consumers, these plans have potentially a very high payoff. Finally, an external financial audit of the Roghun Open Joint Stock Company (OJSC) has also been completed and is pending publication.

19. **In November 2012, the government announced its intention to join the Extractive Industries Transparency Initiative (EITI).**⁷ In doing so, it authorized the MoF to be the lead public sector representative and established a tripartite National Council for EITI comprising representatives of civil society, government, and public and private enterprises. Joining EITI will help improve Tajikistan's investment climate by providing a clear signal of the authorities' commitment to greater transparency. At the same time, by publishing data about company and government revenues from extractive industries, including their reconciliation by an independent auditor, it will contribute significantly to strengthening

⁷ Government Decree # 449 dated August 31, 2012

public accountability. This in turn may mitigate political and reputational risk for companies and investors.

20. **Following approval of the Law on Chamber of Accounts in mid-2011, an independent Supreme Audit Institution (SAI) was formally established in December, 2011 with 15 core staff.** Subsequently, parliament approved the appointment of the SAI Chairman and Deputy Chairman in September 2012. In addition, the government has embarked on further public financial management reforms with support from several development partners, coordinated by the public financial management secretariat in the MoF.

E. Energy Security, Food Security, and Connectivity—Presidential Priorities

21. **The government has initiated several reforms designed to enhance the country's energy independence, although results to date remain modest.** One key objective is to improve accountability, efficiency, and transparency in *Barki Tojik* (BT), for which a long-term restructuring plan was adopted in 2011. The latter envisages *inter alia* the design of methodologies for calculating tariff adjustments and, in particular, BT's gradual unbundling into separate entities for generation, transmission, and distribution, including their eventual privatization. Meanwhile, BT has improved its billing and collection system, installed meters, and, as a result of improved coverage and higher billing and collection rates, increased total billings more than fivefold since 2006. More recently, tariffs were increased by more than 20% effective April 2012. However, they remain the lowest in the region and transparency of revenue management remains a concern. Other important energy reforms include: (a) the successful implementation of a program for installing energy efficient light bulbs nationwide; (b) the adoption of a law on renewable energy resources; and (c) the approval of a five-year program (2012-16) for more effective use of hydropower resources.

22. **Food security—mainly focused on increased production—is a key goal of the comprehensive agrarian reforms underway since mid-2009.** Formalized in Government resolution 383 in August 2012, the agrarian reform program's 22-point action plan for 2012-20 includes measures aimed at expanding farmers' access to inputs and irrigation and improving management and sustainable use of natural resources. However, food insecurity and malnutrition specifically remain serious problems: according to an FAO/WFP estimate, the share of the population with inadequate food intake in 2011 ranged from 9% in Khatlon to almost 24% in Gorno Badakhshan (GBO); and according to a 2012 World Bank/UNICEF analysis, almost one in three children is chronically malnourished, more than half are iodine deficient, and almost a third are anemic.⁸ Against this background, Tajikistan's food security needs to be broadened beyond merely expanding the domestic production of food towards increased focus on its accessibility, affordability, availability, and utilization—including particular attention to diet diversification, food fortification, micro-nutrient supplementation, and infant and young child feeding practices.⁹

23. **Given Tajikistan's landlocked, largely mountainous terrain, improving internal and external connectivity remains vital for maintaining high rates of growth.** With the pavement on 75% of the country's highways partly or completely lost and up to 80% requiring extensive repair, according to an ADB-supported assessment in 2010, roads are being rehabilitated or built anew, with priority to improving connections between the capital and different regions of the country and also with neighboring countries to the north and south. Alongside these investments, and to promote other transport modes and industries, the government also adopted several transport-related laws and programs: in 2010, a national aviation policy, which provides for increased access to international airlines in terms of routes and

⁸ *Situational Analysis: Improving economic outcomes and expanding nutrition programming in Tajikistan*, World Bank/UNICEF, 2012

⁹ *ibid*

frequency; and in 2011, the state program on transport sector development, 2010-25. Actions have also been taken to restrict large overweight vehicles to night travel, to increase budget allocations for maintenance of existing infrastructure, and to outsource road maintenance to private contractors.

III. GOING FORWARD—THEMES AND POLICY MESSAGES FOR 2013-15

A. Putting People as Priority

24. **Putting people as the priority means increased focus on achieving the MDGs by 2015, especially those for education, health, and access to safe drinking water.** While Tajikistan has made significant progress in reducing poverty, the recent household survey cited above (para. 11 and Annex 2) indicates that major gaps persist in the delivery and quality of key services, especially to the poor and most vulnerable who also receive little help from the current social protection system. Unless addressed promptly and effectively, these challenges may undermine hard earned gains in terms of poverty reduction and, worse, impede future progress. Going forward, existing 2011-12 indicators should be used as baselines for assessing results three years hence in 2015, with the goal of observing real improvements by then.

25. **Strengthening social protection for the most vulnerable.** Tajikistan's system of social protection faces serious challenges, partly because social assistance benefits are small and partly because they do not reach the poorest families—in 2009, only 23% of targeted social assistance reached the poor. Although social protection expenditures have been stable at over 16% of the budget in 2010 and 2011, the current system lacks effective mechanisms for targeting, audit, control, and monitoring.¹⁰ In addition, the recent MoF decision to cut social assistance benefits is a concern, given the pressing need to extend and increase social protection, particularly for the vulnerable in light of uncertainties in the regional and global economies. Against this background, it will be important to develop a comprehensive social protection strategy as a basis for improving both coverage and targeting.

26. **Expanding access to quality social services, especially health and education.** Out-of-pocket payments, formal and informal, prevent the poorest and most vulnerable population from obtaining health care. A thorough revision of the basic benefits package is required and an action plan to scale up implementation, based on agreed financing arrangements. Given limited resources, better access and quality will require increased efficiency *inter alia* through comprehensive health financing reform. As for general education, the main issue is its quality, which needs to be addressed through curriculum reforms based on a gradual transition to competency-based learning. Expanded access to and quality of early childhood learning will improve readiness for school and, ultimately, educational outcomes.

27. **Improving the policy and regulatory framework for migrants and refugees.** Labor migration is one of the largest sources of income for many Tajik households and its role as driver of growth and poverty reduction is increasingly significant. On the other hand, a recent UNICEF report,¹¹ also cited significant negative impacts on migrants' wives and children, such as depression and isolation, child care and household management, and, increasingly, abandonment and divorce. Thus, migration needs a strengthened policy and regulatory framework, which may include: increasing the migration services' capacity to manage the process and clarify its functions and relations with the other government institutions concerned; developing vocational education and training to provide potential migrants with the necessary language, social, and technical skills, and an adequate pre-departure infrastructure; and establishing funds to leverage remittances in order to increase investment, create jobs, and, not least

¹⁰ *Public Expenditure Review (forthcoming)*, World Bank, Washington DC

¹¹ *Impact of Labor Migration on "Children Left Behind" in Tajikistan*, UNICEF, November 2011

important, protect the families left behind. Finally, while acting to further the legal rights of Tajik migrants abroad, the government also needs to pay greater attention to the plight of refugees within its borders. Regional uncertainties and the potential for inflows of displaced persons or refugees are a contingency for which Tajikistan—and the development community—may need to prepare.

B. Planning for and Managing Risks

28. **Although Tajikistan’s economy has performed well in the past three years, it remains vulnerable to several external factors.** Recent interruptions in transit trade and increased transport costs have had adverse economic and fiscal impacts. Tajikistan is highly dependent on imports of fuel and food and on remittances. A potential regional or global slowdown would be felt mainly through declining remittances and exports. For example, a recession in Russia—where more than 90 percent of Tajik migrants are employed—would affect its demand for Tajik migrant workers, drastically reducing remittances, lowering domestic demand and growth, and adversely impacting government revenues. It is therefore important to calculate a true low case scenario, *e.g.* growth in the 1% annual average range, to account for both external and internal shocks, and implications for the budget, the deficit, investment, poverty, and social spending. Such an analysis would help the government re-adjust priorities as it reacts to shocks and prepare contingency plans in advance such that the social impact can be optimally handled. Moreover, sources of financing under each low case scenario and the role development partners might be expected to play also need to be addressed.

29. **Vulnerable to natural disasters of various kinds, Tajikistan is also the country most vulnerable to climatic change in Europe and Central Asia.** During the past 20 years, over 1,800 deaths were caused by natural disasters, also the highest in Europe and Central Asia. The country is routinely impacted by droughts, floods, and soil erosion due to extremes of climate and weather, exacerbated by technical limitations in weather forecasting and response capabilities. Tajikistan’s agriculture is highly vulnerable to climate change and by some estimates a 10% decrease in agricultural income would result in a 7% increase in poverty.¹² With extremes of climate and weather conditions expected to worsen, building resilience to climate change, as well as proper land use management, need to be priorities in natural disaster risk planning. The Pilot Program for Climate Resilience (PPCR), a \$50 million multi-donor regional initiative, targets these priorities.

30. **To improve the country’s food security, a menu of options is needed.** First, the concept and definition of food security needs to be broadened to include not just increasing domestic production but also enhancing access to food and nutrition through purchasing power and public policy. Given prevailing high rates of malnutrition, policy development needs to encompass both agriculture *and* nutrition and further to ensure that agricultural growth includes small farms. Against this background, strategic initiatives may include some or all the following: (a) scaling up nutrition investments for mothers and children, both linked to health interventions; (b) facilitating access to inputs and markets for small farmers, especially women; (c) scaling up social safety nets in times of crisis; and (d) improving nutrition monitoring and surveillance through use of appropriate indicators.

31. **Addressing the winter energy deficit needs increased focus on a few critical but practical short- and medium-term measures that also advance long-term energy security.** These include: (a) speedily implementing energy efficiency measures at TALCO; (b) preparing and implementing policies to shift some electricity-based heating to other fuels like domestic coal or gas; (c) sending proper price signals to consumers through gradual increases in electricity tariffs accompanied by actions to protect vulnerable groups; and (d) promoting regional trade initiatives designed to expand import and export

¹² *Tajikistan: Economic and Distributional Impact of Climate Change*, World Bank, 2011

options. Meanwhile, reducing the *quasi* fiscal deficit caused by *Barki Tajik* needs to be backed by a practicable plan that concentrates on improving billings and collections and reducing losses. Failure to collect from agricultural institutions indirectly subsidizes the sector at the expense of a collapsing electric power system.

C. Using Public Resources Wisely

32. **Accelerating public financial management reforms is the foundation for wise public resource management.** Public financial management procedures can still be substantially improved and deliver large benefits for fiscal policy. Ongoing and planned reforms need to be accompanied by clear and targeted deadlines, so as to expedite the process, prevent leakages, and increase the system's transparency and accountability. By 2015, for example, it would be desirable: (a) to have the Unified Chart of Accounts adopted; (b) the single treasury account in place nationwide; and (c) the institutional and professional capacity of the Tax Committee strengthened, so as to reduce the scope for corruption and provide quality service to customers, thus encouraging greater compliance.

33. **State-owned enterprises (SOEs) need to be subjected to transparent oversight and, where appropriate, pay dividends to the state budget.** The continued lack of hard budget constraints in SOEs constitutes a potentially serious fiscal risk, contributing to budget deficits, and reduces resources otherwise available to finance other development priorities. Many SOEs face financial weaknesses, including tax arrears, as well as substantial debts to each other. A recent MOF fiscal risk assessment highlighted the importance of subjecting SOEs to hard budget constraints and, where needed, restructuring them to help move towards greater financial viability.¹³ In parallel, SOEs that are financially stable and profitable need to be monitored transparently and fulfill their legal obligations to the state budget.

34. **Making the budget and local planning process open to public participation.** Greater participation improves the public's perception of government performance and the value it receives from government services, while simultaneously making the government more accountable and responsive. To this end, a clearer link needs to be established between the financial resources needed for development plans at the district level and budget planning at the national level by more actively engaging citizens as well as local governments, civil society organizations, and other interested parties in streamlining 'bottom-up' budgeting and local planning. Building the capacity of local authorities and *jamoats* in budget planning and participation is an integral part of the overall public financial management reform and fiscal decentralization process. More importantly, priorities at the local level need to become the cornerstones of strategic directions for national development, such as those highlighted in the recently completed medium-term LSIS.

35. **Corruption remains a major challenge requiring greater attention by the authorities concerned.** More emphasis needs to be placed, for example, on strengthening the laws governing conflict of interest and the declaration of income and assets and their effective enforcement. More importantly, social services are still burdened by institutional corruption. The 2010 LITS cited earlier found that 24% of respondents had to make informal payments to receive public education services and 55% to receive medical treatment. These data deserve greater analysis and the development of an appropriate anti-corruption strategy and implementation plan geared to achieving genuine results.

D. Increasing the Role of the Private Sector

¹³ *Fiscal Risk Assessment of State Owned Enterprises*, Ministry of Finance of the Republic of Tajikistan, 2012

36. **Eliminate directed lending and increase access to finance.** Tajikistan's banking system now has most of the human, institutional and technical fundamentals needed to facilitate economic growth through increased financial intermediation. However, to achieve this and to transition to purely commercial-based lending, two additional conditions need to be satisfied: a level playing field; and the freedom to operate independently. Both will require the elimination of directed lending and of interference by vested interests. With improved banking and microfinance regulations, enforcement of prudential standards by the central bank (especially those for provisioning, risk management, and prompt remedial actions), tax exemptions for interest on savings deposits, a modern pledge registry, a strengthened deposit insurance system, enhanced consumer protections, and an extensive public information campaign, Tajikistan's banks would attract more deposits and better serve their main customers—households, entrepreneurs, and small and medium-sized enterprises.

37. **Small farmers have enormous potential for driving economic growth and a particular need for affordable access to market-based finance.** Government involvement in agriculture, particularly cotton, through directed lending has halted progress, particularly for small farmers. For example, according to a 2011-2012 survey, 72% of *dekhan* farmers applied for loans in 2011, but only 28% said it was easy or very easy. Building upon the cotton debt resolution, the government needs to eliminate directed lending immediately and allow these small farmers increased access to affordable finance, based on market-based, demand-driven financial services and products. At the same time, the government needs to reduce its role in markets and empower farmers through the amended land code and continued issuance of land use certificates, in particular allowing them to decide what to grow and market.

38. **Move from paper to practice and implement what is approved.** The government has demonstrated its commitment to reforms, especially those needed to make Tajikistan an attractive destination for investments. The new tax code, the public-private partnership law, the EITI, the single window for business registration and customs procedures, the simplified permits law, and increasing protection of investors are all evidence of efforts designed to facilitate a larger private sector role in the country's economic development. Nevertheless, firms and businesses cite three main obstacles to doing business: (a) tax policy and administration; (b) corruption in interactions with public officials; and (c) access to credit.¹⁴ This is evidence at least partly of the gap between law adoption and law enforcement. Going forward, greater and more sustained political will be needed to enforce and oversee the implementation of these laws to their full potential.

IV. DCC DEVELOPMENT PARTNER INITIATIVES

39. Besides re-affirming continued support for Tajikistan's development, DCC partners propose the following nine cross-sectoral, multi-partner coordinated initiatives that are designed to achieve measurable results by 2015 in the LSIS' six priority areas, namely: public administration and governance; private sector-led growth; development of human potential; energy independence; food security; and, transport connectivity. In line with the Shared Principles, the Government of Tajikistan and the DCC aim to agree on concrete results indicators and milestones for progress in areas of highest priority in early 2013.

40. **Public Administration and governance.** Lack of clarity, consistency, and transparency pose major challenges for public administration reform. In addition, parliament's ability to fulfill its budget oversight responsibilities is hindered by the lack of a general or public accounting body. Further, the lack of an independent judiciary, and limited access to and inadequate understanding of the rule of law hinder creation of an effective, transparent legal system. The proposed initiative would support actions to

¹⁴ *Tajikistan: Country Economic Memorandum*, World Bank, 2011

strengthen parliament's ability to fulfill its public expenditure oversight role, to continue implementation of ongoing public finance management reforms, and improve the access of marginalized or vulnerable groups to the legal system.

41. **Private Sector-led Growth.** Despite strong economic growth and improvements in the business environment, private sector development—characterized by low levels of domestic and foreign investment and a weak banking system—is at risk of stalling. Tajikistan has several competitive industries, but numerous institutional, logistical, and regulatory challenges limit their potential. Three proposed initiatives would: (a) prepare an action plan of reforms for the year 2013 focused on simplifying procedures for investors, enhancing access to the country, strengthening investor protection, improving public-private dialogue, and governance; (b) following Tajikistan's accession to the WTO, develop a strategy for the technical assistance needed to help the government implement its commitments; and (c) create conditions, at national, regional, and local levels, for inclusive rural growth through value chain support.

42. **Development of Human Potential.** Despite recent progress, access to primary health care services remains inadequate and social benefits are also ineffective, due to their small size, limited coverage, and poor targeting. Second, access to safe drinking water remains a major public service delivery issue. Third, the increasing size and importance of remittances call for an improved policy and regulatory environment for migration. Three proposed initiatives would: (a) increase the efficiency of financing and health resource utilization and improve the coverage and delivery of the 'basic benefit' package; (b) establish a nation-wide communal services development fund (CSDF), linked to decentralized water supply services; and (c) develop a comprehensive policy and regulatory régime that maximizes the benefits and minimizes the cost of migration.

43. **In winter, Tajikistan experiences a serious shortage of electricity, while in summer it generates a surplus whose potential for export remains under-utilized.** This problem is compounded by deteriorating generation assets, system inefficiencies and losses, and major governance issues. Besides the huge economic costs, insufficient and unreliable power also causes significant human hardship, especially in rural areas. The proposed initiative would focus on: *first*, addressing the winter deficit by implementing four short- and medium-term actions that also advance long-term energy security; and *second*, intensifying measures to rehabilitate existing hydropower assets, improve overall transmission and distribution system efficiency, and strengthen energy sector governance.

44. **Tajikistan's approach to food security has hitherto focused mainly on availability, i.e. increasing output, and stability, e.g. through price controls and sales from state reserves.** However, more attention needs to be paid to trade, to household farming and, not least important, on nutrition. The proposed initiative would focus on four areas: increasing production and fostering trade for agricultural inputs and commodities; promoting greater household production for sale and home consumption in support of livelihood development, focusing especially on women; scaling-up implementation of interventions to prevent and treat malnutrition, as well as Tajikistan's participation in the UN Secretary-General's "Scaling Up Nutrition" (SUN) initiative; and disseminating food security and nutrition information and market and farm price data.

45. **Despite recent progress, Tajikistan's transport network—internally, regionally (with bordering countries), and internationally—remains inadequate.** In addition, numerous barriers slow down cross-border transport, reduce efficiency, increase costs, and impede regional and international trade. The proposed initiative would focus on: (a) rehabilitating and upgrading the existing regional highway infrastructure; (b) maintaining and improving the national road network; (c) strengthening the legal and regulatory framework to maximize private sector involvement; (d) enhancing cross-border transport

operations; and (e) expanding airline connectivity, especially to non-CIS international (cargo and passenger) markets.

46. Subject to the outcome of discussions at the Development Forum, the Government and DCC planned to elaborate these initiatives further to include: an estimate of costs and resources required (where appropriate); an implementation plan and timetable; and a baseline and agreed annual monitoring and outcome indicators.

Annexes:

- 1. DCC Development Partners' Commitments 2010-12*
- 2. Summary of World Bank 2012 Survey: Access to and Quality of Public Services*
- 3. Shared Principles for Cooperation*
- 4. List of DCC Members*

Annex 1: DCC Development Partners' Commitments 2010-12

DCC Members' Commitments to Tajikistan, 2010 -2012
(in US\$ million, by NDS Priority Areas)

DCC MEMBER	Public Administration and Governance	Private Sector Led Growth	Development of Human Potential	Energy Security	Food Security	Connectivity	Budgetary Support	TOTAL BY FUNDING SOURCE
Bilateral agencies								452.8
Aga Khan Development Network (AKDN)	0.0	7.9	19.6	8.7	0.0	0.0		36.2
Department for International Development (DfID)	15.3	9.2	0.3	0.0	12.0	0.0		36.8
Government of Germany								132.6
•Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)	3.4	37.8	13.7	3.4	10.3	0.0		68.6
•KfW Bankengruppe (KfW)	0.0	5.5	23.0	28.4	0.0	0.0		56.8
•PATRIP Foundation	0.0	3.8	1.1	2.3	0.0	0.0		7.2
Government of Japan								147.4
•Government of Japan	0.4	0.8	13.0	4.9	4.7	48.1		72.0
•Japan International Cooperation Agency (JICA)	0.0	0.0	13.5	2.8	0.5	58.7		75.4
Government of Switzerland								32.5
•Government of Switzerland	0.5	1.2	4.9	6.0	0.0	0.0		12.6
•Swiss Cooperation Office (SCO)	2.4	1.2	14.6	1.7	0.0	0.0		19.9
Government of the United States								67.3
•Government of the United States	1.1	0.0	2.6	0.0	0.0	0.0		3.7
•United States Agency for International Development (USAID)	13.47	0.0	17.34	0.64	32.16	0.0		63.6
Multilateral Agencies								783.0
Asian Development Bank (ADB)	8.4	0.0	0.0	62.1	28.0	95.9	20.0	214.4
Eurasian Development Bank (EDB)	0.0	0.0	0.0	0.0	0.0	0.0	70.0	70.0
European Bank for Reconstruction and Development (EBRD)	21.7	0.0	33.5	10.2	2.6	45.1		113.1
European Union (EU)	11.2	12.3	39.1	0.8	6.9	0.0	22.0	92.3
International Finance Corporation (IFC)	0.0	0.1	0.0	0.0	0.0	0.0		0.1
International Monetary Fund (IMF)	0.0	0.0	0.0	0.0	0.0	0.0	120.6***	120.6
World Bank (WB)	18	10.1	36.1	33	20	0.0	55.4	172.6
United Nations Agencies								86.2
United Nations Children Fund (UNICEF)	0.0	0.0	7.6	0.0	0.0	0.0		7.6
United Nations Development Programme (UNDP)	5.3	0.0	2.3	0.0	0.1	0.0		7.8
United Nations Food and Agriculture Organization (FAO)	0.0	0.0	0.0	0.0	1.9	0.0		1.9
United Nations Higher Commissioner for Refugees (UNHCR)	0.0	0.0	0.8	0.0	0.0	0.0		0.8
United Nations International Fund for Agriculture Development	0.0	0.0	0.3	0.0	5.9	0.0		6.1
United Nations International Labor Organization (ILO)	0.0	0.0	0.0	0.0	0.0	0.0		0.0
United Nations International Organization for Migration (IOM)	0.0	0.0	0.5	0.0	0.0	0.0		0.5
United Nations Populations Fund (UNFPA)	0.0	0.0	2.0	0.0	0.0	0.0		2.0
United Nations World Food Programme (WFP)	0.0	0.0	42.0	0.0	15.2	0.0		57.2
United Nations World Health Organization (WHO)	0.0	0.0	2.5	0.0	0.0	0.0		2.5
TOTAL BY PRIORITY AREA	101.2	89.9	290.0	164.8	140.3	247.8	288.0	1322.1

*Source: Aid Coordination and Investment Promotion Project (ACIP) database, supplemented in some cases by data provided by individual DCC members (as of end-November 2012)

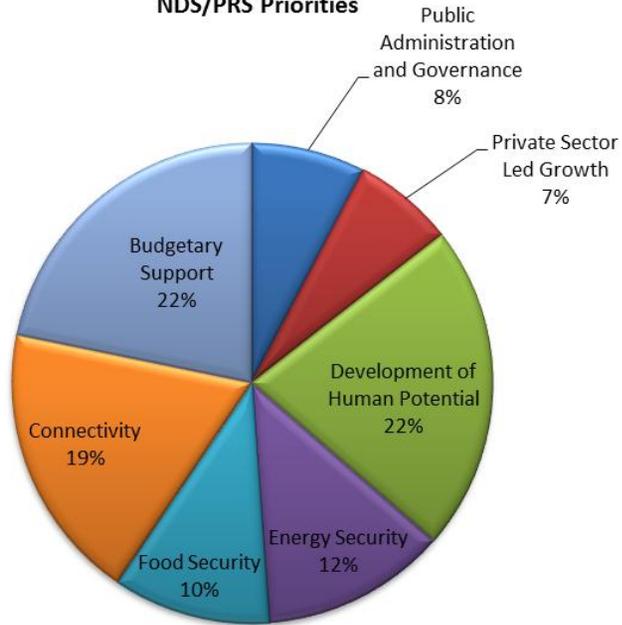
*** IMF program replenishes international reserves of the National Bank of Tajikistan

** Data excludes commitments for environment and multi-sector projects totaling \$41.1 million and \$15.9 million respectively

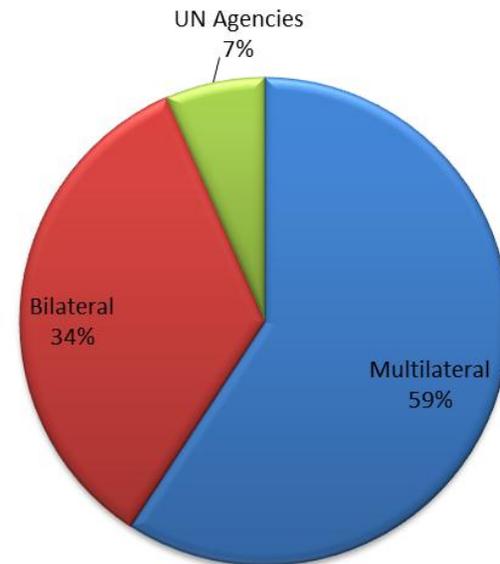
**** For DfID and GIZ data calculations three-year average exchange rates were applied

DCC Members' Commitments to Tajikistan, 2010 -2012
(in US\$ million, by NDS Priority Areas)

Share of Development Partners Commitments in 2010-2012 by NDS/PRS Priorities



NDS/PRS PRIORITY AREA COMMITMENTS IN 2010-2012 BY ORGANIZATION TYPE (w/budgetary support)



Annex 2: Summary of World Bank 2012 Survey: Access to and Quality of Public Services

I. Results of the 2011 Household Survey on Public Service Delivery and Quality

Introduction

The World Bank, supported by the Multi-Donor Governance Partnership Facility (GPF) Trust Fund is implementing a three year *Mainstreaming Governance in Tajikistan* Program. The aims of the overarching program are to strengthen governance work at the country, sector, and project level; to develop and enhance client’s governance capacity; and foster citizen demand for good governance. A primary activity under this program is the creation of a Data Platform, including the implementation of nationwide surveys of households, Dekhan farmers, service providers and officials. In 2011-2012, a survey of 2000 households in five regions of Tajikistan was conducted to gather baseline information on their access to public services from various government agencies and the quality of service delivery, including health, education, and electricity. The results of the survey reveal opportunities to improve service availability and quality of services for the citizens of Tajikistan. This annex presents a brief summary of the survey results on key indicators of service delivery: access, quality, and perceptions of change over time.

Perceptions of Households on Key Services: Electricity

Electricity is a key service which consistently poses challenges to households, particularly in the winter months. The survey results showed that while nearly all respondents have an electrical connection, service outages (both scheduled and unscheduled) are common, particularly in rural areas. Nationwide, 81% of households experienced unscheduled outages, with a larger proportion of respondents in Sogd and Khatlon reporting unscheduled outages, (82% and 93%, respectively). There are distinct differences by type of locality: respondents in rural areas were more likely to experience outages than those in urban areas. See Table A1 below. The GBAO region is an outlier in the results as it is serviced by a different provider, Pamir Power. The respondents in GBAO reported a lower level of unscheduled outages (40% compared to the nationwide average of 81%); however, there remains a gap between urban and rural areas: a greater percentage of rural respondents indicated outages than their urban counterparts.

Table A1: Percentage of Respondents Experiencing Electricity Outages, 2011

	Nationwide		Dush	GBAO		Sogd		Khatlon		RRS	
Experienced Scheduled Electricity Interruptions	84.3%		31.1%	44.8%		90.9%		98.8%		88.5%	
	<i>Urban</i>	<i>Rural</i>	<i>Urban</i>	<i>Urban</i>	<i>Rural</i>	<i>Urban</i>	<i>Rural</i>	<i>Urban</i>	<i>Rural</i>	<i>Urban</i>	<i>Rural</i>
	59.7%	96.2%	31.1%	53.6%	69.5%	100.0%	94.2%	100.0%	74.7%	91.4%	
Experienced Unscheduled Electricity Interruptions	Nationwide		Dush	GBAO		Sogd		Khatlon		RRS	
	81.1%		77.8%	39.7%		82.4%		93.3%		68.2%	
	<i>Urban</i>	<i>Rural</i>	<i>Urban</i>	<i>Urban</i>	<i>Rural</i>	<i>Urban</i>	<i>Rural</i>	<i>Urban</i>	<i>Rural</i>	<i>Urban</i>	<i>Rural</i>
	78.4%	82.4%	77.8%	5.0%	46.5%	77.3%	84.5%	92.4%	93.6%	67.1%	68.4%

The high percentages of respondents reporting outages point to consistency and quality issues in service delivery. The survey asked respondents to rate their satisfaction with the quality of electricity services on a 5-point scale (1-not at all satisfied to 5-fully satisfied). The results show that the nationwide, only 15.5% stated they were “satisfied” or “fully satisfied” with the quality of electrical service. See Table A2. The GBAO region is an outlier in the results as it is serviced by a different provider, Pamir Power. The respondents in GBAO reported a lower level of unscheduled outages (40% compared to the nationwide average of 81%) and also reported higher levels of satisfaction with quality of electricity services: 61% compared to the full sample average of 16%.

Table A2: Satisfaction with Electrical Service Quality

	Nationwide		Dushanbe	GBAO		Sogd		Khatlon		RRS	
Satisfaction with quality of electrical service	15.5%		32.2%	60.6%		13.2%		5.4%		18.4%	
	<i>Urban</i>	<i>Rural</i>	<i>Urban</i>	<i>Urban</i>	<i>Rural</i>	<i>Urban</i>	<i>Rural</i>	<i>Urban</i>	<i>Rural</i>	<i>Urban</i>	<i>Rural</i>
	27.7%	9.6%	32.2%	96.8%	53.5%	32.2%	4.8%	7.3%	4.9%	26.2%	16.8%

The results of the survey reveal that access to electricity services has remained consistent over the last two years. When respondents were asked if access had improved, stayed the same, or decreased over the last two years, the majority across most regions indicated access had stayed the same. Two exceptions were the regions of Dushanbe and GBAO where over 60% of respondents said it had improved. See Table A3.

TABLE A3: Two year Trends: Access to Electricity Services

Trends: Access to electricity	Nationwide	Dushanbe	GBAO	Sogd	Khatlon	RRS
Improved	28.6%	61.6%	63.1%	22.8%	25.8%	17.9%
Stayed the Same	53.5%	32.9%	18.5%	52.7%	59.1%	62.9%
Decreased	18.0%	5.6%	18.5%	24.6%	15.2%	19.1%

The results on a similar question regarding quality of electricity services over time show similar patterns. Again the majority of respondents noted quality had remained the same over the last two years, with the exceptions of Dushanbe and GBAO, where the majority indicated quality had improved. See Table A4. Of those respondents indicating an increase in quality, two main reasons behind the perceived increase in accessibility were given: service interruptions were less frequent and limits on electricity supply were cancelled, resulting in a greater number of hours when electricity was accessible.

TABLE A4: Two year Trends: Quality of Electricity Services

Trends: Quality of Electricity Services	Nationwide	Dushanbe	GBAO	Sogd	Khatlon	RRS
Improved	28.8%	71.8%	61.0%	21.3%	25.3%	16.2%
Stayed the Same	51.5%	26.9%	19.5%	51.2%	57.2%	61.8%
Decreased	19.8%	1.3%	19.5%	27.5%	17.5%	22.0%

Perceptions of Households on Key Services: Education

Developing an educated and skilled workforce is a growing priority, and ensuring access to a quality education for the youth of Tajikistan is a key step in achieving this goal. Although enrollment is high across the nation, only 38% of respondents stated that it was “easy” or “very easy” to access educational services. See Table A5. While the majority of respondents in Dushanbe and GBAO stated education was easy to access, the results are less positive in Sogd, Khatlon, and RRS. Households in urban areas report easier access to education, with 45% stating it was easy to access, while only 36% of households in rural areas stated the same. The difference in urban and rural respondents appears consistently across every region.

Table A5: Ease of Access to Education (% stating easy or very easy)

	Nationwide		Dushanbe	GBAO		Sogd		Khatlon		RRS	
Ease of Access to Education (% stating easy or very easy)	38.2%		50.1%	73.3%		31.6%		36.1%		41.4%	
	<i>Urban</i>	<i>Rural</i>	<i>Urban</i>	<i>Urban</i>	<i>Rural</i>	<i>Urban</i>	<i>Rural</i>	<i>Urban</i>	<i>Rural</i>	<i>Urban</i>	<i>Rural</i>
	44.8%	35.8%	50.1%	85.9%	72.1%	37.6%	30.0%	42.2%	34.7%	45.5%	40.7%

The majority of households (76%) reported that their access to education has remained the same over the last two years. This result appears consistently across all regions. See Table A6. In GBAO, responses were more positive, with 30% saying access to education improved, while only 7% in RRS stated the same. Overall, less than 8% across all regions stated access had decreased over time.

Table A6: Two year Trends: Access to Education

Trends: Access to Education	Nationwide	Dushanbe	GBAO	Sogd	Khatlon	RRS
Improved	18.5%	16.9%	30.1%	24.6%	19.0%	7.3%
Stayed the Same	75.7%	76.3%	69.9%	70.9%	75.0%	85.0%
Decreased	5.8%	6.8%	.0%	4.4%	6.0%	7.7%

Satisfaction with the quality of educational services is low: only 23% of households nationwide stated they were “satisfied” or “fully satisfied” with the quality of educational services. GBAO is the only region where the majority of respondents was satisfied (57%). Similar to the results on access to education services, there is a distinct difference between urban and rural respondents: 33% of urban households stated they were satisfied with educational services, compared to only 19% of rural households. Again, this pattern is seen in each region, with the largest differences between urban and rural respondents in Sogd and RRS. See Table A7.

Table A7: Satisfaction with Educational Services

	Nationwide		Dushanbe	GBAO		Sogd		Khatlon		RRS	
Satisfaction with quality of education service (% stating satisfied/fully satisfied)	22.5%		39.2%	56.6%		20.9%		14.9%		25.0%	
	<i>Urban</i>	<i>Rural</i>	<i>Urban</i>	<i>Urban</i>	<i>Rural</i>	<i>Urban</i>	<i>Rural</i>	<i>Urban</i>	<i>Rural</i>	<i>Urban</i>	<i>Rural</i>
	33.3%	18.6%	39.2%	71.7%	55.2%	34.5%	17.3%	17.3%	14.4%	43.7%	21.9%

Perceptions of Households on Key Services: Health

Access to healthcare has implications for achieving MDGs and impacts the overall health of the population. The survey measured access to and quality of both ambulatory and hospital health care services, and the results show access to health services is limited in Tajikistan. A greater percentage of households have access to ambulatory medical services in their area of residence than access to hospital services. Of those seeking medical care in the month before the survey, 62% were able to access ambulatory services in their area of residence, while only 42% of those needing hospital services could access services in their area of residence.

The results reveal a need to increase accessibility to ambulatory medical services: overall, only 36% of respondents indicated that ambulatory health services were “easy” or “very easy” to access. See Table A8. The most positive responses are seen in GBAO (79%), while only 32% of households in Sugd and Khatlon state it is easy to access these health services. Again we see a gap in access between urban and rural respondents: 43% of urban households compared to 32% of rural households said accessing ambulatory services was easy. The largest gap is seen in RRS, with 74% of urban respondents stating access is easy, while only 36% of rural households said the same.

Table A8: Ease of Accessibility to Ambulatory Health Services

	Nationwide		Dushanbe	GBAO		Sogd		Khatlon		RRS	
Ease of Access to Ambulatory Health Services (% stating easy or very easy)	35.7%		44.2%	78.6%		32.0%		31.6%		39.9%	
	<i>Urban</i>	<i>Rural</i>	<i>Urban</i>	<i>Urban</i>	<i>Rural</i>	<i>Urban</i>	<i>Rural</i>	<i>Urban</i>	<i>Rural</i>	<i>Urban</i>	<i>Rural</i>
	43.4%	32.2%	44.2%	100%*	74.2%	43.1%	25.8%	33.5%	31.0%	74.1%	35.8%

Accessing inpatient hospital services shows similar patterns; however, in all regions ease of access is lower than for ambulatory health services. Overall, 29% of households stated inpatient hospital services were easy to access compared to 36% for ambulatory services. There is a wide range across regions: 51% in GBAO stated hospital services were easy to access compared to only 19% of households in RRS. See Table A9. Urban respondents were more likely to state access was easy than their rural counterparts, however, only in the urban localities of GBAO did a majority state that accessing inpatient hospital services was easy, indicating a need for more hospital services across both urban and rural locations.

Table A9: Ease of Accessibility to Inpatient Hospital Health Services

	Nationwide		Dushanbe	GBAO		Sogd		Khatlon		RRS	
Ease of Access to Inpatient Hospital Health Services (% stating easy or very easy)	29.1%		37.7%	50.5%		31.2%		30.4%		19.3%	
	<i>Urban</i>	<i>Rural</i>	<i>Urban</i>	<i>Urban</i>	<i>Rural</i>	<i>Urban</i>	<i>Rural</i>	<i>Urban</i>	<i>Rural</i>	<i>Urban</i>	<i>Rural</i>
	41.5%	24.5%	37.7%	82.0%	42.8%	47.3%	23.7%	36.4%	29.1%	35.5%	16.8%

Access to both types of health services on average has not improved over the last two years. One exception is seen in GBAO, where 54% stated access to ambulatory health services improved over the last 2 years. See Table A10. This is the only region where there was a majority stating access improved.

Table A10: Two year Trends: Access to Ambulatory Health Services and Inpatient Hospital Services

		Nationwide	Dushanbe	GBAO	Sogd	Khatlon	RRS
Trends: Access to Ambulatory Health Services	Improved	20.6%	20.1%	54.4%	25.6%	22.6%	6.5%
	Stayed the Same	73.7%	69.8%	44.6%	67.2%	72.5%	89.8%
	Decreased	5.6%	10.1%	0.9%	7.2%	4.9%	3.7%
		Nationwide	Dushanbe	GBAO	Sogd	Khatlon	RRS
Trends: Access to Hospital Health Services	Improved	14.5%	21.0%	21.2%	14.5%	15.6%	10.2%
	Stayed the Same	73.9%	60.0%	73.1%	71.0%	76.1%	77.9%
	Decreased	11.6%	19.0%	5.6%	14.5%	8.3%	11.9%

Quality of healthcare service was rated poorly for both ambulatory and inpatient service types. Only 16% of households were satisfied with ambulatory health services, and only 19% stated they were satisfied with inpatient hospital services. See Table A11. For ambulatory services, the lowest rates of satisfaction were seen in Dushanbe and Khatlon (at 14%), while the highest level was seen in GBAO, with 33% of respondents indicating satisfaction. Urban respondents are marginally more satisfied with ambulatory services than their rural counterparts, at 19% and 14% respectively. The largest gap between urban and rural respondents was seen in RRS at 61% to 13%. Similar patterns are seen in the results on inpatient hospital health services. Overall the results show that efforts are needed to improve the quality of health service delivery in all areas.

Table A11: Satisfaction with Quality of Health Services

		Nationwide	Dushanbe	GBAO	Sogd	Khatlon	RRS
Satisfaction with Ambulatory Health Services Quality (% stating satisfied/fully satisfied)		15.8%	13.9%	32.5%	17.0%	13.6%	18.0%
	<i>Urban</i>		<i>Urban</i>	<i>Urban</i>	<i>Urban</i>	<i>Urban</i>	<i>Urban</i>
	<i>Rural</i>		<i>Rural</i>	<i>Rural</i>	<i>Rural</i>	<i>Rural</i>	<i>Rural</i>
		18.8%	14.5%	47.6%	13.7%	17.7%	12.8%
			13.9%	29.3%	18.8%	12.4%	60.7%
							12.8%
		Nationwide	Dushanbe	GBAO	Sogd	Khatlon	RRS
Satisfaction with Inpatient Hospital Health Services Quality (% stating satisfied/fully satisfied)		19.3%	9.0%	34.5%	23.5%	16.8%	18.9%
	<i>Urban</i>		<i>Urban</i>	<i>Urban</i>	<i>Urban</i>	<i>Urban</i>	<i>Urban</i>
	<i>Rural</i>		<i>Rural</i>	<i>Rural</i>	<i>Rural</i>	<i>Rural</i>	<i>Rural</i>
		19.7%	19.2%	45.6%	23.3%	16.5%	16.7%
			9.0%	31.8%	23.6%	16.8%	32.4%
							16.7%

II. Results of the 2011 Survey of Dekhan Farmers on Public Service Delivery and Quality

Introduction

The World Bank, supported by the Multi-Donor Governance Partnership Facility (GPF) Trust Fund is implementing a three year *Mainstreaming Governance in Tajikistan* Program. The aim of the overarching program is to strengthen the governance work at the country, sector and project level, to develop and enhance client's governance capacity and foster citizen demand for good governance. A primary activity under this program is the creation of a Data Platform, including the implementation of nationwide surveys

of households, Dekhan farmers, service providers and officials. In 2011-2012, a survey of 700 Dekhan Farmers in four regions of Tajikistan was conducted which measured access and quality of services including irrigation water, electricity for irrigation, access to finance, access to agricultural services, and information on interactions with administrative and regulatory bodies. The results reveal opportunities to improve service availability and quality of services to support Dekhan farmers and develop the agricultural sector. This annex presents a brief summary of the survey results on key indicators of service delivery.

Perceptions of Dekhan Farmers on Services: Key Inputs

One of the most pressing issues for dekhan farmers is access to irrigation water, and the survey shows gaps in access to this and other complementary inputs such as electricity and agricultural services. Nationwide, 88% of dekhan farmers had access to irrigation water; however, there are visible differences in access across regions. In RRS, 79% of farmers had access to irrigation water, compared to 97% of farmers in Sugd. Access is not simply measured by existence of a water source, but by ease of access. Ease of access to irrigation water is rated lower: just one in 4 farmers (26%) indicated it was “easy” or “very easy” to access. The situation is more challenging in RRS, where only 17% reported it was easy to access, while in GBAO, 43% said the same. See Table B1.

Table B1: Key Agricultural Inputs Summary Table

	Nationwide	GBAO	Sogd	Khatlon	RRS
DF had access to irrigation water in 2011 (% stating yes)	88.1%	86.2%	96.8%	87.9%	79.2%
Accessibility of Irrigation Water (% stating easy or very easy)	25.8%	42.5%	31.7%	24.2%	17.3%
Quality of Irrigation Services (% stating satisfied/fully satisfied)	26.4%	44.0%	30.0%	24.2%	20.3%
Do you know how cost of irrigation water is calculated? (% stating yes)	3.8%	0%*	1.7%	7.4%	0.8%
Quality of Electricity Services (% stating satisfied/fully satisfied)	5.9%	66.7%*	6.3%	2.4%	0%*
Quality of Agricultural Services (% stating satisfied/fully satisfied)	11.3%	3.3%	22.2%	9.6%	4.2%

*Results are for illustrative purposes only as they are based on a small sample size (<20 respondents).

Dekhan farmers’ perceptions of the quality of irrigation services are similar to the ease of access. Nationwide, 26% of farmers indicated they were “satisfied” or “very satisfied” with quality of irrigation services. One issue raised by the survey was the need for more information between beneficiaries and service providers: over 96% of farmers stated they did not know how the cost of their irrigation water was calculated.

Perceptions of quality of the complementary input of electricity were very low: nationwide only 6% of dekhan farmers indicated they were “satisfied” or “fully satisfied” with electricity services. The results are very different in GBAO, where two-thirds of farmers (67%) indicated they were satisfied with electricity services. However, this region is serviced by Pamir Power.

The results showed a very large gap in access to agricultural services which is also shown in perceptions of quality of agricultural services, with only 11% of farmers stating they were “satisfied” or “very satisfied”. The highest level was seen in Sugd at 22%, while levels in RRS and GBAO were below 5%.

Perceptions of Dekhan Farmers on Services: Access to Finance

Economic growth in the agricultural sector is facilitated in part by affordable access to finance to small-hold farmers, and the survey results show that accessing necessary financing and credit is difficult. The survey results show that 72% of dekhani farmers applied for a loan in 2011. The greatest percentages are seen in Sogd and RRS. However, only 28% of respondents indicated it was “easy” or “very easy” to access loans from banks and other financial-credit organizations in 2011. See Table B2. The situation appears more difficult for dekhani farmers in Khatlon and in RRS, where only 19% and 17% respectively indicated accessing loans from banks and other credit institutions was easy. The survey results point to the importance of easing this primary constraint for dekhani farmers.

Table B2: Dekhan Farmers Access to Finance Indicators

	Nationwide	GBAO	Sogd	Khatlon	RRS
Did your farm apply for a loan from a bank or other financial credit institution in 2011? (% stating yes)	71.6%	45.5%*	81.6%	63.8%	79.2%
Ease of access to loans from banks and other financial-credit institutions Water (% stating easy or very easy)	27.5%	54.5%*	46.9%	19.0%	16.7%

*Results are for illustrative purposes only as they are based on a small sample size (<20 respondents).

Perceptions of Dekhan Farmers on Services: Administrative and Regulatory Services

Interacting with administrative and regulatory bodies can be a constraint for dekhani farmers; however, general perceptions of administrative and regulatory services including receipt of the land use certificate and tax registration are positive. Overall the majority of farmers (59%) stated that registering with the tax authority was “easy” or “very easy”, and there were very low incidences of informal payments made to the tax authority (2% nationwide). See Table B3. There were notable regional differences: in RRS the ease of tax registration was the lowest (41%) and the respondents in RRS also reported the highest percentage of informal payments to tax authorities (3.7%). Eighty-eight percent of farmers in Sugd stated tax registration was easy, and this region also reported the second lowest percentage of informal payments (1.6%).¹⁵ Results were generally positive on the ease of obtaining a land-use certificate, as the majority of farmers (55%) stated getting a lien for the land was “easy” or “very easy”, ranging from 38% in RRS to 100% in GBAO.

¹⁵ There were no incidents of informal payments reported in GBAO, however, the sample size is under 20.

Table B3: Dekhan Farmers Perceptions of Administrative and Regulatory Services

	Nationwide	GBAO	Sogd	Khatlon	RRS
Complexity of registration at tax authority (% stating easy or very easy)	58.8%	75.0%*	87.7%	48.2%	40.7%
Unofficial payments at tax authority (% stating yes)	2.1%	0%*	1.6%	1.8%	3.7%
Complexity of receiving the lien of land (% stating easy or very easy)	55.3%	100%	50.0%	50.6%	38.1%

*Results are for illustrative purposes only as they are based on a small sample size (<20 respondents).

Annex 3: Shared Principles for Cooperation (2013-2015)

**Shared Principles for Cooperation between the
Government of Tajikistan and International Development Partners¹⁶**

These shared principles describe the way the Government of Tajikistan and other Tajik authorities, institutions and national partners as well as international development partners and the Development Coordination Council (DCC) will cooperate when supporting the development of Tajikistan based on the National Development Strategy (NDS) and Strategy for Improving the Welfare of Population of the Republic of Tajikistan (RT) (2013-2015). They are built on the 2005 Paris Declaration on Aid Effectiveness¹⁷ as well as the four shared principles of the 2011 Busan 4th High Level Forum on Aid Effectiveness¹⁸ and applied to the Tajik context.

Shared Principle 1:

The Government of Tajikistan will take the lead in coordinating international development partners' assistance in support of and aligned with the priorities of the NDS (2015) and the Strategy for Improving the Welfare of Population of the Republic of Tajikistan (2013-2015). International development partners will provide support to enhance the Government's capacity for coordination.

Shared Principle 2:

The Government of Tajikistan, with the support of international development partners and in the context of the NDS and the Strategy for Improving the Welfare of Population of the RT (2013-2015), will link the medium-term expenditure framework, annual national budget and programmes supported by international development partners in an integrated programming process for greater realism and consistency.

Shared Principle 3:

International development partners will provide timely information on their activities to allow effective Government planning and reporting on programmes and projects and their financial flows. International development partners will seek to provide predictable, multi-year programmatic financial and technical support.

Shared Principle 4:

In specific sectors, international development partners will work with the Government towards a sector approach of one strategy, one coordination point and one monitoring and evaluation framework. The Government of Tajikistan and international development partners will join efforts to establish effective mechanisms of sectoral coordination.

Shared Principle 5:

The Government of Tajikistan and international development partners will work towards scaling-up successful project interventions for country wide impact where appropriate and feasible.

¹⁶ International Development Partners refers to the 26 international institutions (bilateral and multilateral) currently members of the Tajikistan Development Coordination Council (DCC)- www.untj.org/dccc

¹⁷ Paris Declaration on Aid Effectiveness principles: (1) *Ownership*; (2) *Alignment*; (3) *Harmonization*; (4) *Managing for Results*; (5) *Mutual Accountability*.

¹⁸ Busan 4th High Level Forum on Aid Effectiveness principles: (1) *Ownership of Development Priorities by Developing Countries*; (2) *Focus on Results*; (3) *Inclusive Development Partnership*; and (4) *Transparency and Accountability to each other*.

Shared Principle 6:

International development partners will reduce transaction costs and strengthen partnerships through joint missions, diagnostic reviews and training activities.

Shared Principle 7:

The Government of Tajikistan and international development partners will work together to integrate, wherever suitable, project preparation and implementation management units into the ministerial structures and reduce their number by creating joint units responsible for multiple projects. Development partners will also avoid establishing new parallel project implementation units.

Shared Principle 8:

International development partners will support Government's efforts to improve fiduciary systems in order to increase the flow of external funds into and through the budget.

Shared Principle 9:

The Government of Tajikistan and international development partners will jointly consult with a wide range of stakeholders (including parliament, local governments and communities, and civil society, the diplomatic and international development partner community) in planning and implementing programmes that are supported financially and technically by international development partners.

Shared Principle 10:

International development partners and the Government of Tajikistan mutually commit to effective coordination of programmes and projects assisted by international development partners and their improved monitoring.

Annex 4: List of DCC Members and Representatives

LIST OF DCC MEMBERS AND REPRESENTATIVES

Bilateral and Multilateral Agencies

- | | |
|---|---|
| 1 Asian Development Bank (ADB) | Mr. C. C. Yu, Country Director,
ccyu@adb.org |
| 2 Aga Khan Development Network (AKDN) | Mr. Munir Merali, Resident Representative,
munir.merali@akdn.org |
| 3 Department for International Development (DFID) | Mr. Bill Kilby, Central Asia Team Leader
b-kilby@dfid.gov.uk |
| 4 European Bank for Reconstruction and Development (EBRD) | Mr. Ulf Hindstrom, Representative,
hindstru@ebrd.com |
| 5 Eurasian Development Bank (EDB) | Mr. Ghalymzhan Oinarov, Resident Representative,
oinarov_gr@eabr.org |
| 6 European Union (EU) | Mr. Eduard Auer, Ambassador/Head of Delegation,
eduard.auer@ec.europa.eu |
| 7 German Embassy | Ms. Doris Hertrampf, Ambassador,
l@dusc.diplo.de |
| 8 Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) | Mr. Stefan Erber, Country Director
stefan.erber@giz.de |
| 9 International Finance Corporation (IFC) | Mr. Chris Miller, Country Officer
cmiller1@ifc.org |
| 10 International Monetary Fund (IMF) | Mr. Ari Aisen, Resident Representative
aaisen@imf.org |
| 11 Japan International Cooperation Agency (JICA) | Mr. Iida Jiro, Resident Representative
iida.jiro@jica.go.jp |
| 12 KfW Bankengruppe (KfW) | Mr. Stefan Lutz, Director (<i>based in Bishkek</i>)
stefan.lutz@kfw.de |
| 13 Swiss Cooperation Office (SCO) | Mr. Peter Mikula, Country Director
peter.mikula@sdg.net |
| 14 United States Agency for International Development (USAID) | Ms. Katie McDonald, Country Director,
kmcdonald@usaid.gov |
| 15 World Bank (WB) | Ms. Marsha Olive, Country Manager,
molive@worldbank.org |

Annex 4: List of DCC Members and Representatives

UN Agencies

- | | |
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| 16 United Nations Resident Representation (UNRC) | Mr. Alexander Zuev, Resident Coordinator,
alexander.zuev@undp.org |
| 17 Food and Agriculture Organization (FAO) | Ms. Takhmina Touraeva, Assistant Representative,
takhmina.touraeva@fao.tj |
| 18 International Fund for Agriculture Development (IFAD) | Ms. Zeinab Kenjaeva, Country Presence Officer
z.kenjaeva@ifad.org |
| 19 International Labor Organization (ILO) | Mr. Sobir Aminov, National Coordinator
aminov@ilo.org |
| 20 International Organization for Migration (IOM) | Ms. Tajma Kurt, Chief of Mission
TKURT@iom.int |
| 21 United Nations Children Fund (UNICEF) | Ms. Laylee Moshiri, Country Representative
lmoshiri@unicef.org |
| 22 United Nations Development Programme (UNDP) | Mr. Norimasa Shimomura, Country Director, UNDP
norimasa.shimomura@undp.org |
| 23 United Nations Higher Commissionaire for Refugees (UNHCR) | Mr. Jose Euceda, Representative
euceda@unhcr.org |
| 24 United Nations Populations Fund (UNFPA) | Ms. Aziza Hamidova, Assistant Representative
hamidova@unfpa.org |
| 25 World Food Programme (WFP) | Ms. Alzira Ferreira, Country Director
alzira.ferreira@wfp.org |
| 26 World Health Organization (WHO) | Dr. Pavel Ursu, Representative
urp@euro.who.int |

Dushanbe, Tajikistan

11 December 2012