

**IMPLEMENTATION OF POVERTY REDUCTION STRATEGIES IN THE NIS**  
**DESK STUDY: TAJIKISTAN**  
**JUNE 2004**

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### PROGRESS OF THE PRSP PROCESS IN TAJIKISTAN

Stage in PRSP Process	Date	
Start of PRSP Process – Presidential Decree establishes the Presidential Working Group (PWG)	March	2000
World Bank Poverty Assessment Report issued	June	2000
Interim-PRSP	October	2000
PRGF approved in principle by IMF Board (pending discussion of I-PRSP)	October	2000
I-PRSP and PRGF approved by IMF Board	November	2000
Consultative Group Meeting in Tokyo	May	2001
Full PRSP launched and approved by Presidential Decree	June	2002
PRSP Monitoring Department established in President's Administration	September	2002
JSA of PRSP and approval by IDA/IMF Boards	Oct Nov?	2002
First Progress Report	March	2004

## **PREFACE**

EC-PREP is a programme of research to enhance collaboration between the European Commission and the UK Department for International Development (DfID). Its objective is to enhance the poverty impact of the European Community's development assistance and contribute to achieving the International Development Target of halving the number of people living in extreme poverty by 2015. DFID has assigned £1,750,000 to EC-PREP for research projects which will be funded on a competitive basis. A further £250,000 has been set aside to fund Commissioned Studies. The Studies are designed by DFID or the European Commission and aim to respond to specific and topical issues.

This document has been prepared as an input into the EC-PREP commissioned study "Implementation of Poverty Reduction Strategies in the NIS". PRSPs are being prepared by seven Newly Independent States (NIS) of the former Soviet Union and, of these, five countries have completed full PRSPs and have started implementation. This overall study will identify the key challenges facing NIS governments in implementing full PRSPs and set out recommendations for addressing them. The purpose of the study is to provide useful insights to be used by the EC in the policy dialogue with partner governments in the NIS on PRSPs, and as input for the preparation of the next generation of Indicative Programmes (2007-12) and for the development of Action Programmes from 2004 onwards.

The consulting process involves the preparation of (a) five desk studies (Azerbaijan, Georgia, Moldova, Tajikistan and Uzbekistan); (b) two in-depth case studies (Armenia and the Kyrgyz Republic); (c) a comparative study examining global experience with implementation of PRSPs (d) a synthesis report bringing together the findings, lessons and recommendations from the other reports.

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## 1. INTRODUCTION AND CONTEXT

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### 1.1 BRIEF COUNTRY BACKGROUND

Tajikistan is a landlocked country of 143,100km<sup>2</sup> dominated by the Trans-Alay mountain range in the north and the Pamirs in the southeast. It has a population of approximately 5.9 million with about 65 percent ethnic Tajik. Tajikistan has experienced three changes in government and a five-year civil war since it gained independence in 1991 from the USSR. The war claimed over 60,000 lives, created 700,000 refugees and destroyed much of the country's infrastructure. Moreover, 26,000 families lost their heads of household and 55,000 children were orphaned. A peace agreement among rival factions was signed in 1997, and implemented in 2000. The central government's less than total control over some areas of the country has forced it to compromise and forge alliances among factions. Attention by the international community in the wake of the war in Afghanistan has brought increased economic development assistance. Tajikistan is in the early stages of seeking World Trade Organization membership and has joined NATO's Partnership for Peace.

Modelled on the Presidential form of governance, Tajikistan has three branches of state power: legislative, executive and judicial. Power is distributed among three main branches: (a) Legislative power is performed by a two-chambered Majlisi Oli (Parliament) (b) Executive power belongs to the President (c) Judicial authority is performed by the constitutional Court, Supreme Court, Higher Economic Court and regional courts. Civil society in Tajikistan is weak and the country has limited experience with participatory approaches to governance. However, legitimate NGOs are gradually emerging and are, increasingly, being accepted by government as representative development agents capable of mobilizing donor resources.

Opposition parties other than the Social Democrats, who were finally registered in December 2002 after years of obstruction, still have difficulty in obtaining official registration, which would give them the right to participate in elections. The extension of the limit of the presidential term in office is a concern following controversial constitutional referendum held on 22 June 2003. The opposition warned that this extension may give President Rakhmonov (and his Democratic Party) the possibility of remaining in office until 2020. The next parliamentary elections will be held in February 2005. Following international pressure, the Tajik government agreed to improve the electoral law which will be changed soon.

Since independence in 1991, economic conditions in Tajikistan deteriorated sharply. The break-up of the Soviet Union accounted partly for these developments: the budget transfers from the Central

Union budget stopped and inter-republic trade and payments arrangements collapsed. The political uncertainty following the separation from the Soviet Union, and civil unrest between different groups, gave way to the civil war which resulted in much destruction of infrastructure base and large population displacement. The economic damage from the civil war is estimated at about USD 7 billion. Natural disasters in 1992 and 1993 aggravated the economic conditions. The GDP fell at an estimated 60 percent in five years. Current account and fiscal deficits reached unsustainable levels, and hyperinflation emerged. As the civil war started tapering off, the government was able to start efforts for economic recovery. Sustained economic programs began only in 1997, after the signing of the peace accord.

However, since then, macroeconomic performance has improved significantly. Economic growth averaged about 7.5 percent in 1997-2001. This strong economic growth accelerated in the last three years supported by increased production of key commodities (mainly aluminium and cotton), strong domestic demand fuelled by increasing remittances from Tajiks working abroad, and the Government's reform agenda. The farm privatization program has also begun to show results, with yields of private farms often two, and sometimes three, times greater than those of public farms. The economic growth since 2000 has been strong and real GDP has increased annually on average by 9.5 percent. This real growth has had an impact on reducing overall poverty despite some indications that there is increased income inequality. Even though the per capita income is very low, it has risen in real terms since 2000. However, the country's development agenda remains daunting. The old Soviet infrastructure is deteriorating rapidly and the education and healthcare systems continue to worsen, indicating bleak prospects for current and future generations.

The main challenge now facing the government is to translate economic growth into sustainable poverty reduction. 83 percent of the Tajik population lives below poverty level as defined by the World Bank. Many social indicators have fallen from their pre-war levels. Malnutrition, lack of access to primary health services, unemployment and rural-urban income disparities all represent serious problems. Social protection of the vulnerable population is inadequate.

External debt was virtually non-existent at independence. However, according to the World Bank, in 2002 the total debt to GDP ration was almost equivalent to 100 percent. Almost the entire government investment budget is financed from official development assistance. The large debt complicates economic management and the cost of its servicing threatens fiscal stability. Weak institutions and poor governance are also serious constraints on development. Deficiencies in the legal framework and the judicial system and the undeveloped financial sector further worsen the situation.

## **1.2 THE NATIONAL DEVELOPMENT PLANNING FRAMEWORK**

Tajikistan's five year civil war made a comprehensive planning framework virtually impossible. In 1995 the government initiated a plan of economic reform aimed at achieving an orderly transition from central planning to a socially oriented market economy. However, the country has largely relied on the annual budget as the main planning instrument. The government continues to work with multilateral and bilateral donor organizations implementing country assistance strategies, Structural Adjustment Credits, and projects for rehabilitation of social sector, infrastructure, emergency flood and power sectors. Tajikistan is also one of the countries included in the CIS-7 Initiative supported by the Bretton Woods Institutions, the ADB, the EBRD, neighbouring countries and bilateral donors.

There are three ways through which the government now plans to reorient its expenditure towards poverty reduction: through the process of preparing the Medium Term Budget Framework (MTBF) and the Public Investment program (PIP), and as part of the preparation of the annual budget. The first MTBF was introduced in 2001 covering the period 2002-2004. Following that the government has prepared draft MTBFs for the periods 2003-2005 and 2004-2006. The government is now taking steps toward integrating PRSP, the Annual Budget and the MTBF. In the case of the PIP, external financing of public expenditure has not yet been integrated into the annual budget. Both these mechanisms have been explained in greater detail in section 3.1.

## **1.3 THE AID REGIME IN TAJIKISTAN**

Bilateral donor support to Tajikistan quadrupled over the period 1992 to 1996, from USD 10 million to almost USD 40 million. Security conditions in Tajikistan during the war years impeded donors from increasing their engagement during that time, and the focus on humanitarian needs in Tajikistan during this period meant that development priorities suffered from limited donor support.

After the civil war, bilateral assistance stabilized, but concessional grants and loans increased significantly. While Tajikistan became a member of the EBRD in 1991, established relations with the World Bank and the IMF in 1993, and with the Islamic Development Bank and Asian Development Bank (ADB) in 1996 and 1998, respectively, conditions in the country did not permit operations with the IMF and World Bank to grow. IDA and ESAF lending in 2001 was USD 58 million, the largest sources of external assistance that year. In 2002, the largest *bilateral* donor was the USA. In 2001, total ODA as registered by OECD reached USD 159 million, and the bilateral share was 40% of this total, representing 15.7% of gross national income in 2001. In May 2001, at the Tokyo Consultative Group Meeting, donors pledged USD 430 million over the period 2001-03. Disbursements, however, did not reach this total.

New lending in 2001 increased the debt held by the IMF to USD 110 million and by IDA to USD 172 million. Overall, these two sources of indebtedness are a relatively small proportion of total external debt in 2001. By far the largest proportion of Tajikistan's external debt (USD 541 million, 2001) is private and bilateral in nature, incurred largely to finance the cotton sector and to pay Russia for energy and other imports during the civil war. In sum, multilateral institutions have provided Tajikistan with highly concessional lending since 1998, and they were able to increase their exposure when the government of Tajikistan concluded a major restructuring agreement with the Russian Federation in late 2002.

In 2002, Tajikistan produced its first annual Foreign Aid Report with the assistance of the ADB, beginning in July 2002. The Report states that in 2002, Tajikistan received a total of USD 205.4 million in new foreign aid commitments, of which USD 71.8 million was in the form of loans, and USD 133.8 million in grants. Bilateral assistance represented only 19% of the 2002 year-end total of USD 524.4 million, with multilateral disbursements and NGOs representing 80% and 1%, respectively.

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## **2. THE INITIAL PROCESS**

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### **2.1 START OF THE PROCESS**

In Tajikistan, the process of preparing the PRSP began with a decree by the President of the Republic of Tajikistan Emomali Rahmonov, dated March 24, 2000, regarding the establishment of a Presidential Working Group. It consisted of leading scientists and government officials and was led by the State Advisor of the President on economic policy. The government also began the process of conducting a Poverty Assessment and organised two seminars with World Bank assistance in November 1999 and May 2000 to discuss it and solicit feedback from government officials, civil society and international donors, on the basis of which the Assessment was finalised in July 2000. Subsequently an Interim PRSP (I-PRSP) was finalised and presented to the boards of the IMF and the World Bank, as well as to other IFIs and donors in October 2000. This served as the basis for the development and preparation of the full-fledged PRSP.

Following the completion of the I-PRSP, a government delegation of thirteen officials received training at a “European and Central Asia Forum on Poverty Reduction Strategies” in Moscow from October 30 to November 3, 2000. This forum provided training on suggested methods for developing a PRSP with special emphasis on carrying out a genuine participatory process. On the basis of this forum, the first draft of the national program on poverty reduction was produced. The poverty level of the population was determined, the necessary legal framework was developed and social protection mechanisms and other means aimed at poverty alleviation were specified.

On the basis of what is known about poverty and living standards in the country, the government has designed a poverty reduction strategy based on four key strategic aims:

- encouragement of an accelerated, socially fair and labour intensive economic growth with emphasis on exports;
- efficient and fair provision of basic social services;
- targeted support to the poorest groups of the population;
- efficient governance and improvement in security;

### **2.2 POVERTY ANALYSIS**

A variety of sources of data were used for the diagnosis of poverty and living standards in the country. Much of the analysis was based on the 1999 household survey and other official data sources. Poverty in Tajikistan is a multi-dimensional phenomenon. In order to obtain a firm quantitative foundation for



assessing the dimensions of poverty, the Tajikistan Living Standards Survey (TLSS) collected data on demographics, housing, expenditures, consumption and other areas. The level of material poverty in Tajikistan is high, with four out of five 'poor'; a third 'very poor'; and nearly 20 percent 'extremely poor' (below USD 1.075 PPP).

Data on poverty beyond 1999 did not exist at the time of the Joint Staff Assessment (JSA) of the PRSP in 2002, but the State Statistical Committee has been in the process of updating the household survey with support from the ADB. The World Bank's Poverty Assessment prepared in June 2000 shed light on the way in which the poverty has evolved in Tajikistan and made recommendations on the development of a pro-poor country development strategy which were incorporated into the PRSP. Aside from the World Bank, the Tajik Social Investment Fund (TASIF), government agencies, donor agencies (UNDP and the ADB) and international NGOs have all completed various social assessments of Tajikistan which were used in the PRSP process. The PRSP itself offers a realistic assessment of the general poverty situation in Tajikistan, and identifies vulnerable groups.

### **2.3 PARTICIPATION IN THE PROCESS**

Tajikistan, which had showed significant signs of emerging pluralism in the last years of the Soviet era, rapidly spiralled out of control after independence and political freedom soon turned to anarchy. A few months after independence, it plunged into a five-year long civil war. As a result, civil society did not have much of a chance to develop. Indeed, before the start of the PRSP process broad participation in government decision making in Tajikistan was limited. As mentioned earlier, civil society in Tajikistan is weak and the country has limited experience with participatory approaches to governance. However, legitimate NGOs are gradually emerging. Having experienced incessant upheaval and trauma for several years, Tajikistan is only just beginning to recover from a brutal civil war.

To support broad participation by civil society in the PRSP process nine Sector Working Groups (SWGs) and a Coordination Unit (CU) were formed with the responsibility for formulating strategies, policy reforms and investment priorities that would support the objective of fostering growth and reducing poverty. The sectoral working groups consisted of representatives of the Parliament, the Government, local authorities, institutes and universities, private sector, NGOs and other groups. The major tasks of the SWGs were to produce Sector Policy Notes (SPN) and Sector Implementation Plans (SIP).

The Sector Working Groups interacted at three levels; within the SWGs, between them and at the national level. The Steering Group also undertook a variety of other activities to ensure broad participation. These included –

- Disseminating the I-PRSP in three languages (Tajik, Russian and Uzbek)
- Conducting regular meetings with the chairpersons of the SWGs
- Supporting public awareness of the strategy through the mass media and initiating seminars, workshops and roundtable discussions in Dushanbe and other regions

The 50 seminars, workshops and roundtables held during the first half of 2001 involved a large number of participants from different organisations and agencies. About a quarter of the participants were from central government agencies, and nearly 30 percent were local government officials. About 8 percent of participants came from NGOs and civil society, while the remainder were from the private sector, academia, associations and trade unions.

Local consultants prepared minutes of all the seminars and reflected suggestions and recommendations received during the seminars. Part of these proposals and recommendations were taken into account in the revised sector notes for the PRSP. Consultants from the IMF, World Bank, ADB and UNDP commented on the sector notes as well.

To ensure the inclusion and participation of Tajik women in the PRSP process, the government supported a qualitative study, “Voices of the Poor” that was carried out by the World Bank, ADB and a Tajik research team. While there is no significant difference in the poverty indicators for men and women, their perspectives on poverty differ in many respects. Tajikistan is one of two countries in the former Soviet Union (the other being Georgia) where the gender of the household head *is* a correlate of poverty. The civil war left in its wake thousands of female-headed households, with thousands more created by the exodus of men to neighbouring countries in search of employment. Although Tajik women are not yet widely represented in government structures, they have been more successful in the voluntary sector: more than 35% of Tajik NGOs are headed by women. Their participation in the PRSP process and acknowledgement by the Tajik government and international organisations of the special status of women in post-conflict situations provides a firm basis for empowering Tajik women in the future.

The PRSP was presented to Parliament and approved in June 2002, finalized after 2 years of deliberation and consultations with civil society. A Joint Staff Assessment of the PRSP by the IMF and the IDA, prepared in October 2002, recommended its approval.

At the same time, the JSA confirmed governance problems including deficiencies in public administration and financial management and an undeveloped legal and judicial system. It also highlighted the importance of decentralization and community involvement. Decentralization would increase the need and opportunity for public participation and support civil society efforts to hold government accountable. The JSA and key elements of the government thus recognised the importance of good governance and removal of corruption with respect to participation. The government has now committed itself to the development of a national strategy to do the same. The donor community was quick to respond to government requests for support in the process.

Donors have encouraged the government of Tajikistan to involve parliamentarians, civil society and other stakeholders in PRSP implementation and monitoring to continue participation in the PRSP process beyond the formulation of the document. It is generally agreed by different studies conducted by multilateral donors and IFIs that the participation process was successful.

## **2.4 OWNERSHIP OF THE PROCESS**

In Tajikistan, The Government had already demonstrated its commitment to poverty reduction through its policy of maintaining social expenditures at 22 percent of the Government budget, before preparation of the PRSP. The I-PRSP, which forms the basis of the full fledged PRSP was almost totally government owned. However, broad participation by civil society and the Parliament has ensured a more national ownership in the case of the PRSP. The JSA recognised that a broad and intensive participation process drove the preparation of Tajikistan's PRSP.

At the same time, Tajikistan may fall victim to the same problems that afflict other NIS countries in terms of PRSP ownership and implementation. Often the Ministry of Finance or the Ministry of Economic Development (President's Office in the case of Tajikistan) has the strongest ownership of the PRSP process while others are less clear about their role in the PRSP process, or even the purpose of the PRSP document, and seem less committed to it. To add to the problems, implementation and management arrangements have been laid out in the PRSP document in very general terms. However, the government has established the PRSP Monitoring Department within the Executive office of the President to ensure monitoring and evaluation of the PRSP implementation. One of the main tasks of the Office of the President is thus, to ensure coordinated operations and interaction between state organs.

## **2.5 DONOR SUPPORT FOR THE PRSP PREPARATION PROCESS**

Support to the Government of Tajikistan in the PRSP preparation process was undertaken by UNDP, ADB, the World Bank and a number of other donors. Though UNDP has a relatively modest programme in Tajikistan, it was able to supply the government with the appropriate type of assistance and ensure that no single donor was dominant in the process.

### **ADB**

In December 2000, the ADB approved a project “Small-Scale Technical Assistance to Develop a National Poverty Reduction Strategy”, under a budget of USD 150,000, to complement the Government counterpart contribution of USD 18,000. This grant was designed to cover the cost of consultants (including a Poverty Reduction Specialist for four months and of domestic consultants), computer and office equipment, reports and communications, and to cover the cost of seminars, workshops, focus groups and training. The ADB also provided advisory services to the agricultural sector.

### **UNDP**

The most pressing need was seen as assistance to establish and support structures to carry out a participatory process and develop the strategy itself and the UNDP decided to engage with government in this area. UNDP provided consultants through United Nations Department of Economic and Social Affairs (UNDESA) to advise and contribute to the work of the SWGs and in the preparation of the PRSP, where it worked closely with the World Bank, the IMF and the ADB. A UNDP project was set up under Support Services for Policy and Programme Development (SPPD) to achieve this objective. Specifically, UNDP contributed to the PRSP process in three ways. First, it helped in producing Sector Policy Notes that presented and analysed the principle poverty issues in each of the nine identified sectors. Second, it prepared conducted seminars, workshops and roundtable discussions with stakeholders in their sector. Finally, it collected and distributed sector-specific information and documents. In addition, UNDP CO and UNDESA staff also took part in the participation workshops.

UNDP’s role in the PRSP process has been informed by the five key development challenges identified by the UN in Tajikistan –

- Access – by civil society to information and decision making;
- Reform – of governmental institutions and civil society structures;
- Decentralisation – of decision making authorities and control over financial and other resources;

- Capacity building – of individuals and institutions; and
- Data gathering and analysis – to provide the quantitative and qualitative information on which to base decisions

Moreover, aside from poverty reduction and the PRSP process, the UNDP has been seen as keen to achieve the Millennium Development Goals (MDGs) and placed special emphasis on these areas including democratic governance, energy and environment, ICT and HIV/AIDS. The project also strengthened government capacity in the monitoring of the PRSP and in monitoring poverty trends and trends relating to the achievement of the MDGs.

### **World Bank**

The World Bank supported the PRS process through consultancy services of up to 3-4 person months and special staff in PRSP missions to assist the work of the SWGs. The Bank and the IMF also monitored the implementation of a three year macroeconomic programme.

## **2.6 THE PRSP DOCUMENT**

Since the end of the conflict the government had focussed on achieving macro-economic stabilisation and undertaking priority structural adjustment reforms. Good progress has been made towards stabilisation and the growth forecasts for Tajikistan are strong. The economy is projected to grow at an annual rate of around 6 percent over the next few years. The creation of small and medium private enterprises and the break up of large state and cooperative farms is expected to be a significant source of growth. Poverty reduction has been linked to growth and the PRSP recognises that it requires more effective and efficient management of institutions in both, private and state sectors in order to raise the level of protection of the most vulnerable groups of the population and increase access to education and health care. The start of the PRSP process itself indicated to some extent reflects a commitment to reconciling economic development with pro-poor growth. However, it is not always clear how the PRSP will be implemented and what the roles and responsibilities of the different stakeholders are.

While, the PRSP describes a very comprehensive reform program that attempts to address many of the key constraints within several sectors, (energy, water, telecommunications, health and education to name a few), the JSA still concludes that its implementation could prove to be a challenge given the limited government capacity and resources available. The government could have developed a more selective and phased implementation plan that clearly describes the role of various stake holders, and takes into consideration the different priorities for the short and medium term. Similarly, while the

key link between growth and infrastructure is well recognized in the PRSP, the proposed measures to improve infrastructure could be made more specific.

The JSA also noted that prioritization of PRSP programmes was an issue that was not been sufficiently addressed in the document. A mechanism needs to be developed for improved prioritization. Without such a mechanism, it will be difficult for the government as well as the WB and IMF to judge whether or not sufficient resources are being appropriately allocated to achieve the government's objectives for poverty reduction. The JSA thus encouraged the government to develop elements of a MTBF, as supported under the Bank's Second Institution and Technical Assistance Project.

Apart from PRSP program costing and prioritization issues, the PRSP document does not reflect a carefully consideration of the implications of the availability of domestic and external resources. As noted in the document, funding needs for PRSP programs exceed available resources by a considerable margin. While the government expects to fill the financing gap with donor funding that is expected to materialize as a result of Consultative Group (CG) Meetings, the JSA encouraged the government to take a more conservative approach in its estimation of available resources. The lack of integration with the existing national planning framework and absence of a clearly explained strategy and timetable for implementation could have a negative impact on accomplishment of PRSP targets in the long run.

### **Links to MDGs**

The United Nations Development Programme (UNDP) Human Development Report has presented Tajikistan as one of 31 'top priority' countries that are unlikely to meet the Millennium Development Goals (MDGs), the only country in the Commonwealth of Independent States (CIS). Costing models are being developed to help policy planners in the education; health and water sectors to more accurately assess MDG priorities and optimise resource allocations. This concept has gained the support of the Millennium Project of the UN Secretary General, headed by Professor Jeffery Sachs, who will be visiting Tajikistan in June.

In 2003, the Government of Tajikistan developed its first report to the UN General Assembly on its progress towards achieving the MDGs. The MDG Report concluded that by 2015:

1. income poverty could potentially be halved,
2. all boys and girls could probably complete nine years of basic education,
3. it is unlikely that gender disparity could be eliminated at all levels of education (or indeed in primary and secondary education) by 2005,
4. it is unlikely that child mortality could be reduced by two thirds,

5. it is unlikely that maternal mortality will be reduced by three quarters,
6. it is unlikely that the spread of malaria will be halted,
7. it will be extremely difficult to reduce by half the proportion of people without sustainable access to safe drinking water, and
8. it might be possible to lay the ground for a stabilization of HIV/AIDS.

While this prognosis overall is sobering, the report is important for describing the current situation in clear and simple terms. This assessment by the Government is indispensable for Government, UN and the international community to target and monitor all development interventions.

The PRSP includes nine targets and indicators for 2006 and 2015. Five of these indicators are related to the Millennium Development Goals (poverty, primary education, infant mortality, maternal mortality, and reproductive health services). Although there is a brief reference to the MDGs, the JSA recommends that these be discussed further, along with their specific relevance to Tajikistan. Some of the targets may either be too cautious or difficult to attain. For example, with a projected growth rate of 6 percent a year, aiming for only a 23 percent reduction in the proportion of the population below the poverty line by 2015 may be conservative. On the other hand, increasing the proportion of the population with access to pure drinking water from 51 to 80 percent would be difficult to achieve given the high investment costs and tight budget constraint. Given current trends, targets related to the share of private sector in GDP and number of telephone lines per 100 residents, and employment rate seem reasonable and achievable by 2015.

The PRSP does discuss health and education strategies at some length. It sets out a strategy to improve both the quality and access to education (at the primary and secondary levels) and health care for the poorer segments of society. Social protection is to be provided mainly through the cash compensation scheme and increased pension benefits. The JSA agrees with the high priority attached to social expenditures. However, it also points out that the key priorities need to be clarified and strengthened. In education, it recommends a clear focus of public expenditure on basic education (grades 1-9) and on assuring the access of children from poor families, and women, to all levels of education. The PRSP also describes a very comprehensive reform program that attempts to address many of the key constraints within the health sector. Nonetheless, as mentioned earlier, its implementation could prove to be a challenge given the limited government capacity and resources available.

Whether Tajikistan fully succeeds in implementing the measures outlined in the PRSP will depend on a host of uncertainties. That a political consensus has emerged to set out such a detailed plan is, however, a basis for some optimism.

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### 3. IMPLEMENTATION OF THE PRSP

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#### 3.1 OVERALL IMPLEMENTATION STRATEGY

Since the completion of the PRSP, the Government of Tajikistan has further defined the prioritization of policies, created various policy implementing organizations and expanded the basic legal infrastructure and administrative procedures. These initial measures may become the building blocks for the next stages of poverty reduction work if the currently observed difficulties are managed well by the time the second PRSP Progress Report is prepared. Indeed, in the first report the government declares its intention to put in place a strategic and a comprehensive management of the entire process before then.

The Government of Tajikistan has undertaken a reform of public expenditure management since the formalization of the PRSP. There are three ways through which the reorientation of government expenditure towards poverty reduction will be effected: through the process of preparing the Medium Term Budget Framework (MTBF) and the Public Investment program (PIP), and as part of the preparation of the annual budget. Strengthening these three processes, which is the focus of ongoing reform of public expenditure management, is of crucial importance for implementing the poverty reduction strategy.

#### **MTBF**

The MTBF is a three-year public expenditure program. Its aim is to achieve a stronger link between public spending and the Government's economic policy objectives. It requires line Ministries to prepare sector strategies and to group expenditures 48 into a limited number of programs that reflect its main objectives. The three-year time frame makes it easier to gradually shift resources to priority programs. The first MTBF was introduced in 2001 covering the period 2002-2004. Sector strategies and a program structure of expenditures were prepared for only a few sectors (education, health and agriculture), but the coverage has been increased to include more sectors in the new, draft MTBFs.

The Ministry of Finance (MOF) has prepared draft MTBFs for the periods of 2003-2005 and 2004-2006. The ministries and agencies now have the basic capacity to prepare the annual budgets. Therefore, the government believes that the preparation and presentation of the budget under the format of budget programs (reflecting PRSP targets) and the associated Key Budget Organizations (KBO) will provide concrete improvements in transparency and accountability in budget preparation and execution. The MOF will revise the budget classification to facilitate the new budget preparation and execution. The government, Budget Commission, Parliament and stakeholders will be able to



measure more tangibly the purposes and the targeting of budget expenditures with the new budgeting process

### **PIP**

External financing of public investment has not yet been integrated into the annual budget, though this is planned. The PIP, a 3-year public investment program, is prepared intermittently, with the latest one covering the period 2004-2006. The PIP 2004-2006 is a continuation of earlier public investment programs. It tries to strengthen the current PRSP initiatives and for the first time, the PIP 2004-2006 recognizes the debt burden of the public sector. The PIP limits the annual external borrowing to 3% of the GDP for 2004. For the outer years, the Government of Tajikistan plans to revise annual external borrowing levels in accordance with the changing economic conditions. The borrowing constraint is based on the medium-term macroeconomic framework. The debt service of the state budget as a percentage of the annual revenues is high and will increase in the next few years.

### **Annual budget**

The program-based expenditure structure of the MTBF, once fully developed, will provide the framework for the annual budget allocations. These will, within the program spending ceilings, provide the funding for specific government activities, including the proposed actions in the PRSP.

Thus, much remains to be done yet. While the government has outlined some plans for an implementation strategy, gaps still remain. It is unclear as to how the MTBF will be used to extend resources to priority sectors and the impact this can have on sectors that are not included and therefore, on intra-government coordination and a sense of 'national' ownership. Furthermore, the MTBF and the annual budget allocations are yet to be coordinated. This has serious implications for the achievement of objectives detailed in the PRSP.

## **3.2 INSTITUTIONAL SET-UP AND RESPONSIBILITIES**

The PRSP Monitoring Department within the Office of the President was established to ensure monitoring and evaluation of the PRSP implementation. One of the main tasks of the Office of the President is to ensure coordinated operations and interaction of the state organs.

Departments of the President's Administration operate under the leadership of the President of Tajikistan (Chairman of the Government) and are subordinate to the Head of President's Administration. Prime Minister of Tajikistan and his deputies supervise the activities of the departments, which ensure execution of the powers of the Government in the relevant trends of domestic and foreign policies.

The PRSPMD Procedures introduce a decentralized system with distribution of functions and responsibilities, including cooperation mechanisms between various institutions. It is expected that PRSPMD will lead the monitoring and evaluation system, which includes the State Statistical Committee, line ministries and agencies, local authorities, units in the President's Administration, and public associations.

PRSPMD tasks include:

- monitoring of the PRSP process, including monitoring the distribution of funds through the public budget and PIP for the projects indicated in PRSP;
- defining institutional functions of monitoring system;
- processing and consolidating information obtained through monitoring process from public entities and other organizations;
- discussion of poverty trends with representatives of government and NGOs;
- dissemination of the results of monitoring and evaluation;
- improvement of monitoring indicators;
- designing the proposals on improving measures and actions for their implementation, based on the experience and lessons learned;
- preparing analytical materials on the status of sectors, drafting proposals for their development, evaluating effectiveness and comprehensiveness of measures;
- preparation of the annual progress report on results of PRSP implementation;
- creating website and upgrading information on PRSP monitoring and evaluation;
- coordination with international organizations on issues related to main PRSP and MDG trends;
- regular interaction and consultations with the stakeholders, including PRSP authors, members of the Parliament, public organizations, international financial institutions to identify and implement the required institutional measures and following up PRSP monitoring and evaluation results;
- involvement of analysts to the monitoring process to examine the problems identified during monitoring.

The proposed institutional mechanism for poverty monitoring provides important roles for both the government units and CSOs in the process of PRSP monitoring and evaluation. The Progress Report states that PRSP implementation will be an iterative process. Identifying priorities, targeting poverty alleviation measures, measuring progress and evaluating effectiveness will evolve. The idea is that a broad set of participants will have a better chance of success in implementing the PRSP than a narrow set. Increasing public awareness on the poverty reduction strategy implementation through the

network of public associations in various regions is thus important and will make implementing of monitoring and evaluation more effective.

The aggregation of the results of the monitoring experience at the lower levels occurs at the national level. Thus, the government will need to be careful that the special unit does not duplicate monitoring elsewhere, or impose an extra layer of bureaucracy and control.

The PRSP recognizes that the quality of the monitoring exercise depends vitally on the ability of the State Statistical Committee to provide information. The Government intends to strengthen the capacity of the Committee to collect and process data needed for monitoring and implementation of the PRSP. According to the JSA, while both the ADB and the World Bank are supporting improvements at the State Statistical Committee, much remains to be done. The Monitoring Unit also intends to prepare regular (quarterly) reports to the President. The Government plans to hold special meetings to discuss the annual reports on the results of PRSP implementation produced by the Unit.

### **3.3 INTRA- GOVERNMENT COORDINATION**

The Expert Consultative Group (ECG) is one of the main links in the system of monitoring and evaluation. The ECG members include PRSPMD, ACU, MOF, MOET, MOH, MOE, MLSP, donor organizations, international NGOs, and local NGOs. The ECG is chaired by the State Advisor to the President on Economic Policy. The ECG ensures effective intra-government coordination. As mentioned earlier, to a large extent, the success of intra-government coordination is dependent on the sense of ownership felt by various ministries within the government. While broad participation by civil society and the Parliament have ensured a more nationally owned PRSP intra-government coordination can be hampered by several factors.

### **3.4 CAPACITY**

Successful implementation and monitoring of the PRSP requires additional information and increased institutional capacity for data collection and analysis. Data collection should be on-going and regular to allow evaluation of changes over time but should not overly tax the capacity of the government to implement it or of the clients to report information. The JSA recommends that the State Statistical Committee be strengthened further to do regular surveys and data collection as stated in the PRSP and supported by the World Bank and the Asian Development Bank.

The government of Tajikistan also needs to develop intermediate targets and indicators and monitoring capacity for each of the sectors covered in the PRSP. At present appropriate indicators are set out for monitoring poverty and primary education enrolment ratios for which the government has

undertaken one household survey in 1999. The second survey has been recently implemented and is currently being analyzed.

The government has been receiving technical assistance in these areas. However, development of appropriate final and intermediate targets as well as indicators in several sectors for programs proposed in the PRSP is expected to take a considerable amount of time. The JSA encouraged the authorities to seek donor funded technical assistance for certain sectors with a view to develop intermediate targets and indicators which would require sector specific and detailed analyses. While the matrix attached to the PRSP provides indicators for all the nine sectors, most of these are too general, lacking a current baseline and adequate specificity to be meaningful. In terms of capacity of the PRSPMD, this body would probably need technical assistance and the JSA encouraged the government to seek donor funding to finance a technical assistance program in this area.

In addition to capacity building for monitoring and evaluation, the government has acknowledged that effective governance is one of the main elements of the PRSP along with accelerated economic growth and targeted support to the disadvantaged population. The State Financial Control Committee was created in 2001 to increase effectiveness and transparency in the use of public funds and property. Increased transparency in the operations of government bodies is provided by periodic publications, in the media, of new legislations, of essential policy decisions, including state budget execution reports and results of audits.

The Civil Service Department was created in 2002 to strengthen the state service system, Functional reviews were conducted by the Public Administration Reform component of the IBTA-II Project. The recommendations from the functional review have not been fully acted on. Over the period, the public sector employment was reduced by almost 5% through job attrition. Also, the legal base for a Register of state positions and qualification requirements was adopted (December 2002). A Professional Development Institute was established in October 2002 for the training of qualified civil servants. The under-funded Institute was not active in 2003.

The SFCC is directed by law to audit annual government final accounts and to report the results to the Parliament and the President. Other internal audit reports are available to the public through the media. However, concrete measures to increase the auditing capacity of the SFCC and to create a mechanism to review the SFCC audits do not exist, as noted by the first PRSP Progress Report. The government and SFCC are working on means to fulfill the potential of SFCC towards government accountability and transparency by resolving the issues of auditing capacity and the appearance of dependence of SFCC on the executive branch.

### **3.5 POLITICAL COMMITMENT**

The Government's commitment to the PRSP process was reconfirmed at the fourth Consultative Group Meeting on Tajikistan which met in the capital Dushanbe, May 2-3, 2003. The meeting was jointly organized by the Tajikistan Government and the World Bank. It was co-chaired by Akil Akilov, Prime Minister of Tajikistan and civil society and private sector representatives also participated. The participation process in preparing the PRSP created internal and external partnerships. Enhanced internal partnership emerged from the various consultative meetings and discussions that were intended to build consensus among stakeholders. Focus group meetings and discussions with the poor as well as the NGOs are examples of these new partnerships within the country. These discussions provided new forms of collaboration designed to better target support to the poor, and to provide them with basic social services and job opportunities. Parliament has also been an important partner in these discussions. Partnership with external stakeholders focused on pursuit of joint poverty reduction goals of the government and the international/bilateral donors and strengthened collaboration among them. This is expected to lead to better coordinated and higher levels of financial and technical assistance from the donor community and demonstrates the commitment of the government to satisfactory implementation of the PRSP.

### **3.6 CONSULTATION WITH OTHER STAKEHOLDERS**

The public has not been actively involved into the process of PRSP monitoring and evaluation during the initial phases. However, the proposed institutional monitoring and evaluation mechanism provides for the participation of CSOs. The coordination of CSOs and their expertise would yield positive externalities. The establishment of ECG and its ability to communicate through its membership to wider population and to the larger donor community is a constructive first step.

The media has also been increasingly involved in providing platforms for the public to offer opinions on poverty and its causes. In recent years, a number of television conferences on economic and political issues have been conducted and governmental officials have participated in television debates to address current affairs. However, these are not conducted on a regular basis. Though the public has had opportunities to question the actions of public institutions by the use of "hotline telephones" of various agencies, there isn't an effective public opinion feedback mechanism. The lack of access to communication facilities, TV, and radio for people, who live in remote mountainous areas, is a practical problem for information dissemination and feedback mechanism. The Progress Report states that the government is taking actions, such as the program 'Mavji Somon 2005,' to expand outreach of the national TV and radio programs.

As for the participation of the Parliament in the PRSP implementation, according to the Progress Report the designed mechanism of interaction is not functioning well. The members of the Parliament receive information of PRSP implementation process only in final reports. After the initial activities of PRSP preparation, the members of the Parliament have remained uninvolved. The perception that the PRSP is a program solely under the purview of the executive branch is mistakenly perpetuated.

At the same time, various donors have committed themselves to building on the foundation already established by stakeholders and continue supporting community based organizations of water users and farmers; improving agricultural support services, including machinery, improved seeds and links to financial services; and addressing farm debt, particularly for cotton farmers with the larger aim of targeting poverty reduction. For example, the ADB's rural development projects will focus on strengthening the integration of agriculture into the rural economy by encouraging the development of private sector activity and inclusive growth. This focus will increase agricultural productivity and reduce rural poverty.

### **3.7 DONOR SUPPORT FOR IMPLEMENTATION**

An estimate of the cost of the poverty reduction action program, broken down into external and domestic financing requirements, is presented in the PRSP policy matrix. Total resource needs amount to about USD 690 million, of which more than three quarters are required in foreign exchange. Projections of available funds show a total of USD 370 million in external project finance in the form of commitments or projects with identified donors (i.e. negotiations or discussions are going on). Additional donor funds for as yet unidentified projects for the 2002-2004 period could amount to USD 100 million to USD 150 million.

However, coordination of donor activities in Tajikistan needs to be improved further. Unfortunately, there is duplication of work of some donor organizations in several sectors and regions of the country. The Government should play a key role in managing donor activities, for all donors should operate in Tajikistan according to the prioritized development goals set by the Government. According to the Progress Report, donors usually do not coordinate their activities well with each other or with the PRSP cycle. Each organization operates on various budgetary cycles, scales and duration of projects, and has varying rules of accountability and control. Quite often these agencies install fragmented programs, which may not fully be integrated to government policies. These result, in duplication of some donor projects in certain areas and sectors. Also the potential of projects is not built upon on the experiences of other projects. Many foreign-aid financed projects are carried out by international and

local NGOs. They, by their constitution, function independently from the state and frequently have been reluctant to inform on the progress of their projects.

### **World Bank**

By emphasizing selectivity, the World Bank Country Assistance Strategy (CAS) aims to be a vehicle for strategic priority-setting. It emphasizes the need to (i) strengthen governance through reducing excessive business regulation, reforming public expenditure management (including improvements to the fiduciary aspects of public financial management) and increasing community oversight; (ii) support private sector development and export diversification through continued transfer of land ownership into private hands and the support of SME development through provision of micro-credits; and (iii) improve the quality of basic health and education services by rationalizing the existing systems, improving the system of their financing and seeking greater involvement of communities. The CAS will complement these activities with efforts to strengthen monitoring, evaluation and regional cooperation.

### **International Monetary Fund**

The PRGF, which had disbursed a total of SDR 78.3 million, went off track in December 2001 due to delays in structural reforms. But the government satisfactorily implemented a Staff Monitored Programme (SMP) that covered the first half of 2002. The IMF reviewed the PRSP in conjunction with its 2002 Article IV consultations with the GT and a three-year arrangement (October 1, 2002 - September 30, 2005) under the Poverty Reduction and Growth Fund (PRGF) in the amount of SDR 65 million is consistent with the PRSP.

### **The United Nations System**

While the UNDP has a relatively modest programme in Tajikistan, UN agencies have mobilized approximately \$106.3 million through the 2001, 2002, and 2003 CAP process. Counting the contributions of other UN agencies – twelve of which are resident in Tajikistan and 8 of which are not – UN agencies have brought approximately US\$163 million in grant assistance to Tajikistan between the May 2001 and May 2003 Consultative Group meetings. The UNDP, UNFPA, UNICEF and WFP, at a minimum from the UN family, will be contributing to the formulation of a new UN Development Assistance Framework which will be finalized in 2003 for approval in 2004.

### **ADB**

The ADB delegation to the Fourth Consultative Group Meeting for Tajikistan in May 2003 indicated a provisional resource envelope of USD 100 to USD 120 million over this period, subject to ADF availability and ADB's policy on Performance Based Allocation of ADF resources. Two thirds of the

pledged total are grants and will therefore not increase the Government's substantial external debt burden. The Government proposed to prepare an action plan to address issues raised at the meeting, and to improve project implementation and aid coordination.

### **Bilateral Donors**

At the same meeting, donors expressed their support for the PRSP and acknowledged the progress in reforms made by the Government, while stressing the size of the reform agenda ahead. Donors provided an indicative figure of commitments totalling around USD 900 million over the next 3 years, of which USD 200 million is humanitarian assistance.

As a result of a follow-up meeting of the Consultative Group of donors to Tajikistan held in London in February 2004, the United Nations (UN) worked together with the national Aid Coordination Unit (ACU) in the office of the President to complete a report on 'Simplified donor tracking for Tajikistan 2003-2004'. Thirty donor organizations provided information on commitments, obligations and disbursements totalling more than USD 560 million. Accordingly, high-level donor coordination meetings have since been established in the country.

The President of the Republic of Tajikistan issued Decree No. 678 of 28 September, 2001, creating the Centre for Coordination of International Assistance (CCIA) at the Executive Office of the President. The main objectives of the CCIA include coordination and ensuring efficient use of all types of external assistance in Tajikistan, including bilateral, multilateral, and non-governmental organizations, in order to improve formulation of the Public Investment Program (PIP) and promote better foreign debt management in the Republic of Tajikistan.

The main tasks of the CCIA are:

- Better management and coordination of all types of external assistance in Tajikistan;
- Monitoring the activity of all executive agencies using the proceeds of external assistance;
- Promoting an improved planning system which would provide closer relationship between external assistance and the PIP of the Republic of Tajikistan.

In general, donors operate in accordance with their by-laws and mandates, and, as mentioned earlier, frequently without coordinating their efforts. However, recently there have been improvements in this area. It is hoped that creation of the CCIA and strengthening the efforts in this direction will help find a solution to this problem. One of the main gaps is the lack or absence of necessary information about projects, especially in the case of planning new programs and projects. Another shortcoming concerns lack of clear and understandable mechanism or process for preparation and approval of investment



and other projects, as well as the procedure for presenting these projects for donor review. As a result, donors make independent decisions, based on their own criteria, in selecting projects and regions for implementation, which are often duplicated and may not related to development priorities in Tajikistan.

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## 4. CHALLENGES TO IMPLEMENTATION

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### 4.1 KEY CHALLENGES FROM IMPLEMENTATION SO FAR

The first PRSP Progress Report notes that the poverty situation in Tajikistan has improved. It also notes that, the most significant challenges relate to the acceleration of implementation in the context of privatization, land reform, and improvement of private business environment. The outstanding need to strengthen the institutional capacity to implement reforms is a subtext throughout the report. The overarching concerns which emerge are detailed below –

#### **Depth of integration of the PRSP in the budget process**

Despite continuing structural reforms in the budget management, budget allocations continue to reflect a planned economy system. The budget management process has not had the occasion to integrate PRSP priorities and its financial requirements into the state budget. Essentially, the extent, to which the government budget reflects the goals and priorities outlined in the PRSP, is still limited. This is partially explained by the fact that line ministries in the government do not have flexibility in contributing to the budgeting mechanisms. As a result they do not feel true ownership of the PRSP ultimately leading to a lack of political commitment and problems with implementation. In 2003, even though 43 % of the state budget expenditures were towards social sector needs, this does not imply that the PRSP priorities were addressed.

A lack of inter-governmental coordination has also hampered implementation efforts. The adoption of the PRSP as government economic policy has not filtered into all the government organs. The Progress Report states that PRSP priorities have not been explicitly communicated to the MOF, other ministries, and local authorities in a manner to link the budget allocations and the PRSP. Given the ambitious scope of the PRSP, the level and quality of the interaction between different governmental bodies has been dismally low. However, the government has made efforts to remedy the situation especially through support for the PRSPMD in the Executive Office of the President. The MOF also plans to establish a cash management unit and participate in the treasury securities market to further institutionalize the treasury functions.

According to the report the government is also working on measures to improve the effectiveness of the budgetary system. The creation of a Budget Commission has been under consideration and will help to build capacity in order to implement priority reforms. The Budget Commission is expected to guide the budget process strategically and to target budget expenditures on the priorities of the PRSP. The Commission is also expected to improve consultation with other stakeholders through the Parliament and CSOs.

The management of the state budget must consolidate the expenditures on capital investments within the context of PRSP prioritizations. Currently, the state budget coverage includes centralized capital investments and an externally financed PIP. However, unless the state budget is prepared in a singularly integrated structure, the budget allocations (current and capital) cannot separately target the same set of poverty reduction policies in the most effective manner. To improve targeting of investments in the public sector has created a PIP Unit in Ministry of Economy and Trade (MOET). The MOET is receiving donor technical assistance to improve upon the PIP preparation and management. The MOF, MOET and the ACU are in the process of delineating the tasks in the management of PIP financing and other donor contributions.

### **Sector strategies/work plans with clear priorities**

Results of Consultative Group Donor meetings, held in May 2003 and interim meetings in November 2003 indicated that donors are interested to see clearer process of prioritization especially by sectors. The failure of prioritization may be influencing the level of donor disbursements. According to the Progress Report, the government is in the process of reprioritizing sector strategies.

The lack of work plans with clear priorities stems from shortcomings in the institutional set up for PRSP implementation. Specifically, sector strategies and a program structure of expenditures were prepared for only a few sectors (education, health and agriculture) in the MTBF. Though the PRSP states that coverage will be gradually increased to include all sectors, there are no detailed plans for this process laid out in the document. There has been some progress made in the draft MTBFs prepared by the government and as mentioned earlier, the ministries and agencies now have the basic capacity to prepare the annual budgets and sector strategies with a focus on PRSP priorities. However, the extent to which this is actually occurring is questionable.

This in turn has had a negative impact on coordination within sectors and the extent to which they are able to implement the PSRP. While political commitment has been signalled through regular meetings are held for all major sectors and ad-hoc meetings being called on other topics of interest from time to time, this commitment has not yet been effectively translated into actions. Chairmanship of these sector groups is generally by lead agencies. Furthermore, since the PRSP is more or less controlled by the PRSPMD, sector groups may not necessarily feel true ownership of the document, thus holding back effective implementation.

### **Indicators, monitoring and feedback arrangements**

The types of indicators outlined in the PRSP to be used for measuring progress towards objectives include:

- Indicators that measure achievement of the main poverty reduction targets (mentioned in some detail in an annexure to the PRSP) that the Government has set itself to achieve. The data is being collected on a regular basis and progress can be easily tracked, e.g. mortality rates, primary education enrolment rate, while others require special surveys, e.g. access to reproductive health, percentage of population living below poverty line.
- Indicators that measure the extent to which specific measures have been successful, e.g. improving the gender balance in education, number of primary health centres, and number of beneficiaries of cash compensation scheme.
- Indicators showing whether measures have been implemented, e.g. adoption of planned laws and resolutions, preparation of action plans, implementation of proposed salary increases.

The biggest drawback in this regard is poor government capacity for poverty analysis. Essentially Tajikistan requires sustained institution-building in support of implementation and monitoring capacity. A design of statistical data system and a reporting mechanism with integrity are required to collect reliable data and construct indicators. The PRSP monitoring partner agency SSC is receiving Trust Fund technical assistance to upgrade its capabilities in this regard. Other technical assistance, under the PRSP Trust Fund Grant is also available to involve budget organizations, local authorities, and the CSOs to contribute in collating data on targeting indicators. The Grant will assist also in the coordination work of PRSPMD. In addition to implementation and monitoring capacity building the country requires a clear timetable for civil service reform which could in turn result in the further integration of the PRSP in the budget process. As mentioned earlier, capacity building for good governance is essential in this regard.

On a larger scale, there is a need for capacity building to improve governance through increased accountability. This can be accomplished through decentralized provision of services and increased interaction with stakeholders which is currently lacking. For example, in the farm privatization process, the Government has tried to divest control from local authorities with respect to farmers' production decisions. Because this measure requires an informed population to have effectiveness, the government is educating the stakeholders about their rights and available legal recourses.

### **Other current challenges**

There are several additional challenges that can be identified from implementation attempts to date. These arise, to a large extent due to the country's *weak institutions*. The state budget does not financially support some public sector management agencies. These agencies depend on the enterprises, which they are supposed to regulate. This relationship compromises the independence of the agencies. Other departments are still directed to implement centralized economic decisions, even after restructuring. This applies to executive governance bodies, financial managers as well as legislative and judicial systems.

Thus, the expected positive effects of restructuring ministries and agencies have not been witnessed. Transparency and accountability are not embraced priorities yet. The most conspicuous reason for the delay in extensive gains in governance management organs seems that the government has not had a single coherent practical approach. The government has received draft recommendations from the WB regarding policies on state procurement processes, auditing standards and procedures, MOF functions regarding expansion of treasury functions, independence of the SFCC, and greater involvement of stakeholders in the public expenditure management. According to the first Progress Report, the Government of Tajikistan will consider follow-up actions on the recommendations of public sector management issues as well as on functional reviews with renewed emphasis in the next PRSP implementation cycle.

Tajikistan is also one of most *disaster-prone* countries in the world. Steep valleys with few trees and towering mountains leave towns and villages extremely prone to the effects of frequent earthquakes — innumerable landslides, mudflows, floods and avalanches are propelled downhill towards the population. Such risks are a constant in Tajikistan life, posing a relentless challenge to truly sustainable development. The two-year drought from 2000 to 2001 left many households more vulnerable than before.

*Sub-regional issues* continue to hamper development, including: instability in Afghanistan, a severely restrictive border regime with Uzbekistan, drug trafficking on a huge scale, and thus organized crime.

Finally, one of the main challenges that the government faces is implementing change in a *post-conflict situation*. The reason it is such a challenge lies in weak preconditions for a comprehensive PRSP process, the specifics of conflict-related poverty and vulnerability and the unpredictability of the political/conflict context. These preconditions present their own hardships and complications to donors wishing to support the PRSP process.

- In the short run there may be a tension between reducing poverty and reducing conflict or building sustainable peace.

- The prominence of conflict and governance issues means that the initial decision whether or not to engage is first and foremost a political decision for donors.
- In low income countries PRSPs are being implemented with many of the basics taken for granted, such as credible political authority with control over territory; In conflict countries such as Tajikistan the PRSP is going to be one instrument of many contributing to the building of these basics.

#### **4.2 POTENTIAL FUTURE CHALLENGES**

In the first Progress Report, the Government of Tajikistan acknowledges that the pace and the depth of the implementation of PRSP reforms have been below the level of initial expectations. In public expenditure management, the links between PRSP and the state budget are weak. The creation of a strategic policy group such as a Budget Commission would provide the institutional framework to implement the medium-term budget framework (MTBF). The budget's current expenditures and capital investments are not yet fully prioritized according to the PRSP. The MTBF for the budget is not yet implemented. The proposed Public Investment Program 2004-2006 is within the external borrowing limit of 3% of GDP only for 2004. The government will revise annual external borrowing levels in accordance with the changing economic conditions. The broader participation of and the accountability to the stakeholders in the use of public funds remain elusive. However, the government has taken measures to increase transparency in budget execution, transparency in privatizations, transparency in public procurement, and to improve the standards of auditing institutions. The reasons for the slow adjustment to structural reforms are various. The existing legislations, which were designed in the service of PRSP, are not enforced well and remain, in general, ineffective. The lack of financial resources required in the broad approach to all policies has been a hard constraint on the Government's efforts. In this light, further prioritization of poverty reduction strategies becomes very important.

In the future, the risk of an external shock or a slowdown in economic activity may temporarily reduce income growth or compromise the authorities' ability to raise sufficient resources to fund their program. Security concerns due to Tajikistan's proximity to regions with fragile political situation should not be discarded. In addition, Tajikistan is particularly vulnerable to external shocks because of its heavy dependence on exports of aluminum and cotton. While the current fiscal position allows some room to manoeuvre to counter these events in the short term, the government of Tajikistan has recognized the need to diversify the economy over the medium term. In this regard, the JSA has commended the PRSP for its focus on structural reform to support efforts in reducing poverty and enhancing growth. Increased regional coordination and cooperation will thus be essential for sustainable growth.

#### **4.3 FURTHER ASSISTANCE NEEDS TO OVERCOME CHALLENGES**

The ongoing donor contributions in the area of capacity building and technical assistance need to be sustained and coordinated in the future. Aid effectiveness should be monitored consistently and separately from implementation. The Aid Coordination Unit which is part of the Executive Administration of the President of the Republic of Tajikistan has been receiving technical assistance from some development partners in this regard.

The Asian Development Bank project TA-3617-TAJ on Improving Aid Coordination & External Debt Management is aimed at improving aid management, public investment programming and has a training component for external debt management. 5 international and 4 domestic consultants are being provided under this TA. In ACU, its objective is to improve the facilities, organizational structure, and the systems and procedure. The TA will also implement an Aid Coordination & Management system database, and Public Investment Programming system database. The TA started in July 2002.

Additional TA support is also provided by TACIS Support to the National Coordinating Unit. The program is involved in re-launching TACIS activities in Tajikistan. The program is primarily aimed at supporting the National Coordinating Unit in Tajikistan in Aid programming and Aid coordination of European Union assistance. The German Development Service (DED) also provides assistance. Under the DED programming mission there is provision for strengthening the ACU in a more general sense rather than specific technical assistance. This includes consultancy services, training and the improvement of facilities.

Donor coordination and harmonization is also an important required input. Even if the PRSP does not provide well defined priorities to coordinate the donor activities around, these efforts are necessary. Moreover the Government is gradually narrowing its priority action set, and the donors should not miss this opportunity.

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## **5. CONCLUSIONS: LESSONS LEARNED AND RECOMMENDATIONS**

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### **5.1 CONCLUSIONS**

- The experience of implementation of the PRSP in Tajikistan indicates that it is a first serious attempt of the Government and the society to concentrate available resources for the purposes of poverty reduction. However, shortcomings remain.
- There exists a lack of political commitment and capacity. As discussed earlier, there is a scope to change this situation if line ministries are given more autonomy and are allowed to provide inputs to the budgeting mechanism which has been inherited from the Soviet era.
- Ongoing institutional weakness and poor governance will hamper implementation. Corruption, if not addressed directly and reduced, will inevitably undermine the effectiveness of the PRSP.

### **5.2 LESSONS LEARNED**

- Greater transparency in government operations is required with regard to PRSP implementation.
- While the PRSP has been developed in a participatory manner, vested interests may continue to resist reform. Greater input is required from various stakeholders

### **5.3 RECOMMENDATIONS FOR IMPROVED IMPLEMENTATION**

The following recommendations emerge on the basis of the identified challenges to the implementation of the PRSP in the Tajikistan:

- Switch the mindset from treating the PRSP as a document for the donors by the government. Rather, it should be treated as a document for the people, by the people with enhanced participation and feedback from various stakeholders. The absence of a publicly available progress report is indicative of the shortcomings in the mechanism to monitor implementation and its completion must be treated as a priority and indeed, essentially inbuilt part of the implementation process in the future.
- There is a need for prioritised sector plans and for improving the capacity of line agencies to implement these plans successfully. The PRSP does not discuss either of these issues in detail and the specific mechanisms surrounding each strategy need to be clearly laid out.
- Technical capacity and capacity to carry out poverty analysis needs to be enhanced and better linked to the action plan described in the strategy. As in the case of the line agencies and required actions, in this case too there should be a specific description of the way in which the problem identified in the PRSP will be addressed during the implementation phase. This can



be accomplished by paying more attention to the link between the poverty analysis and the priorities laid out in the PRSP.

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**ANNEX 1: LIST OF DOCUMENTS REVIEWED**

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1. Government of the Republic of Tajikistan, Poverty Reduction Strategy Paper
2. Government of the Republic of Tajikistan, Interim Poverty Reduction Strategy Paper
3. Government of the Republic of Tajikistan, PRSP First Progress Report
4. Joint IDA-IMF Staff Assessment of the Poverty Reduction Strategy Paper, Tajikistan
5. Asian Development Bank, Country Strategy and Program, 2004 – 2008, Tajikistan
6. Asian Development Outlook 2003: Economic Trends and Prospects in Developing Asia (Central Asia, Tajikistan)
7. Asian Development Bank, Country Assistance Plan, Tajikistan
8. Coordination of Donor Activities under PRSP, N.S. Khushvakhtova, Head of the Monitoring Unit for the Poverty Reduction Strategy Paper at the Executive Office of the President of the Republic of Tajikistan
9. PRSP Monitoring and Synthesis Project, Connections, Issue 8, May 2003
10. Moving Mountains: The Emerging Framework for Development in Tajikistan
11. Moving Mountains: A United Nations Assessment of Development Challenges in Tajikistan, Common Country Assessment for Tajikistan
12. Progress toward the Millennium Development Goals, Tajikistan 2003
13. United Nations Development Programme, Project of the Government of Tajikistan, Support Services for Policy and Programme Development (SPPD)
14. World Bank Country Assistance Strategy for the Republic of Tajikistan, February 2003
15. World Bank Republic of Tajikistan Poverty Assessment June 2000
16. Poverty Reduction Strategy Paper (PRSP) Experience in Central – Eastern European Region, A Draft Policy Paper for The International Policy Fellowship Program
17. Canadian International Development Agency (CIDA), Country Development Programming Framework, Tajikistan