

**THE GOVERNMENT OF THE REPUBLIC OF TAJIKISTAN**



**POVERTY REDUCTION  
STRATEGY PAPER**

**DUSHANBE –JUNE 2002**

**RESOLUTION OF THE MAJLISI  
NAMOYANDAGON MAJLISI OLI OF THE  
REPUBLIC OF TAJIKISTAN**

**About approval of Poverty Reduction Strategy Paper**

**With the purpose of creation conditions for rapid and socially fair economic growth necessary for the increase of real income and improvement living standards of population, Majlisi Namoyandagon Majlisi Oli of the Republic of Tajikistan resolute:**

- 1. To approve the Poverty Reduction Strategy Paper.**
- 2. Government of the Republic of Tajikistan has to take necessary measures for the implementation of Poverty Reduction Strategy Paper.**

**S. HAIROULLOEV**

**Chairman of Majlisi Namoyandagon  
Majlisi Oli of the Republic of Tajikistan**

**Dushanbe, June 19, 2002  
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## ACRONYMS

AsDB	Asian Development Bank
AC	Agriculture
AIC	Agro Industrial Complex
AWU	Association of Water Users
CIS	Commonwealth of Independent States
CPI	Consumer Price Index
GART	State Airline Company of the Republic of Tajikistan
GBAO	Gorno-Badakhshan Autonomous Oblast
GDP	Gross Domestic Product
GMP	General Medical Practice
GRT	Government of the Republic of Tajikistan
HPS	Hydro-Power Station
ILO	International Labor Organization
IMF	International Monetary Fund
IPRSP	Interim Poverty Reduction Strategy Paper
LC	Labor Code
MD	Medical House
MET	Ministry of Economy and Trade of the Republic of Tajikistan
MLSP	Ministry of Labor & Social Protection of the Republic of Tajikistan
MOE	Ministry of Education of the Republic of Tajikistan
MOF	Ministry of Finance of the Republic of Tajikistan
MOH	Ministry of Health of the Republic of Tajikistan
MOJ	Ministry of Justice of the Republic of Tajikistan
MPC	Maximum Permissible Concentration
NGO	Non-Government Organization
PHC	Primary Health Care
PIP	Public Investment Program
PPP	Purchasing Power Parity
PRSP	Poverty Reduction Strategy Paper
RT	Republic of Tajikistan
SAAPSE	State Agency for Antimonopoly Policy and Support of Entrepreneurship
SBS	State Basic Standard
SJSHC	State Joint Stock Holding Company
SPF	Social Protection Fund under the Government of the Republic of Tajikistan
SRI	Scientific and Research Institute
SRW	Scientific and Research works
SWG	Sector Working Groups
TADAZ	Tajik Aluminum Plant
TASIF	Tajik Social Investment Fund
TLSS	Tajikistan Living Standard Survey
TR	Tajik Railways
UN	United Nations Organization
UNDP	United Nations Development Program
VAT	Value Added Tax
WB	World Bank
WHO	World Health Organization

## COUNTRY PROFILE

Capital	Dushanbe
Territory	143.1 thousands sq.m, population density- 44.3 per sq.m
Population (as of January 1, 2002)	6.3416 mln. people, urban – 1.66959 mln.people; rural – 4.6457 mln. people
People inhabit	7% of the territory
Independence day	September 9
Administrative division	<i>Gorno-Badakhshan Autonomous Oblast</i> - territory – 63.7 thousands sq.m., population – 0.2100 mln; <i>Sogd Oblast</i> - territory – 26.1 thousands sq.m., population – 1.9151 mln. people; <i>Khatlon Oblast</i> - territory – 24.6 thousands sq.m., population – 2.2916 mln. people; <i>city of Dushanbe</i> : 581.1 thousand people; <i>Rayons of Republican Subordination</i> : territory – 28.7 thousands sq.m., population – 1.3891 mln. people..
Ethnic structure	Tajiks –80 %, Uzbeks – 15.3 %, Russians – 1.1 %, other nationalities – 3.6 %
Languages	Tajik – state language, Russian – language of the inter-ethnic communication
National currency	Somoni ( USD1.00 = 2.3725 Somoni)
GDP per capita (2001)	396.13 Somoni
Average salary (2001)	25.07 Somoni (USD 10.6)
Consumption basket (2001)	25.8 Somoni (USD 11.7)
Live expectancy	68.4 years
Infant mortality (2000)	36.7 deaths per 1000 newborns
Maternal mortality (2000)	43.1 deaths per 100 000 newborns
Population/doctor rate	463
Access to clean water	51.2% of population
Human development index	0.551

## Macroeconomic Indicators – 2001

GDP (in thousands Somoni)	2,512,112.8
GDP growth (%)	10.2 %
Goods production (% to GDP)	52.5
Agricultural production (% to GDP)	22.1
Industrial production (% GDP)	18.7
Services (% to GDP)	37.9
Tax revenues (% to GDP)	14.0
State budget revenues (% to GDP)	15.2
State budget expenditures (% to GDP)	15.0
Export (mln. USD)	651.6
Import (mln. USD)	687.5
Balance (mln. USD)	-35.9

## Financial Assistance – 2001

Humanitarian aid (mln. USD)	82.7
Foreign direct investments (mln. USD)	8.1
Total external debt (mln. USD)	970.0



## INTRODUCTION

Ten years ago, following the collapse of the Soviet Union, the Republic of Tajikistan became a sovereign state. Unfortunately, in its early years the country was not able to fully use the advantages and benefits of independence. External and internal forces used socio-economic and political problems, accumulated during decades, to unleash civil war in the country. As a result, thousands died, many Tajik people were forced to leave their country and the economy and socio-cultural environment suffered great losses.

Recognizing the war's harmful consequences for the future of the Tajik people, the Government, once its constitutional powers had been restored, pursued a firm policy directed at establishing peace and national accord solely in a peaceful manner – through a dialogue. The way towards peace for Tajikistan turned out to be long and difficult. Incredible efforts to achieve peace at some point required firmness, self-confidence and consistency. The signing of the Agreement on peace and national accord and full implementation of its provisions ended one of the longest and bitterest conflicts in the post-soviet era. While searching for ways to establish peace, the Government also had to deal with the issue of economic transition, which was the only way to overcome the crisis as well as the consequences of the civil war and natural disasters.

As a result of the economic reforms there has been substantial progress in achieving the goal of macroeconomic and financial stabilization. A number of structural adjustments were made to bring about a more effective operation of the market economy. Nevertheless, the economic and social situation of the country remains difficult.

Tajikistan is in 103rd place among 174 states in terms of the human development index. At present, the majority of the population in Tajikistan lives at or below the poverty line. Poverty, determined by the level of income and consumption, access to education, health care, water supply, various energy resources, transport, mass media affects first of all the vulnerable groups. Poverty incidence is particularly evident in rural areas.

At the same time, Tajikistan is well endowed with minerals and has ample natural resources, which could provide opportunities for mining, production of construction materials, pharmaceuticals, energy as well as for cotton ginneries, and for processing of silk, fruits and vegetables.

To improve living standards of the population and deal with the socioeconomic problems, the President, Mr. Emomali Rahmonov, has initiated the preparation of a comprehensive Poverty Reduction Strategy Paper (PRSP). The Government attaches high priority to achieving the objectives of the PRSP while taking into account economic realities.

The Paper underlines the urgent need and importance of deepening economic reforms and ensuring sustainable growth. This would create the basis for providing the majority of the people, and especially the poor, with the benefits from economic growth through the mechanisms defined in the PRSP. The PRSP identifies the main directions to be followed in the area of poverty reduction and serve as a starting point for determining the concrete actions to be taken on poverty reduction.



This paper follows on an Interim Poverty Reduction Strategy Paper, Messages of the President of the Republic of Tajikistan to Majlisi Oli (to Parliament) (2001-2002) and has made use of Poverty Assessment, Public Investment and Technical Assistance Program for 2001-2003, data of the State Statistical Agency, proposals of the ministries and other agencies, as well as studies conducted by a number of international organizations, operating in Tajikistan.

The Government of the Republic of Tajikistan intends to implement its poverty reduction strategy with the help of the International Monetary Fund (IMF), the World Bank (WB), the Asian Development Bank (AsDB), the United Nations Development Program (UNDP) and other international financial institutions and donor countries.

## **1. PARTICIPATORY PROCESS**

A Presidential Working Group (PWG) to develop a Poverty Reduction Strategy Paper (PRSP) was established by Decree of the President dated 24 March 2000. It consisted of leading scientists and government officials and was led by the State Adviser of President on economic policy. The Working Group prepared an Interim Poverty Reduction Strategy by October 2000 that served as a basis for the development and preparation of the full-fledged PRSP. The Interim PRSP was published in national newspapers in three languages: Tajik, Russian and Uzbek.

To ensure broad participation, nine sector working groups were established consisting of representatives of the Parliament, the Government, local authorities, institutes and universities, private sector, NGOs and other groups, covering the following areas: macroeconomics; public administration reform; social protection; education; health care; agriculture; privatization, labor and private sector development; infrastructure and communication; tourism, recreation and environmental protection. A Coordination Unit (CU) was established to coordinate activities of the Presidential Working Group.

Between March and June 2001, 56 seminars and round-table conferences were conducted to discuss sector notes prepared for the PRSP, involving more than 2000 participants from all sectors of the society. The goals, tasks, as well as measures and actions to be taken by the Government in the area of poverty reduction were repeatedly broadcasted by the mass media (television and radio). In addition to the seminars and round-table meetings, two studies were conducted in order to get additional information: a poverty assessment through creation of focus groups and NGOs and a local community assessment. These studies were completed in March and May 2001 respectively.

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. International organizations (IMF, WB, ADB, UNDP) also took part in the preparation of the PRSP. Consultants of these organizations commented on the sector notes. The participatory process facilitated by the Government received high marks within the country as well as from the international community during the Consultative Group Meeting held in May 2001 in Tokyo.

## 2. POVERTY INCIDENCE AND DETERMINING FACTORS

Poverty is not a new phenomenon in Tajikistan. Before independence, per capita income in the country was one of the lowest among the soviet republics and the percentage of population living in poverty one of the highest. To a large extent this was the result of an economic policy that did not take into account the comparative advantages of the country and its regions.

The economic structure Tajikistan inherited since in 1991 did not fit in the new economic environment and the civil war delayed the introduction of structural reforms. The transition process and the war together weakened the official as well as informal mechanisms of social protection, which contributed to rising poverty. After 1991, GDP sharply declined through 1996 as a result of the transition of a command economy to a market-based system, changes in relevant prices, the collapse of economic ties with the republics of the former USSR, the end of budget allocations from Moscow, which financed 40% of the country's budget, and a lengthy civil war. This has caused a massive release of labor, mostly hidden. A high rate of inflation reduced real incomes, contributed to growing inequality and undermined the investment climate. The lack of domestic production led to increased imports, a deficit in the balance of payments and devaluation of the national currency. Under these conditions, external debt had rapidly grown and the cost of servicing the debt is currently threatening fiscal stability.

Poverty in Tajikistan is a multidimensional phenomenon. As various surveys show, poverty as determined by the level of income and consumption is widespread. This is mainly due to limited income earning opportunities and to the low level of salaries, especially in agriculture, as well as restricted access to manufacturing assets and limited access to such key public services as education, healthcare and water supply.

Poverty incidence varies a great deal depending on what criteria are used. The proportion of the population considered poor varies between 17% and 96% depending on different poverty lines as defined by various international and domestic organizations. According to one survey, sixty percent of the population consider themselves poor. The Government has accepted self-assessment as the criterion for defining poverty.

Actual income of an average Tajik is very low and consists mainly of income from the sale of food and other goods. The level of social allowances in cash is insignificant. Among households considered being the poorest, cash and social allowances constitute only 8% of total income. It is also important to note that the main source of income accounts for only a third of total income in the lowest quintile (one fifth) of poor households and for about half of the income of the top quintile.

Economic inequality widened. Expenditures of the richest households are four times those of poorest households. The poorest households spend almost 80% of their revenues on foodstuffs. Homegrown food and humanitarian aid cover a large part of their needs in food products. According to the 1999 Tajikistan Living Standards Survey (TLSS), almost three out of every four people live in rural areas, which has a higher proportion of very poor (23.4%) than the urban population (18.6%). The regional breakdown of the very poorest shows that 45.7% reside in Khatlon region, 26.1% in Sogd region, 19.2% in Rayons of Republican Subordination, 6.9% in Gorno Badakhshan Autonomous Region (GBAO) and only 2.1% in Dushanbe. The concentration of the poor is highest in GBAO, however (39%).

The most vulnerable groups in society are children, the elderly and the sick or invalids. The risk of being a poor sharply increases depending on the number of children under 15 in the household. Only 7 percent of lonely people living in a household without children are poor compared to 31 percent of those who reside in households with 5 or more children. The problem of “street children” escalated as a result of the civil war. Children in institutional care raise special concern in terms of their financial, physical, intellectual and emotional development. They tend to face problems in getting further education or satisfactory jobs.

The elderly (over 65) have a higher probability of being a poor than 14 to 64 age group. However, the concentration of poor among the aged (75 and over) is higher than that among children. The aged people, living alone, are the poorest and the most vulnerable group. They number about 9000 according to data of the Ministry of Labor and Social Protection (MLSP).

While official statistics does not show a significant difference in poverty incidence between women and men, women often find themselves in a more difficult situation than men, especially in the case of households headed by women, mainly in the Khatlon region and Garm group of districts, the most war-torn area. Such households are often found to have less access to land and other agricultural resources.

Similar to the situation elsewhere in the world, the risk of becoming poor in Tajikistan is inversely proportional to level of education. Poverty is widespread among those without secondary and/or higher education. The findings of the TLSS suggest that people without education are twice as likely to live in the poorest households than those with higher education. Due to the lack of public resources, access to education, including basic education, for the poor declined. Informal payment for educational services is widespread. While during Soviet times almost 100 percent of the population had access to education, it seems that, in general, the quality of education, especially in the rural areas, was low. This was also one of the fundamental causes of relative poverty in Tajikistan at that time and remains to be so.

Rising unemployment figures has also contributed to the increase in poverty. Some estimates put the jobless rate at around a third of the labor force. The old mechanisms of the system to absorb labor do not work any more and the new market mechanisms are still too weak to create many new jobs.

Poorly developed and maintained infrastructure in Tajikistan, partly a result of damage during the civil war and natural calamities, impedes access to markets, hinders development of the private sector and competition, as well as a more effective delivery of public services such as education and healthcare so as accesses to infrastructure services.

### **3. OBJECTIVES AND STRATEGY FOR REDUCING POVERTY**

The principal objective of the poverty reduction strategy is to increase real incomes in the country, achieve a fair distribution of the benefits of growth and, in particular, ensure a rise in living standards of the poorest groups of the population.

The Government has identified four main elements that together constitute its strategy towards reducing poverty. They are:

- **Encouragement of an accelerated, socially fair and labor-intensive economic growth with emphasis on export;**
- **Efficient and fair provision of basic social services;**
- **Targeted support to the poorest groups of the population;**
- **Efficient governance and improvement in security.**

Implementation of this strategy requires that sector strategies focus on their contribution towards progress in these four areas. Key sectors from a poverty alleviation perspective include education; health; social protection; agriculture; privatization, labor and private sector development; infrastructure and telecommunication; and environmental protection and tourism. In addition to the adoption of appropriate policies and actions in relevant sectors, a successful poverty reduction strategy will need effective macroeconomic management and efficient public administration.

To be able to measure progress in the fight against poverty, the Government has selected a number of poverty indicators and set itself specific quantitative targets to be achieved for each of these within a certain period of time. In the selection of indicators, the Government has adopted some that were established as part of the Millennium Development Goals by the UN. The table below lists the indicators, the present situation in Tajikistan and the targets to be reached:

**Table 1: Poverty Reduction Targets**

<b>Indicator</b>	<b>2001 year</b>	<b>Mid-term target for 2006 year</b>	<b>Target for 2015*year</b>
% of population living below poverty line	83	75	60
Primary education coverage (%)	77,7	82	90
Infant mortality rate per 1000 live newborns (2000)	36,7	32	25
Maternal mortality rate per 100000 live newborns (2000)	43,1	40	35
% of adult population with access to reproductive health services	21,8	24	30
Share of Private Sector in GDP	30	40	60
% of population with access to pure drinking water	51,2	58	80
Employment rate among able-bodied citizens	56	59	65-70
# of Telephones per 100 residents	3,6	4	5

\* Year established by the UN as a target year for the Millennium Development Goals

The following section discusses the objectives the Government has set itself in each of the sectors, as well as the sector strategies to be followed, in order to implement its overall poverty reduction strategy and achieve the above targets.

### **3.1 Macroeconomic management and growth**

To create the conditions for accelerated and socially fair economic growth, essential for increasing incomes and raising living standards, macroeconomic management will aim at establishing a stable economic environment through appropriate fiscal, monetary and exchange rate policies. Within the context set by the globalization process, the Government will encourage export-oriented growth to help solve the problems of external debt and benefit from the country's comparative advantages. Growth will be achieved through creating of favorable environment for the private sector investments and operations to be supported by effective public service delivery and public investments. The latter will be attained by reallocating public resources to the private sector as well as through private sector protection and encouragement of investments to be complemented by the public resources by PIP, investments in human capital and infrastructure. Expected outcomes of this policy would be increase in productivity in all sectors of the economy. Particular attention will be paid to careful management of external debt to ensure the debt service burden remains manageable. The Government will undertake measures to avoid increasing debt burden in the mid and long term perspective.

The economy is projected to grow at an annual rate of around 6% over the next few years. A significant source of growth would be the rise in agricultural productivity associated with the breakup of the large state and cooperative farms into family farms, which is expected to continue as the ongoing process of land reform gathers pace. The creation of small and medium private enterprises, including growing activity in the informal sector, is also expected to become a major source of jobs and output. To stimulate the latter, the Government will take measures to create a competitive banking sector, facilitate the mobilization of savings and increase credit opportunities.

### **3.2 Public administration**

Carrying out social and economic policies, including those aimed specifically at poverty reduction is a task of the Government. It requires a sound public administration system with an effective mechanism of rendering public services. Reform of the judiciary is an important element in protecting the poor. Their power in society is limited and they need an effective judiciary for protection. The judiciary also plays a major role in the anti-corruption drive. Strengthening judiciary system will help to avoid voluntary application of law, including those on part of state agencies and civil servants. While the legislative arm also has to work efficiently, the focus of the reform effort, from the poverty reduction point of view, will be on the executive and judiciary.

Despite the already carried out measures, some of the present structure of government and its functions need to be reorganized to meet the requirements of a market-oriented system. The aim of the public administration reform program is to realign the functions of ministries and agencies, create a skilled, adequately paid and corruption-free civil service capable of developing, implementing and monitoring government policies.

Poverty reduction requires better management and more effectively and efficiently operating institutions both in state and private 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. This requires strengthening financial discipline, increasing productivity, combating corruption, and raising pay and qualifications in education, health and social protection

sectors. Institutions in these sectors have to work on the principle of transparency and accountability and be accessible to population, including the poor.

### **3.3 Social protection**

The third pillar of the poverty reduction strategy aims at providing targeted support to the most vulnerable groups in society. These include elderly people, pensioners, children from low-income families, orphans, families that lost their breadwinners, and invalids. This support will be provided in three forms: cash benefits (allowances) to children of poor households; timely payment of pensions to the elderly; and various types of services to disabled citizens. The objective is to provide the poor with income through direct cash compensations, increase opportunities through access to productive assets, and increase their opportunity to obtain basic education.

### **3.4 Education**

Education promotes economic, social and political development of society. It increases the income earning opportunities for individuals and an educated labor force raises the growth potential of the economy. Investments in development of education and human capital will facilitate the increase of productivity in all sectors of the economy, thus, achieving accelerated growth and will help the poor to take advantage of new opportunities.

Government's main objective in this sector from the perspective of alleviating poverty is to ensure access to basic education for everyone and to balance student ratios in secondary education. The Government also attaches high priority to raising the quality of education, which has suffered over the past decade for a variety of reasons.

### **3.5 Health care**

Health is a fundamental element of welfare. Improvements in the health care sector could significantly contribute to the development of the human potential. The Government's policy in this sector will aim at improvement of health care in country that will allow to positively affect the growth.

Ensuring wide access, regardless of level of income, to curative care and public health services, will be the principal aim of the Government's health sector strategy in fighting poverty. Strong support will also be given to improving the quality of medical services and providing the right balance between preventive and curative care.

### **3.6 Agriculture**

Because of its importance in the national economy in terms of its contribution to GDP, employment and exports, and considering that three quarters of the population live in rural areas, the agriculture sector will play a crucial role in poverty alleviation. While arable land is scarce, experience in recent years, based on the ongoing restructuring of the large state owned and cooperative farms, has shown that the transition to private farms can substantially raise yields. The Government is committed to continue this process and is intended to use other means as well in order to increase agricultural output and thereby exports, create jobs, provide inputs for the processing industry, and ensure national food security.

### **3.7 Privatization, labor and private sector development**

Present unemployment and underemployment rates in Tajikistan are high and this is a basic source of poverty. One of the most effective ways of reducing poverty, therefore, is to create jobs. To create employment opportunities the Government intends to focus on three areas, apart from promoting agricultural development: creating a favorable environment for private enterprise, including in the informal sector; ensuring a well-functioning labor market; and privatization of state enterprises.

Privatization of state enterprises should improve incentives for private ventures, increase competitiveness and help to attract internal and external investments.

Labor market policies will aim at creating a more flexible labor market through training and retraining of workers, employment counseling and providing help in seeking jobs. Central to the Government's success in reducing poverty will be the growth in private sector output and creating jobs. Removing obstacles to the emergence of small and medium scale enterprises and to activity in the informal sector, and generally creating a positive environment for private initiative will be a central element in the fight against poverty.

### **3.8 Infrastructure and communication**

Effective and reliable infrastructure services are essential to economic growth and contribute much to an improvement in living conditions. Such services directly affect the poor by increasing access to goods and services, jobs, and information; enhancing the freedom of movements; and improving access to health care and education. The Government's main objective in this sector is to provide access to reliable and affordable public services in the areas of energy, transport, information and communication, and safe drinking water.

While in urban areas the focus will be on improving reliability of the infrastructure, in rural areas the priority will be to provide access to services, which currently are not available in many outlying areas. In transport, resources will be allocated not just to rehabilitating and maintaining the system of main highways, but also on establishing an effective network of feeder roads. In setting tariffs for these services, the Government will consider both the need for enterprises providing services to be financially self-supporting and the importance of ensuring affordability of tariffs to the poor.

### **3.9 Environmental protection and tourism**

Poor people are highly dependent on natural resources for their livelihood and are most affected by environmental degradation, contamination of water sources and outcome of natural disasters including droughts and floods. Environmental protection, production of sustainable energy and disaster prevention are an integral part of the poverty reduction strategy.

While currently few tourists visit Tajikistan, potential for development of particular kinds of tourism exists and offers opportunities for income and job creation. Developing activities and services in this sector will have to rely on private initiative. The Government's

role will be mainly to remove obstacles of an administrative nature and to help create a positive image of the country abroad.

#### **4. CURRENT SITUATION, ISSUES AND PRIORITIES FOR POVERTY REDUCTION**

##### **4.1 Macroeconomic management**

Economic Reform. To halt the deterioration and stabilize the economy since independence, the Government initiated an Economic Reform Program for 1995-2000, which was followed by an Economic Program for Poverty Reduction and Growth covering the period 1998-2001. Signing of the General agreement on peace and national accord in Tajikistan in 1997 allowed the Government to concentrate on the reforms targeted at macroeconomic stabilization and a series of structural reforms aimed at establishing the basics of a market-oriented economy. Significant progress was achieved in controlling inflation and completing the privatization of small enterprises. The process of restructuring of large-size enterprises has been started in 1999. Deeper reforms were conducted in the agricultural sector and by early 2001 land entitlements for 50% of arable lands had been transferred to private farmers. Privatization of ginneries was completed. A treasury system has commenced its operation. An agreement on restructuring of the four largest business banks has been actualized. The result of these reforms and a more stable political climate was a significant growth in GDP, which over the period 1997- 2001 reached a cumulative of 32.5%. In 2001, GDP grew by 10.2% (Attachment 4). However, due to a high population growth rate, the per capita income increase was modest.

Inflation. From independence until the end of 1999, inflation was high, due mainly to inflationary budget financing and the granting of direct credits to state-owned enterprises and farmers. However, the trend has been downward since 1996 (Attachment 5). Prices grew up again towards the end of 2000 after a new national currency – Somoni - was introduced in October. The experience in arranging a similar reform in the past, uncertainty, and excessive liquidity during the second half of the year resulted in inflation rates of 12.4% and 7.7% in October and November 2000 respectively and an annual rate of over 60%. A tight monetary policy in 2001 and growing confidence in the new national currency subsequently reduced inflation to 12.5% in 2001. As a result, the nominal exchange rate has remained relatively stable since end 2000.

Foreign exchange policy and Trade. To carry out a flexible exchange rate policy and improve the functioning of the foreign exchange market, the Government, in July 2000, abandoned the mechanism of the Tajik Interbank Exchange, where the National Bank was the only supplier of foreign exchange, and established an inter-bank currency market. To strengthen the national currency, the Ministry of Finance collects all taxes and fees in the national currency.

Tajikistan has a fairly open economy, with an export to GDP ratio in 2001 of 63%. The foreign trade regime remains quite free, in spite of an increase in import duties in early 1999 following Tajikistan's entry into the Customs Union. Heavy specialization on cotton and aluminum production, which accounts for two thirds of exports, makes the Republic dependent on world prices for these two export items, causing fluctuations in foreign currency flows. Significant fluctuations of world prices for cotton-fiber and aluminum



occurred in 2001, create huge problems for producers and the Government. Under the current price for cotton, which has dropped up to a critical level, production is becoming unprofitable. This could slow down economic growth.

Since independence, Tajikistan has had a current balance of payments deficit and has accumulated significant debts. The foreign trade deficit, in effect, replaced subsidies received by Tajikistan while part of the USSR. Despite its flexible exchange rate policy since 1996, the current balance of payment deficit in 1998 reached 9.3% of GDP. After the crisis in Russia and the real depreciation of the Tajik rouble, the trade deficit declined, and fell to 3.4% of GDP, mainly a result of import contraction. In 2000 and 2001 the deficit increased to 6% and 7% of GDP respectively, as the drought affected grain production and raised imports, and fuel prices increased.

External Debt. Despite the agreement with Russia in October 1993 on the so-called «zero option», the total cumulative public debt amounted to 129% of GDP at the end of 2000. CIS countries and international financial organizations are the main creditors of Tajikistan. Part of the arrears relates to the restructured concessional bilateral debts and long-term loans extended by international financial organizations. However, the largest part of the debt, mostly bilateral, is on non-concessional terms. According to the HIPC eligibility criteria, Tajikistan belongs to the category of the poorest countries with constantly growing debt ratio. Debt represents a heavy drain on public resources. The ratio of the present value of the debt to government revenues exceeded 400% by the end of 2000, well above the modified HIPC threshold of 250%. In spite of a number of debt restructuring agreements with the main official creditors during 1996-2001, the debt service burden remains high. This will put economic development of the country at risk and limits possibilities for poverty reduction interventions.

Fiscal Policy. The budget revenue to GDP ratio remains low (15.2% in 2000). The budget expenditure to GDP ratio continued to decline to 15.0% following cutbacks and rationalization of expenditure. While the Government has been supporting the principle of non-inflationary budget financing since 1995, it did rely on bank financing of the deficit until 1999 following external shocks and various natural disasters. The continuing reduction in export taxes for cotton and aluminum together with the downturn in world prices of these commodities, result in decreased revenues. Since 1999 this has been compensated by improved tax collection, as well as grants from international agencies. With regard to VAT payments among CIS countries, a shift to the destination principle was made in 2000. Recent budget reforms include preparation of a 3-year forward-looking budget.

Monetary policy and Banking. Despite commitments to adhere to a tight monetary policy, the Government at times had to depart from established monetary targets because of the fact that financial instruments to absorb redundant liquidity are still not well developed. A fragile banking sector hinders effective intermediation through mobilizing savings and financing investment. The main problems are: a lack of confidence in the banking system resulting in low level of deposits and limited opportunities to provide credit; weak performance of the credit departments of banks particularly in assessing credit risk; a large stock of overdue loans that leads to instability of the banks and does not allow them to meet their obligations. This, in turn, reinforces distrust in the banking sector.

Main issues. A number of studies and surveys conducted by domestic and international agencies show that available resources are used inefficiently. Aid Coordination

Unit (ACU) within the Executive office of the President has been recently set up in order to address the situation in this area and responsible for management, coordination and monitoring of the use of external aid. Development of appropriate database is planned to manage aid flows, which would be compatible with the PIP. It's also expected that the ACU will be preparing annual reports on foreign aid and its utilization.

Better use of resources will be a key factor in achieving more rapid growth. In general, the problem is caused by the distortion in prices and immaturity of markets, weak competition, poorly developed infrastructure and, in particular, by the weak development of a banking system and securities market as well as weaknesses in legislation, and a low level of monetization in economy. Direct and indirect subsidies continue to occur.

The main problems in the fiscal area are: weak tax administration and ineffective tax collection system, inefficiency of government spending, poor monitoring system of commitments and still unsatisfactory external debt management. Attracting new loans, mostly on concessional terms, as well as restructuring of existing debts is needed. In addition, it will be necessary to negotiate an agreement to write off part of the debt, and to restructure this debt using the mechanisms applied to highly indebted countries in transition.

A lack of investment is an acute problem. It is the cause of low productivity and production volumes in manufacturing as well as of a weak infrastructure. Poor infrastructure, in turn, does not attract investors, and a low level of national savings impedes investment even more. Industrial production is concentrated in a few large enterprises. Though manufacturing capacities are substantial, much of it unutilized goods and services produced by these enterprises are often not competitive.

Priorities for poverty reduction. Although much has been achieved, especially in the area of structural reforms and macroeconomic stabilization, that provides a favorable background for implementing the poverty reduction strategy, a great deal is still to be done. Within its broad anti-poverty strategy, Government's action in the area of macroeconomic management will have three main aims: achieving a stable economic and financial environment through a wide range of measures, notably in the areas of fiscal and monetary policy; encouraging the re-emergence of an effective commercial banking system to mobilize savings and provide financial intermediation, with particular attention to the needs of small and medium enterprises; and ensuring increased allocations of public resources to social sectors – education, health and social protection – through improved revenue performance, careful management of external debt and other means.

## **4.2 Public Administration**

The present system. Reform of the Government and of public administration commenced in 1994 with the adoption of the Constitution of Tajikistan, which separated power into three branches: legislative, executive and judiciary. Reform continued in 1999 and included the establishment of a two-chamber Parliament and the Board of Justice. The country has a President, who is head of state and of the executive branch. The development of the Judiciary system is continuing.

Problems in public administration. The system of public administration needs to be adapted and strengthened to meet the requirements of market-based economy. The role and responsibilities of the state in a market system are not always well understood. The present

administration has an obsolete structure, inadequate personnel structure, a duplication of functions of ministries and departments, and lacks a mechanism for coordination. The Judiciary system faces problems because much of the legislation was not designed to apply to a market economy and many judges are not prepared for the changes in the legal system being made. Also, the legislation dealing with property rights and contracts is unclear and contradictory. Taken together, these weaknesses hinder the process of economic reform.

Some ministries and state committees are still to be reorganized and responsibility for the development of the sector policy and regulation in corresponding sectors of economy is still to be developed. Strategic objectives, sector priorities and clear accountability indicators have not yet been established. Some agencies are not financed through the budget but at the expense of funds of subordinated enterprises. All these together affects performance of state, including its ability to effectively pursue a poverty reduction strategy, notably in sectors such as education, health social protection and agriculture.

Given the early stage of the public administration reform process, a certain degree of direct government intervention still occurs. Some of the state-owned enterprises have not adjusted to the new situation and expect some degree of state support. Part of the civil service has not yet adjusted to working in a market-oriented system and thus does not always support new management methods.

Land, water and mineral resources being state owned do not have market estimates. Renting component is not included during the use of these resources. Ministries and agencies lack financial resources and skills, which hinders effective fulfillment of their functions. The level of salaries of civil servants is low. As a result, public bodies focus on extending their authority and increasing budget financing, rather than on policy making and supervising implementation.

Weakness and absence of coordination in supervision and control reduce the effects of audit and control over the use of state funds and property. Subjective decisions in budget program preparation sometimes result in scarce budgetary funds not being used properly and rationally. Poor coordination between public institutions reduces the effects of audits on revenue performance, and the quality of public services. Measures to ensure transparency and openness of public institutions (such as publication in newspapers, public debates of critical legislation, generic programs, live TV broadcasts attended by top officials etc) have not yet been introduced in a systematic way.

Realizing the existing weaknesses in public administration, the Government has taken initial measures aimed at increasing its effectiveness. In 2001, the State Committee for financial control of the Republic of Tajikistan was established to ensure efficient use of state funds and property. The Department of public service was set up under the President. At the same time, work has been started to restructure central bodies of the executive branch, revise their functions, improve the structure of the central apparatus and design measures to increase incentives and salaries.

Priorities for poverty reduction. Creating a more effective system of government is a gradual and time consuming process. In addition to changes in the structure of government, it requires new skills and a changes in mentality. There are two priorities as far as policies aimed at the poor are concerned. First, while reform addresses all three branches of government – legislative, executive and judicial - of most immediate importance are actions

to strengthen the executive branch. Measures in this area will therefore receive priority. Second, to the extent that reform can be undertaken sector by sector rather than across the board for the administration as a whole, sectors more directly affecting the poor - e.g. social protection, health, education, agriculture – will be dealt with first.

### **4.3 Social protection**

A decline in government transfers as well as the breakdown of traditional economic ties has seriously affected the welfare of people classified as "traditionally poor" – pensioners, extended families and incomplete families. At the same time a new category of so-called "working poor" has appeared. The level of salaries has declined so much in real terms that even those who have a job are among the poor depending on the size of their family.

The increase in the number of vulnerable people has been accompanied by a dramatic decline in the financial capacity of the Government to provide adequate social protection. The legal framework that has been developed to assist poor people cannot be fully implemented due to a lack of facilities and resources. The system of social protection in Tajikistan provides two main types of benefits: a program of cash compensation for children of poor families, and provision of a pension consisting of allowances and benefits as a form of social insurance to elderly, invalids and people with low incomes. In addition, institutional care is provided to certain groups, e.g. invalids and orphans.

Cash compensation program. The total financing made available in the 2001 budget for the cash compensation program was 4.4 million somoni. Approximately 0,8 million people (less than 20% of the total population) to qualify for such help, but only a small share of them actually received payments. Cash compensation payments were considerably less than had been budgeted. The level of payment is so low that even when people are paid this allowance, they are still considered poor.

As a result of the lack of financial and administrative resources, the cash compensation programs faces several problems: inadequate coverage, i.e. many people who qualify don't receive benefits; bad targeting, i.e. benefits go to people who do not qualify; and a very low level of benefits. Over 77% of children from the poorest families still remain without any targeted monetary help. Reasons include time consuming and bureaucratic procedures, remoteness of settlements from savings banks and departments of social protection, lack of a mechanism to deliver benefits directly to homes of beneficiaries, and a real value of compensation that is so low that some people simply don't apply for it. Recently, two reforms under this program were implemented for improving the payment system, aiming at reducing operational expenditures, simplifying procedures and the number of required documents, as well as a transition from monthly to quarterly payment of this compensation. However, the reforms have had little impact.

Since April 2000, the Government has implemented a pilot project in two districts. 6 somoni (for three months) in cash compensation was given to children from the poorest families. The objective was to assist poor families and encourage children to attend schools. Several implementation problems have been identified: the system to identify those in need is not reliable; delays in money transfers; and remoteness of the office of the Savings Bank used to channel payments. Beginning from 2002 this practice has been applied to the whole country with due note of the experience received.

Pensions. Another form of social protection is the provision of pensions. The level of pension has been declining, with the ratio of average pension to salary dropping from 50 percent in 1995 to 24 per cent in 2001. Significant payment arrears existed, but these have declined from 5,229 mln somoni in 2000 to 660.5 thousand somoni in 2001. The average monthly pension in 2001 was 6.01 somoni (US\$2.50).

While the system of retirement benefits operates slightly better than the cash compensation system, there are issues to address here as well: low average pensions, no indexation of pensions based on inflation, a lack of qualified staff, and absence of delivery systems for those that cannot collect pensions themselves. Also, despite the Government resolution, the accumulation system was not implemented due to insufficient resources.

Status of invalids and institutional care. The Law «About Social Protection of Invalids» outlines the state policy regarding invalids. To protect them, invalids are by law entitled to equal opportunities in terms of rights and freedoms, and are encouraged to participate actively in the economic and political life of society. However, the law has little effect as many benefits are not available. There are no rehabilitation centers, and jobs secured by the law are not provided. Specialized institutions for treatment of invalids do not meet requirements.

In the past, invalids, orphans and others could be cared for in institutions such as boarding schools, regional centers etc. At present, these institutions are hardly able to survive because of inadequate financing. To overcome their financial constraint, some of the institutions have started farms, cattle breeding, poultry breeding, beekeeping, and organizing green houses to improve nutrition. Any profit is spent on financing operating costs. However, these facilities remain in a very difficult situation and cannot operate at full capacity or provide a satisfactory level of care.

Priorities for poverty reduction. All social protection activities are aimed directly at helping the poor. Each of the three types of benefits requires urgent action to address the main failings of the present system: (a) both the cash compensation and pension schemes are badly run and ineffective; targeting of cash compensation payments is poor; a major increase in operational efficiency is needed; (b) the level of benefits offered is unacceptably low. A significant increase in public resources for social protection is needed, provided the schemes operate better; (c) the pension system requires reform; and (d) alternative solutions will be looked at for institutional care, which is expensive when properly provided; one possibility is development of social services.

#### **4.4 Education**

Current situation. Tajikistan inherited a well-developed network of educational establishments from the past and corresponding teaching personnel, high enrolment ratio and gender equal rights to compulsory basic education. Since 1990 enrolment ratios have dropped in primary and secondary education as well as in pre-school, the quality of schooling has declined and a growing gender imbalance has emerged. There were fewer secondary school places in 1999 than in 1990 while over the same period the school age population increased by 12%. Many of those not attending school are from poor households, who cannot afford the cost of education, including clothes, shoes, textbooks and informal

payments to teachers. This also applies to pre-school 30% of girls and 20% of boys from poor families do not attend pre-school.

The physical condition of schools has deteriorated sharply, partly a result of damage during the civil conflict, when 20% of schools in the country were destroyed and robbed. More than half the schools require capital repair, in particular those located in rural areas. Many schools do not have heating, safe water and toilets, which raises the incidence of diseases. The unsatisfactory physical condition of buildings and facilities at schools significantly lowers the level of attendance and negatively affects the quality of the teaching and learning process.

Many teachers left because of low pay and unattractive working conditions. The number of students exceeds the norm, and many schools are operating in two and sometimes in three shifts. Surveys carried out in pilot schools have shown that a teacher's salary can cover only 20% of basic needs. The other 80% a teacher must find through additional earnings in spare time or through informal payments. The crisis in teacher training has also contributed to the low standing of the teaching profession. 10% of teachers are unqualified.

Schools still mostly use the curriculum and programs from soviet times, which have not been adapted to the different demands of a market-oriented system, partly due to a lack of funds. Absence of modern information technology in teacher training institutions limits possibilities of using modern teaching methods. The departure of specialists from the sector and the absence of ties with international education centers has also restricted work on developing a modern curriculum.

Issues. To reverse the decline in the education system, the Government will have to address several issues, including a lack of resources, outdated curriculum and teaching methods, and how to overcome the constraints that stop children from poor families attending school. The fundamental issue is one of inadequate financing. Government expenditure on education has dropped from US\$5.8 per capita in 1990 to US\$ 3.7 in 2000, a decline of almost 40%. Funds are urgently needed to rehabilitate buildings, re-equip schools with textbooks and teaching materials, raise teachers' salaries, improve teacher training and help update the curriculum.

To raise school attendance among children of poor households it will be necessary to identify clearly the nature of the obstacles. To the extent these are financial they will be addressed in the program of the cash compensation scheme. The low coverage of children by pre- school education can also lead to loss of a link with the education system that would also require appropriate measures.

Priorities for poverty reduction. Reversing the decline in enrolment ratios in primary and secondary education, particularly by increasing attendance by children from poor families and by girls, and raising the quality of education are the Government's top priorities in the education sector in support of the poverty reduction strategy.

## **4.5 Healthcare**

In the past, Tajikistan's main health indicators were similar to those of an average middle-income country. The situation has deteriorated much since then, however, in particular for the poorest who have limited access to quality health services. The level of

budget expenditures for health is one of the lowest in the region and since 1991 has declined considerably.

The disease incidence in the country has increased by 27% between 1995 and 2000. In 1999 non-communicable diseases were the most important problem, while the frequency of separate contagious diseases exceeded its epidemic threshold. Psychic disorders, a remnant of the civil conflict, are also a serious concern.

According to UNICEF, in 2000 21% of children under 1-2 years age had never been vaccinated. In some regions over 60% of refrigerator equipment did not work, impairing the immunization program. The situation is compounded by the incidence of tuberculosis, with a mortality rate up from 4.1 to 7 cases per 100,000 from 1998 to 2001 respectively. Annually the number of cases is increasing by 25-30%. In 2000, the number of registered cases diagnosed as active forms of tuberculosis reached 44.9 cases per 100,000 for the first time. Given inadequate reporting and diagnosis, the real number of cases is much higher than registered. In maternity clinics, about 10 000 children are born with a body weight of less than 2.5 kg. Among those, disease incidence is 3.5 times, and mortality 9.3 times higher than for newborns following full term pregnancy. The number of children born with signs of delivery injuries is close to 27%.

Hospital services receive over 70% of available budget funds for healthcare, allocated to 1428 establishments. In addition there are 156 centers, financed from the budget as well as by international agencies and NGOs, that support primary health care in areas such as children's diseases, immunization, family medicine, nursing, reproductive health, narcology, combating tropical diseases (malaria), tuberculosis, AIDS and health education. However, presence of medical establishments and medical service does not always imply accessibility. Many of the establishments do not have even elementary medical equipment, medicines and supplies. Virtually all the in-patient departments lack hot water, experience interruptions in cold water supply and power cuts, and have no heating in winter, while sanitary facilities are absent or unsatisfactory. Medical and diagnostic equipment and devices is either obsolete or in disrepair. The situation is especially serious in the rural areas due to lack of resources and in some regions also due to lack of medical staff.

The cuts in budget spending for healthcare have led to the introduction of informal fees for medical services, which has dramatically limited access for the poor. Facilities providing primary health care receive only 16% of the health budget, and this is generally spent on wages. Children at the age under 3 years, pensioners, invalids and those suffering from diseases such as cancer, tuberculosis and others cannot get free medicines. About half of those requiring medical treatment rely on self-treatment.

Constraints. The present structure of the health system is heavily tilted to providing secondary and tertiary medical services compared to primary health care and these levels are not well integrated. As a result, patients tend to go for treatment to more costly hospitals rather than primary health centers. There also is an imbalance between preventive care (public health centers) and curative care. Public health centers need to be better integrated with other parts of the health sector.

As in education, the health sector is seriously underfunded. There is an urgent need to expand/renovate and equip primary health care facilities as well as certain higher level establishments and provide them with medicines and medical supplies. This also applies to

immunization services and to the various - bacteriological, virus, parasite, biochemical, clinical – laboratories that stand idle. Quality control of medicines, including imported pharmaceuticals, is weak.

Low salaries of medical staff has led to a shortage of trained personnel, family doctors and nurses capable of providing primary care, and an uneven distribution of staff between cities and villages, severely reducing access for those living in rural areas. This has also greatly affected the quality of diagnosis and treatment.

There is a lack of reliable medical and health statistics. There are weaknesses in the registration and reporting system and in communication between medical establishments, sometimes due to transport problems. All collection of data is done manually. The information base in the pharmaceutical sector also needs strengthening, which has contributed to a lack of choice of medicines and unavailability of new medicines.

Priorities for poverty reduction. The strategy in the health sector is to concentrate efforts on expansion and improvement of primary health care, including the quality of services, which should increase access to medical care for the poor as well as the population generally. The Government will also specifically address the question of affordability of services in relation to the current system of informal payments for treatment. Priority will be given to strengthening public health services, notably the immunization program. Finally, to better understand the health care needs of the poor, efforts to improve medical statistics will also gather information on disease incidence among the poor groups.

#### **4.6 Agriculture**

In soviet times agriculture played a key role in the economy of Tajikistan. Despite the many current problems hindering the sustainable development of this sector, developments following independence have highlighted the importance of agriculture as a system preventing crisis in industry and offering hope for economic growth and poverty reduction.

Land reform. Agricultural land in Tajikistan, especially arable land, is a very scarce resource. Including pastures, agricultural land totals only to 4.57 million ha., of which arable land totals 0.7 million ha or 0.11 ha per capita. That is why the major problem is access of peasants to land and its fair distribution. Reorganization of collective and state farms into dekhkan farms and supplementary land allocation to satisfy the needs of people in personal subsidiary plots by the Presidential Decree significantly contributes to individual land use, but so far this process has progressed slowly.

To accelerate the process of land reform and ensure independence of new farms a special division was created in the Land Reform Committee to provide quality advisory services to farmers, including legal consultations and training services. However, because of the complexity of the process and the limited institutional capacity of the committee, fair access to land, in particular for the rural poor, is limited by: high costs and complex procedures to obtain a land use certificate; numerous violations during land distribution because of imperfect legislation and absence of legal assistance; ignorance of existing procedures, lack of knowledge and misunderstanding of land use rights; and the transfer of debts of the reorganized collective and state farms to newly created dekhkan farms.



As a result of the restructuring of collective farms into dehkan associations, farming decisions change. However, de facto, farm management decisions, in particular, regarding the pattern of areas to be cultivated and the assortment of crops are still taken solely by certain managers and authorities. Some official interference in the process of pricing, procurement and marketing still remains. Infrastructure to serve the farms, i.e. supply cooperatives, trade and procurement organizations, companies providing with small machinery and transportation services, has not been set up.

Irrigation. Agriculture of Tajikistan is significantly exposed to unfavorable weather. The drought of 2000-2001, whose adverse impact will be felt in 2002, has led to a decline in grain production, especially wheat. Given an arid climate, the key condition for the development of agriculture in Tajikistan is pump irrigation. This fact has led to the creation of a modern water supply and irrigation complex, consisting of a system of compound and unique facilities erected in the past. To keep them in good condition, large expenditures are required every year. With the transition of the country to a market system, a fee was introduced, starting in 1996, for water supply to consumers. However, water-using farms are able to cover only a small part of the maintenance costs. The resulting deterioration of the water supply and irrigation complex reduced the efficiency of the system and considerably affected the condition of the irrigated land and the flooding of pastures.

The main concern is the state of pumping stations covering almost 300 thousand hectares or 40% of the irrigated land. A rural population of about 2 million lives in, and earns a living from this area. Due to the poor state of the irrigation and drainage system, which has virtually not been maintained for the past 10 years, 16,400 ha of arable land (2.3% of its total area) dropped from the agricultural turnover, 83.3 thousand ha (11.6%) is in the unsatisfactory meliorative condition. Therefore, both short-term and long-term measures are required to prevent further drop of arable land from the agricultural production. While dehkan farms are being created, this has not solved the problem of ownership and operation of inter-farm irrigation and drainage networks and facilities, or their relationship with new economic entities. The creation of water users associations (WUA) has not kept up with the land reform process causing problems.

Cotton. Despite the price and market liberalization that caused contraction of areas growing cotton, there is still insufficient competition in the cotton sector. Interventions by authorities continue, payment delays occur and financial intermediaries offer unreasonably low prices for raw cotton. Shortage of quality seeds, fertilizers, and plant protection facilities has led to the sharp decrease of the raw cotton yield (almost twice as less). Due to the failure to specify prices for inputs and cotton much of the risks under future contracts were shifted to cotton producers. The situation of cotton producers in that and recent periods deteriorated as a result of decline in prices for cotton. Thus, in 2000 debts of cotton producers before investors amounted to about US\$ 100 million.

Livestock. The area under fodder crops has seriously diminished which together with the halt on import of feed grain and mixed fodder, was one of the reasons for the decrease in livestock production in public sector. There is a high incidence of cattle plague arising from various infections and funds are not available to purchase the necessary medicines. In practice, the private sector is not served by the veterinary services. Although most of livestock production is now concentrated in private sector, pastures remain at the disposal of authorities (hukumats). This creates serious problems in providing private livestock with fodder.

Credit. A lack of credit for farming and related activities is a serious constraint. Financial infrastructure and institutions are poorly developed and competition between intermediaries is weak. Relevant NGO activities on micro lending are not widely spread. Micro financing programs cover just over 8% of individual farms. The population's low confidence in banks results in the low levels of deposits and credit resources available. Interest rates offered by commercial banks are high, even taking into account the effect of inflation. Land is not subject to sale, although it is possible to trade leases. Moreover, banks offer only short-term loans because of high inflation rates in the past. Many rural people need micro credit but banks are not willing to offer this.

Agricultural support services. The decline in the trade and procurement system has caused marketing problems for agricultural output. Poor infrastructure, failure to coordinate actions within CIS countries, lack of information and poor communication facilities are complicating access of agricultural producers to regional and world markets. Supply to local markets is complicated by high transportation costs and non-market factors. Supply by the private sector is limited by low demand on part of local consumers.

Due to the lack of funding, the capacity for providing agricultural research and extension services has been sharply reduced. Seed production, selection, and protection of plants have been neglected. Information and advisory services necessary for new forms of farming are only just emerging. There are no independent farmer organizations, representing interests of their members, established on the basis of voluntary and democratic principles.

The agricultural processing industry has historically been weak. A major part of agricultural production used to be processed outside Tajikistan. Currently, due to shortage of working capital, obsolete equipment, the processing industry uses only 20-30% of its capacity.

Taxation and arrears. The numerous types of taxes are punitive for small private farms. They are subject to 12 types of national taxes and several local taxes. Their replacement by a single land tax has been proposed. A third of workers in agriculture are not paid on time. In December 2001, average arrears amounted to 3 months pay and accounted for 49% of total nation-wide arrears. As rural wages are already very low, this is adding to the financial constraint on households.

Priorities for poverty reduction. Agricultural development can play a critical role in the Government's efforts to reduce poverty by generating a widespread increase in farm incomes and creating opportunities for growth in rural services and industry. To be successful, the poverty strategy for the sector should address three areas: (a) efficient use of, and access of the poor to, the key resources, in particular land and water; (b) creation of a favorable framework for developing private activity in the sector; and (c) reform of the existing management system in the sector, including the current practice of intervening in decision making by the private sector. The focus will be on policy making and regulatory functions of the Government, as well as on support services that the private sector will not provide (e.g. agricultural research and extension services).

#### **4.7 Privatization, labor and private sector development**

Privatization. The process of privatization in Tajikistan began in 1991 under difficult social and political circumstances. Development and implementation of the privatization program is performed by the State Committee on State Property Management and is based on relevant laws. There are restrictions on privatization of land, enterprises of the defense complex, social facilities, and some facilities of strategic importance. All forms of ownership, including foreign, are permitted in Tajikistan.

Small firms were the first to be privatized and this program has been completed. Privatization of medium- and large-scale enterprises has been started in 1998. The process has been slowed by a lack of transparency in holding tenders, high starting prices for sites subject to privatization, insolvency of privatization participants, limited access to credit resources, and a lack of a post-privatization support. The practices of bankruptcy and realization of creditor rights are not well developed. Out of less than 1,500 medium and large state-owned enterprises, 359 had been privatized by November 2001. Out of over 400 strategic enterprises, whose privatization is carried out based on governmental resolution, only 22 ginneries have been privatized as of today.

Privatization of chemical and mining industries faces particular problems due to high costs of modernization and high competition in world markets, as well as the major role of such enterprises in providing employment and income in certain regions. Potentially large financial liabilities of such enterprises frighten away foreign investors. There are no clearly established rules for sharing such liabilities between the Government and private investors.

Privatization and conversion of enterprises into joint-stock companies has not lead to the expected restructuring and related increase in competitiveness. Before the Law 'On Privatization of State-Owned Property in Tajikistan' was enacted in 1997 in many cases enterprise assets subject to privatization were purchased by senior managers and staff who did not have sufficient funds to restructure enterprises. Since February 2000, the resolution "On Approval of Procedure for Transfer of Enterprise Property to Containment Regime" has been in effect. Until now eleven enterprises have been temporarily closed down (conservation) following relevant provisions of the Government.

Growth of competition and contraction of subsidies have resulted in the production drops for many enterprises and even entire sectors. Many of these enterprises continue to make losses and benefit from direct and indirect state subsidies, while others, despite the economic recovery, stand idle. The existing Law on enterprise bankruptcy passed in 1992 does not specify all the details associated with the bankruptcy procedure and judicial authorities do not have experience to conduct bankruptcy procedures.

Labor. Although the official unemployment rate is 2.5% (2001) of economically active population, the level of hidden unemployment reached 11-15%, and when seasonal demand for work is low, the hidden unemployment rate reaches 33%.

There is a need for new institutions, laws and regulations relating to the labor market. The principle of "ensuring total employment" in use earlier, and the Law «On Employment of Population» are out of date. The concept of employment policy of government is still being developed. The capacity to collect and analyze information on the labor market remains weak and there is no mechanism for evaluating labor force both at the national and

regional levels. Employment centers, lacking funds and equipment, and hindered by imperfections in the legislation are unable to efficiently implement labor market policies.

Wages are low reflecting low labor productivity. The average nominal monthly wage in 2001 was 25.07 Somoni, the equivalent of US\$ 10.6 per month, or US\$ 0.53 per day. This is one fifth of the international poverty standard. Determining social benchmarks, such as minimum wage, minimum pension and scholarships is not done in relation to the minimum subsistence needs because of limited financial resources. They do not exceed 10% of the subsistence minimum.

An important issue is to encourage a system of wage determination based on market principles, while maintaining harmonious labor relations.

The level of skills of the labor force is deteriorating. Currently, professional training of manpower is provided by vocational and technical training schools. Lack of budgetary funds does not enable the establishments of primary vocational education, lyceums and vocational and technical schools to repair their buildings, purchase new equipment, machinery and tools and use new technologies.

Moreover, rather weakly developed small entrepreneurship does not allow positively influence the situation in terms of creating jobs. Small business infrastructure in the country is not developed sufficiently. Small business does not have equal access to capital markets.

Despite the initiatives and current policies of employment centers towards employment, vocational training and use of public work schemes provided by a number of international foundations offering micro lending, many people remain jobless entailing big migration of labor force. Social and legal vulnerability of labor migrants leads to numerous violations of their rights and freedoms. Nevertheless, contract-based migration of labor force is still insignificant

The problem of migration processes monitoring is acute. Besides, most of migrant labor force does not meet the criteria of employers. In light of that the major part of migrant labor force is involved in unattractive sectors and fulfills non-qualified types of works.

In view of the fact that the republic is a mountainous country and is permanently exposed to the multitude of geo-dynamic processes, the environment related migration of the population from exposed zones to safe areas is very acute. Besides, there are mountainous and foothill sparsely and densely inhabited areas showing excess or shortage of labor hands. In this context the solution of the problem of rational use of labor resources is in voluntary resettlement.

The existing critical situation regarding healthy and safe working conditions is a major concern. According to official statistics, in 1999, temporary disability of workers averaged 26.2 man/days per worker. 271 persons got injured, of which 28 persons died. Several factors account for the unsatisfactory safety conditions: imperfections in laws and other labor and worker safety regulations and lack of goal-oriented programs. The newly established state inspection service of labor conditions needs technical and staff support.

There are also gender issues in the sphere of labor. The position of women is more difficult than that of men. Women are mostly engaged in low-wage jobs, in particular in education, health care and agriculture. The level of professional skills among women is very

low. The problem of households headed by women needs to be highlighted specifically. The number of such households in the country exceeds 25000. Such households often have limited access to land and other agricultural resources.

Private sector development. As of January 1, 2002, the number of small businesses amounted to 1,181 or 161 less than in 2000. The number of employed in such enterprises in 2001 amounted to 11,7 thousand or 0,9 thousand less than in 2000. This reflects the fact that some of them have shifted to patent-based forms of business. The number of operating dehkan farms as of 2001 reached 11,934. There are over 300 thousand people employed in the private sector in total, including those working in small entrepreneurial enterprises, dehkan farms and those involved in patent-based activities.

Activity in the private sector is currently concentrated in farming, trade, public catering and services. Growth potential of the private sector has not been fully exploited. Obstacles in its way include imperfect legislation and inadequate incentives. Reduced incentives adversely affect enterprise restructuring and private sector development, which, in turn, lowers the efficiency of the economy as a whole. Several factors account for this. While prices for goods and services have been liberalized, existing regional trade barriers and arrears significantly reduce the effectiveness of the pricing mechanism. The vertical and horizontal link between large state enterprises using their power to undermine competition is another factor.

In order to fulfill the state policy in the area of preventing, restricting and suppressing monopolistic activities, as well as to develop competition and entrepreneurship and to ensure that the Law on protection of consumer right is enforced, the Government of Tajikistan has established in 2001 an Agency on Antimonopoly and support of entrepreneurship. The main objective of the Agency is to facilitate establishment of market relationships on the bases of competition, entrepreneurship and expansion of investment activities. This Agency will also supervise activities of the natural monopolies and will serve as a coordinating body in setting tariffs for electricity, gas, transport services and communication. Its expected that this agency will become an important instrument in creating conditions for the private sector development and protecting the right of the poor.

The major obstacles in the way of the restructuring of existing enterprises as well as the emergence of new companies entering the market, are: distortions in the system of economic incentives; limited possibilities for obtaining competitive financing, limited competition between enterprises and weak market structures (including inadequate legal basis and measures to ensure development of businesses and competition); inadequate motivation for corporate management; lack of efficient bankruptcy regime; weak containing and balancing forces as regards corruption.

Priorities for poverty reduction. Expansion and growth in private sector activity and development of mechanisms to encourage employment and labor relationships will be one of the driving forces for reducing poverty. The Government's primary task in encouraging private sector development and facilitate effective growth in employment. This involves (a) development of the legislation and a regulatory framework concerning entry and exit of enterprises and the use of labor; (b) increasing competition through privatization, with priority being given to privatization in the agricultural sector; and (c) measures to develop financial markets and the supply of credits; (d) development of mechanisms to effectively manage labor market; and (e) establishment of labor relationships regulation institutions.

## 4.8 Infrastructure

Infrastructure is a vital component in the economy's efficient functioning and provides services in such sectors as energy, transport, telecommunication, TV broadcasting and water supply.

Energy. While the energy sector in Tajikistan has a significant development potential, it currently is in a difficult position. Due to lack of financing, essentially no investments have been made in the electricity sector, oil and gas, and coal-mining industry. As a result, available capacities of the existing power plants have declined by 20-50%. As of today, distribution networks and substations as a whole, need rehabilitation or major repairs for at least 50% of their equipment and networks. Extraction of coal and gas has shrunk dramatically. No drilling work has been done. Consumers' debt for electricity as of the beginning of 2001 amounted to about 150 million Somoni (US\$ 68 million).

Despite the dramatic economic recession and related decline in energy consumption, the share of electricity in the overall consumption of energy has increased to 84%. This situation reflects the shift of part of industrial enterprises and households to electric heating, encouraged by lack of import of various types of fuel previously widely used by households and in agriculture and industry, as well as the relatively low tariffs for electricity and its easy-to-consume nature. Currently, the shortfall of domestically generated electricity to fully meet the economy's demand amounts to 15%, or about 2 billion kWh per year. Tajikistan fills this shortfall through purchase from Uzbekistan, Kyrgyzstan, and Turkmenistan. The country also imports fuel oil and gas both for Thermal Power Stations and household use. There is no reliable and quality electricity supply especially as remote areas where power supply in winter is delivered for a few hours a day. Over recent years systematic power cuts have become more frequent even in large cities. Low voltage in the electricity network interferes with the proper functioning of technical equipment, adversely affecting the quality of services and causing equipment failure.

Transport. In view of the country's geographic location and peculiar conditions of the area's mountainous relief, the key transport communication facilities for cargo shipments and passenger transportation are roads and road transport. Most roads were constructed in the 1960s and 1970s, and nowadays do not meet modern standards. The total length of the road network is around 30,000 km, of which 13,747 km are highways, including 4,782 km of national importance, and 8,965 km of local roads. Road network density all over the country, as a whole, is 0.194 km per 1 km<sup>2</sup> or 4.38 km per 1000 persons.

In winter, alpine passes are closed and the population residing in alpine areas is completely isolated. During such periods transport between the northern and central areas is provided by railway and aviation, causing higher transport costs.

The road network was built in a period, when there were no national borders and no difficulties in crossing territories of neighboring nations. The situation is different now, with restricted transit through the territory of neighboring countries.

The consequences of the unstable social and political situation in 1992-95 and unprecedented natural calamities had adverse impact on road conditions of the country.

Roads in mountainous areas are exposed to frequent destruction as a result of floods during the spring. As a result about 3,618 km of roads, 517 bridges, as well as buildings and operation facilities were destroyed during 1997-2001. A large number of road construction facilities and machinery were damaged.

Rail transport is of strategic importance to the economy as it carries about 90% of external cargo shipments. It consists of three separate sections: northern – in Soghd oblast; central – in Hissar valley; southern – in Khatlon oblast. They are connected through the territory of Uzbekistan and Turkmenistan. The total length of railroads is 860 km.

Air transport is provided by the only airline, CART "Tojikiston", which is state owned. Two airports located in Dushanbe and Khujand provide international flights. The company's fleet consists of 41 aircrafts manufactured up to 1992.

The unsatisfactory status of the existing transport infrastructure affects development of industry, agriculture, energy and tourism. Rural population faces difficulties related to delivery of agricultural products to markets, purchasing of essential goods and access to social services. All these problems have a negative impact on people's welfare and reduce living standards.

Telecommunications, TV and radio. Telecommunication services are necessary to take part in the process of globalization and obtain access to world markets. At present they are underdeveloped and do not satisfy the society's needs in terms of quality and quantity of services. 85% of total telephone sets are in urban areas serving 27% of the population while in most of the rural areas access to the telecommunication infrastructure is available for less than 1% of the population. The number of telephone sets per 100 urban persons is 9.3, and in the countryside – 0.6 only. Practically, there are no public tax phones available for the needy population. The density of telecommunications in Tajikistan is the lowest among the CIS countries.

Information transmitted through television and radio is the most accessible and current for the poor people. In addition to the state channels, there are few public and private TV and radio stations but their number is small. There are no cable television or radio channels in the FM range. The choice of TV and radio programs, including educational programs, is limited.

Water and heat supply, sewerage. At present, about 30% of the tap water network in the water supply system does not operate for one or another reason. Only just over half of the population has access to tap water. Others use water directly from rivers, canals, irrigation ditches, natural springs, and other sources. The quality of water supplied through the tap water network also leaves much to be desired, as effectiveness of water purification facilities does not exceed 40%. Sewerage facilities are available to practically all the urban residents, however for the country they are available to about 23% of the population. This adds to the risk of contagious diseases. Lack of water gauges to monitor water consumption makes it difficult to estimate the water supply balance, which results in large water losses. Virtually everyone in Tajikistan suffers frequent failures in water supply.

Main problems in infrastructure. The overall problem for all the enterprises in the sector is obsolete and worn-out facilities inherited by Tajikistan from the former USSR: vehicle fleet, road construction facilities and equipment, locomotives, carriages, aircrafts,

systems of drinking water supply, electricity distribution networks and substations, telecommunication and TV and radio broadcasting facilities – all these facilities have exceeded their service life. Application of outdated facilities entails additional maintenance costs. There is no possibility to repair them because of a lack of funds, weak renovating base, and lack of skilled specialists.

Prior to reforms, enterprises in the sector were involved in policy making, supervision and regulation, as well as the operation of facilities and their maintenance and related repair and dispatch facilities. Now, the separation of these functions is being introduced. Ministries of Energy and of Transport have been created, and the functions of the Ministry of Communication have been revised. Lack of competition in infrastructure has become a major bottleneck for sector development and inflow of private capital.

The existing legislative and regulatory framework of the infrastructure sector restricts its further development, and does not facilitate the sector to liberalize its services. As a start to reform of the legal and regulatory framework for the sector, the laws “On Energy” and “On Transport” have already been passed in and a new Law “On Communication” is being drafted. However, the sector’s regulatory framework has not yet been brought in line with the new laws.

Due to lack of financing for the sector the majority of qualified specialists and workers were forced to leave their enterprises. Some of them were employed by commercial structures, and others emigrated. The training of young specialists is also a concern. Training of specialists abroad requires substantial costs.

Currently established tariffs are not based on market economy requirements, since they do not ensure full cost recovery (including long-term marginal costs) for electricity, water, transport and information and communication services. The infrastructure sector generally has a collection problem as evidenced by substantial arrears. This is partly due to lack of affordability by most of consumers, including households, as well as imperfect legal provisions regulating the relationship between enterprises and customers.

Inefficient use of electricity and water is widespread while there are no electricity and water saving programs. Water consumption in the country has dramatically increased due to extremely low prices for water and consequent lack of incentives for consumers to save it, and a lack of effective mechanisms of water resource utilization and management. It is necessary to inform the public about electricity and water saving issues.

Priorities for poverty reduction. From the perspective of reducing poverty, the main issues with regard to the development of infrastructure are:

- The contribution of infrastructure to economic growth with the development of the priority policies and investments needed to maintain a sustainable growth in incomes and jobs;
- Access of the poor to water, electricity, transport and information; and
- Affordability: how should infrastructure services be priced to meet the objectives of financial viability of enterprises and affordability for the poor.



## 4.9 Environment protection and tourism

Environment. Tajikistan possesses unique natural and recreational resources, a beautiful and virgin ecosystem, and rich biodiversity. The lack of an active environmental protection program and the impact of poverty have had an adverse impact on the status of the environment as reflected in forest cutting, water and air pollution, erosion and salination of soil, and conversion of natural areas into pastures. The protection of nature needs fundamental improvement aimed at meeting demand for better public utilities (clean drinking water, recycling), tackling the most dangerous ecological threats to public health and safety of ecosystems, as well as to ensure ecologically sustainable economic growth.

Tajikistan is exposed to various natural disasters: earthquakes, landslides, floods, snow avalanches, movements of pulsing glaciers, breakthrough of natural dams in alpine lakes, heavy showers and downpours, and water related erosion. All such natural disasters cause economic damage and quite often human casualties. However, no national strategy has been developed nor are there specialized and appropriately equipped services to study, forecast, provide zoning and monitoring of detrimental impact of potential sources of natural disasters for the purposes of developing and undertaking preventive measures.

The Government has started implementing the National Environmental Program for 1998 – 2008 aimed at ensuring rational use of natural resources, maintaining the optimal state of land, forests, pastures, water resources, and air, and a biological balance, and protecting rare and disappearing types of flora and fauna. At present, a study of environmental pollution has been started, and a special commission monitors violations of the laws on nature protection. To protect unique natural sites, 4 reserve zones, 13 natural reserves and 2 natural parks have been created (Tajik national park and Shirkent historical and natural park).

Funds allocated from the State budget for environmental protection do not cover even essential nature protection measures, and currently there are no other alternative sources of financing. Collaboration with international agencies in the area of environmental protection such as Global system of environment monitoring (GSEM), Global information database on resources (GIDR), International register of potentially toxic chemicals (IRPTC), International information system on environment (IISE) and others is weak. Legislation and the regulatory framework covering environmental protection need to be reviewed and unified.

Inadequate monitoring capacity limits the ability of relevant authorities to control the level of emissions. Poor environmental awareness of the population, the fact that environmental issues are not high on the political agenda, and a lack of convincing evidence of the costs resulting from environmental degradation have limited the effectiveness of ecological policies.

The present strategy envisages the creation of incentives linking economic interests of enterprises with improvement of the environment, strengthening nature protection institutions and providing financing for priority ecological programs and projects. The Government realizes that encouraging economic growth without taking account of ecological requirements and postponing environmental action will be costly in the future.

Environmental protection is considered by the Government as one of the crucial condition to develop tourism in the country.

Tourism. Despite significant growth potential the sector is ill developed because of insufficient public awareness of the actual situation, inadequate infrastructure and a lack of competition. The existing tourism infrastructure and part of sanatorium and resort establishments (more than 116 facilities and 9 health resorts) do not meet required standards, since over 80% of facilities need renovation and modernization. There are no modern tourist facilities (4-5-stars hotels, entertainment facilities and leisure centers) in the country that meet international standards.

The Ministry of Economy and Trade, which is responsible for tourism, has recently made recommendations to develop the sector. Currently, only a few companies have been licensed to conduct tourism related business. The existing laws and regulations hinder development of the sector and limit competition. Tourism is not financed from the State budget and the limited funds raised from tourism related businesses are generally spent to cover current expenditures of companies and advertisement at international exhibitions.

Irregular power and water supply, poor telecommunications, lack of competition in air transport, lack of information on flights according to international information systems, limited direct flights to major tourist markets, lack of a booking and reservation system are problems that keep tourists away.

Priorities for poverty reduction. Action on environmental protection that is of particular importance to the poor includes measures dealing with water pollution, soil erosion, desertification and the management of natural disasters. Development of tourism, which is capable, at relatively small cost, to quickly create jobs, is essentially a private sector responsibility. The role of government is to create the right environment for private investments in the sector through an appropriate regulatory framework that encourages competition, and by helping to create a positive image of Tajikistan abroad.

## **5. PROPOSED MEASURES TO IMPLEMENT THE POVERTY REDUCTION STRATEGY**

This chapter covers the key policy measures that the Government intends to implement in the short-, medium and long-term run to achieve the objectives of the Poverty Reduction Strategy. Policy measures matrix (Attachment 1) provides concrete measures with a particular focus on priority measures to be implemented in the short-term run: 2002-2004. Upon establishment of the special unit to monitor the implementation of the PRSP (as part of the Executive office of the President), the priorities will be revised in the lights of real situation on the ground and real absorptive capacity of the country. Specific measures will be adjusted accordingly.

Assessment of financial provisions to implement separate measures included in the policy matrix was not possible in the light of lack necessary information, in particular, adopted Mid Term Budget Framework (at present MTBF is being developed) and taking into account that at this stage funding sources for these measures have not been identified. It's assumed, that carrying out these assignments will be one of the main directions for the activities of the above-mentioned Unit.

## 5.1 Macroeconomic management

The Government has targeted a medium term GDP annual growth rate growth of 6% and a rate of inflation not exceeding 7% in order to maintain a stable exchange rate and raise per capita income. To strengthen confidence in the national currency and meet external commitments, the Government intends to increase gross international reserves to the equivalent of three months of imports. **Regarding fiscal policy the medium-term target of the Government is to achieve budget balance in 2004 (narrow definition of fiscal balance, excluding PIP). The Government will try to increase the share of tax revenue to GDP ratio of 16.3% by 2004.**

Macroeconomic stability and implementation of a wide range of structural reforms will support the growth, especially in agriculture, taking into account comparative advantages of Tajikistan in agricultural sector and low cost of labor. The latter factor will also support industrial output with the substantial potential to improve the productivity. Growth potential exists in other sectors as well, such a hydro power, mining and metallurgy, construction and infrastructure.

Fiscal policy. Given an expected decline in net foreign financing, the Government will pursue a tight fiscal policy, with a planned budget deficit for 2002 of **0.4%** of the GDP and **balanced budget** by 2004. A larger deficit will be financed from the sale of treasury bills and from privatization proceeds. To compensate for the loss in revenue caused by the phasing out reduction of sales tax on cotton and aluminum, the Government will introduce measures to expand the base and increase rates of excise taxes, extend VAT on domestic cotton production, experiment with the introduction of a unified agricultural tax in several regions, and reduce the number of tax exemptions. The Government will continue strengthening tax administration and the tax collection system. Concrete measures include completion of VAT reform, strengthening of the Large Taxpayers' Inspectorate, further work on registration of taxpayers to expand the tax base, take action on liquidation of tax arrears, move to a modern self-accrual system, and introduce a system of tax withholding at source. In order to improve performance of the recently established Ministry of Revenues and Duties, the Government intends to allocate incentive amounts to its budget regarding revenue collection and over-fulfillment of plans. Tax administration reform has been started with the support of technical assistance from the International Monetary Fond and Asian Development Bank. All these measures will lead to sustained growth of tax revenues to GDP.

The Government intends to increase expenditures on social sectors, though this will be constrained by the large share of expenditures on wages, pensions and debt service, which are all expected to rise substantially. Civil service pay will rise by an average of 40% in 2002. Social sector expenditures in the following three years will comprise of two components. The first component consists of basic expenditures on healthcare, education, pensions and the revised system of cash compensations. The second component consists of special allocations for poverty reduction programs. The funds will mainly be used for health and education and for counterpart funds of projects in the Public Investment Program with external financing. Public investment in 2002 will be limited to **3%** of GDP.

The Government will continue to improve effectiveness of the treasury system. In this connection, control over expenditure commitments will be strengthened, a manual on treasury operations will be issued and disseminated and banking accounts of separate

ministries will be consolidated. Quasi-fiscal deficits will be eliminated to increase transparency of financial management in the public sector.

With the intention is to integrate the PIP into the budget a medium-term budget program for 2002-2004 has been prepared with the aim of introducing a strategic element in expenditure planning and to strengthen the link between policies, budgeting and resource allocations.

Monetary policy. The Government will carry out a tight monetary policy to support the balance of payments and restrain inflation and will be guided by the monetary targets set in the framework of the IMF program. Active measures to collect overdue loans, as well as strict limitations on new loans will reduce net claims of the NBT on the private sector. NBT will not extend directed loans. Containing internal credit emission will strengthen international reserves position.

NBT will continue to use a flexible exchange rate regime and will not intervene in the foreign exchange market, except to smooth out temporary fluctuations. NBT will establish an official exchange rate as an average weighted rate of actual weekly operations in the interbank foreign exchange market, and take measures to improve functioning of the market by introducing tight control over observance of limits of foreign exchange exposure of banks.

The NBT will also broaden the sale of NBT deposit certificates and treasury bills and conduct further work on making its open market operations more effective. To strengthen independence and financial position of the NBT, its annual financial reports will be prepared in full compliance with international accounting standards.

The Government will continue to deepen banking sector reform by operational restructuring. Recapitalization of commercial banks using Government funds will be conditional on sufficient operational restructuring, professional management, acceptable business plans that ensure observance of capital adequacy and profitability ratios and private capital participation.

Foreign trade and external debt management. Over the next few years, the current account deficit of the balance of payments is planned to decline from 7.7% of GDP in 2001 to 5.5% in 2004. At the same time, significant reduction of the positive balance of the capital operations' account will occur due to high loan repayments. To cover the and alleviate the debt burden on our ability to fight poverty, we intend to seek with our major creditors as well as additional financing on concession terms.

The Government will take measures to strengthen the monitoring and management of external debt. This will include preparing a detailed inventory of the total amount and the status of the government and government guaranteed external debt, as well as the debt of state enterprises; providing training and equipment for debt management and for improvement of analytical potential of debt reporting systems in the Ministry of Finance. The Government will establish a policy regarding the level, terms and purpose of attracting external loans and economic criteria will be applied in selection of projects for the public investment program. Government borrowing on non-concessional terms will be prohibited.

## 5.2 Public administration reform

An effective and transparently operating system of state power and institutions and administration is an essential element in achieving the country's development objectives. Reform of public institutions covers a wide range of actions. Measures aimed at improving the functioning of the executive branch of the state and in particular, as a priority, in sectors of immediate relevance to the welfare of the poor, i.e. the social sectors, agriculture and agencies responsible for development of private sector activity are of particular importance for the implementation of the Government's poverty reduction strategy.

Implementation of public management reforms envisages a complex of measures providing all together for the effectiveness and productivity of the public system. These include (a) a clear definition of the role and responsibilities of ministries and agencies, avoiding duplication of functions, and development of an organizational structure and staffing in line with their objectives; (b) strengthening of financial control over the use of public resources; (c) establishing a professional civil service; and (d) promoting transparency of operations of public bodies.

It is intended to expand activities of the State Financial Control Committee by including evaluation of the draft state budget and of the use of state resources and assets, assessing the expediency and effectiveness of joint ventures using state property and of loans extended to the Government and their servicing. Reporting is envisaged on the performance of this institution to the President and the Parliament to ensure transparency of this new institution. Regular publication of its findings in the mass media will allow the public to evaluate the performance of public agencies.

Establishment of civil service institutions and training of professional civil servants' corpus in the republic is a crucial matter. This can be achieved by extending of activities of an appropriate government institution, ensuring of publicity and clear performance in selection, recruitment and professional promotions, by introduction of continuous system of training and retraining for state institutions, by implementation of the code of conduct

An effective public administration requires payment of adequate salaries to its staff. An urgent task of the Government will be to develop an appropriate level and structure of remuneration for its personnel and identify its sources of financing. The next step will be to actual implementation of activities of the public service department and establishment the system of training and retraining which will enable civil servants to increase their qualifications.

Transparency of decision-making can be improved through publications in mass media and participation of parties concerned in meetings to share experience through invitations to public hearings of public bodies, debates with NGOs, entrepreneurs and civic organization, publication of court statements in mass media and of tender results on large state procurements. To achieve transparency of operations of state enterprises it is envisaged to periodically publish reports of their performance in mass media. Availability of confidential telephones to voice complaints will also facilitate transparency. To improve quality of services provided by state servants, periodic surveys can be conducted among users. Participation of senior officials in direct television debates will be expanded.

### 5.3 Social protection

The social protection policy priorities aimed at reducing poverty are: improved operational efficiency of the cash compensation scheme, including better targeting; raising the level of benefits; pension reform; and addressing the problems of institutional care.

Reform of the cash compensation scheme will be aimed at reaching the poorest groups of the population. Effectiveness and simplicity in implementation as well as mechanisms ensuring transparency in monitoring and control will be essential criteria. Actions of the Government first of all will be aimed at introduction of a nationwide mechanism to pay targeted cash compensations to the poorest 20% of families having schoolchildren from 7 to 15 years at home, domiciliary through schools (school associations, board of trustees). This will involve approx. 350,000 children. The beneficiaries should include children of school age that do not attend school for reason of poverty (lack of clothes, shoes, text-books etc.). The main goal is to identify the most vulnerable, thus, encouraging these kind of children to attend schools. Help will be needed from international agencies and NGOs as well as active participation of the Ministry of Labor and Social Protection to draft a reform action plan and allowance disbursement mechanisms.

Improvement of the pension system will be based on gradual introduction of a funded pension system taking into account state guaranteed pension provision for the older generation. Appropriate legislation will need to be developed in this respect. In the medium term, creation of a three-tier system of pension provision is envisaged, consisting of: government guaranteed minimal pensions; pensions provided under compulsory pension insurance; and pensions provided by non-government pension funds. These types of pensions should involve assigning pensions to workers depending on their condition of employment. This is a complex issue, which requires thorough consideration. Assigning retirement pensions to workers in education, healthcare, arts sectors and other economy branches will be considered.

Social infrastructure would have to be rehabilitated (reconstruction of buildings, systems of water supply, sewage networks, heating, gas supply networks) that would require help of international agencies. Specific peculiarities of the above mentioned facilities require unified criteria and would have to be prioritized. Measures will be taken to develop a network of subsidiary farms and small enterprises. This will help to reduce the financial constraints of the institutions and provide employment opportunities to those who fit to work. The Government will also start to develop a system of social services to help lonely elderly and the disabled at home.

With regard to invalids, it is proposed to develop a unified rehabilitation process that comprises of medical, pedagogical, and professional-educational aspects, including monitoring of initial disability, which is a factor preventing permanent disability. The Government intends to set high standards for judging fitness for work, especially chronic pathology, to improve the quality of prosthetic and orthopedic products, as well as measures to train personnel specializing as technicians-orthopedists. Training of the disabled in new professions and provision of conditions for training is also envisaged.

Health resorts, prophylactic facilities and boarding houses play an important role in rehabilitation of invalids, but the center of rehabilitation measures is to be a research institute

for rehabilitation of invalids, which includes prevention and early diagnostics of disability. The creation of especially equipped research base has been planned.

#### **5.4 Education**

The main objectives of the poverty reduction strategy in education are to increase access of the poorest to both primary and secondary schooling and to raise its quality.

Concrete measures aimed at the poorest groups of the population will include provision of free basic instructional learning materials; introduction of clear rules on fees for education in order to counter the negative impact of informal charges; and creation of kindergartens through community efforts that could mobilize funds from parents and communities to provide inexpensive educational programs. Measures will be taken to reduce differences between urban and rural areas and achieve gender equality in terms of access. Equal access to education will be also achieved through implementation of targeted scholarships for children from poor families, as well as providing them with clothes, footwear, school and writing accessories; organizing food for students of primary school (for classes 1 through 4); implementing a presidential quota system for girls and some privileges for children from remote alpine areas; creation of alternative forms of education for children from families of refugees and for over-age youths, who did not have any education.

Various measures will be aimed at providing a better quality of education. These include notably a rise in teachers' pay to improve incentives and attract qualified staff, and rehabilitating the physical infrastructure of schools and equipping them with textbooks, and other educational materials, including audio and visual aids. The content of the curriculum and teaching programs will be revised. To this end, teaching staff will be sent abroad to learn and evaluate new curriculum models; modern methodological, educational and playing manuals for preschool and elementary education will be published. The introduction of new curricula and programs will also be monitored.

To improve the quality of teaching, the traditional teachers training model will be revised and alternative models introduced; financial and technical bases of the retraining institutes will be strengthened. No less than 50% of the basic education teachers will be trained through innovative methods.

In terms of management of education, The Ministry of Education is responsible for planning, decision-making, monitoring and analysis of various sets of measures. The Ministry will prepare a plan for the medium to long-term sector development at all levels of education. The structure of secondary education will be analyzed with the purpose of its better adaptation to current demands of the labor market. For the sector to operate more efficiently, rayon hukumats and rural jamoats will be given a bigger role, while the role of parents-teachers associations and NGOs will also be increased. NGOs, communities and the private sector will be more involved in the implementation of social programs in preschool establishments and in secondary schools.

To improve effectiveness of financing the education sector, the Government will introduce a new system of financing, its planning and assessment, as well as increase responsibility for its performance and management mechanism. Budget financing of education, as a share of GDP will be increased compared to 2001 by 0.2% of GDP annually over the next three years.

## 5.5 Healthcare

Priorities for health care in the poverty reduction strategy include development of the system of primary health care and improvement of the quality of care as a means of providing greater access for the poor, ensuring affordability of services, strengthening public health services, and improving medical statistics.

Based on experience of health systems elsewhere, the Government will reform primary medical service based on a model of family medicine. Strong vertical and horizontal ties between the sectors of healthcare will be established. Given the current financial constraints in the health sector, the Government will introduce a new system of financing the sector from the state budget. More effective expenditures in the sector will be the priority. Alternative sources to finance the sector will be introduced (insurance funds, earmarked transfers, etc.). Medical insurance system will be introduced taking into account pilot experience of the joint project implemented in collaboration with the international organizations. A law «On compulsory medical insurance» will be developed.

To ensure access of vulnerable groups to principal medical services, a package of basic free guaranteed medical and sanitation services would be developed. In contrast to existing health care concentrated in hospitals, the Government intends to decentralize, concentrate human and material resources on primary level health care with the purpose to render qualified and timely services to patients where they apply. To improve management of the sector it will be necessary to train health sector managers able to undertake identified tasks in line with modern practice and world experience.

Improving the quality of medical services requires upgrading the physical conditions of nearly all medical establishments, including the provision of medical equipment, in order for them to satisfy medical and sanitation norms. Equipping ancillary services is also equally important. The Government plans to start physical rehabilitation of establishments of primary medical care, including ambulance service, as well as hospital services, sanitation and epidemiological services providing them with necessary medical equipment and inventory.

Taking into account the developments in medical science, standard schemes of diagnostics and treatment of main problematic diseases that are applied in developed countries and medical establishments will be introduced. To improve quality of medical and sanitation services, the Ministry of Health will continue training and retraining of doctors for general therapeutic practice.

To improve public health services, the Government plans to continue mass-scale vaccination of children against contagious diseases. Preventing outbreaks of such diseases, and countering the growth of malaria incidence and tuberculosis among the poorest groups of population will require from the government permanent epidemiological alertness.

Maintaining and stimulation of family planning will be one of the main components of poverty reduction in the sector based on the existing demographic policy in Tajikistan.

The existing system of collecting and analyzing medical statistics does not meet requirements and makes it hard to monitor changes in health outcomes. The system must be able to produce indicators that permit comparison within the country and with other countries. The Government considers it necessary to introduce a common international



classification of diseases ICD-10, and establish a computerized data collection system in all medical establishments in the country.

In order to ensure access to quality pharmaceuticals at reasonable prices for the most vulnerable groups, it is necessary to provide free or partially paid medicines. Hence, the Government plans to assist in development of the pharmaceutical sector, while paying special attention to the quality of imported pharmaceuticals.

## **5.6 Agriculture**

Efficient use of, and fair access to, land and water resources is one of the sector's priorities in fighting poverty. Others include creating a positive environment for agriculture related private activity and reducing government intervention in decision-making.

Growth in agriculture will be stimulated by further restructuring of collective and state farms, cotton sector reforms, improvement of exploitation and maintenance of irrigation and drainage systems, increased opportunities for the private sector to supply private farmers with inputs, and improvement of labor incentives through development of family dehkan farms. Privatization of the transport sector and agricultural processing industry, expansion of rural financial institutions, development of telecommunications to increase access to necessary information, and efforts to halt the system of illegal payments on roads and markets will contribute to the development of commodity markets and credit markets and therefore, strengthen further growth in agriculture.

Changes and amendments will be made in procedures and institutional mechanisms at the level of the state and separate rayons to ensure transparent, fair and regulated transfer of land and other assets of agricultural entities to individuals or groups of individuals. This will include arranging meetings where members of collective farms decide whether to start restructuring; additional division of state farms' assets; and completion of the process of privatization based on the issue of land use and land share certificates. Measures will be undertaken to avoid interference on part of local authorities in the decision-making process of the farmers, in particular, under the second structural adjustment project supported by the World Bank. The Government will introduce a simple and inexpensive system of land registration and reduce expenses on obtaining land use certificates.

The Government will continue working with donors on a program of advising farmers about their legal rights in order to reduce interference of local authorities in activities of agricultural enterprises. Assistance will be provided in creation of NGO-operated and private legal bureaus to explain the rights and duties in obtaining land share and land use certificates and other legal issues. Debt restructuring will solve a problem of debts of agricultural enterprises, especially when debts are taken over by newly established dehkan farms.

To revive and further develop livestock production, the area of private (individual) land for fodder production will be expanded. Along with retaining state veterinary services, private veterinary services will be developed.

To encourage efficient use of water resources and financing of the cost of operation and maintenance of irrigation systems, the Government will gradually increase tariffs on water and electricity and will draft legislation on water resources envisaging creation and

operation of independent and autonomous water supply and water distribution organizations, as well as water users associations.

To ensure freedom of decision on the choice of crops, the Government will take measures to eliminate informal quotas on agricultural production, especially cotton, while competition among consumers will ensure signing contracts on shipments of raw cotton and another agricultural products on more favorable conditions for farmers. With the help of NGOs and rural state structures, the Government will provide advise to producers on futures contracts to identify prices on cotton, and on imported inputs to help them estimate production costs. A mechanism of informing raw cotton producers on events and tendencies in the market will be created. Central and local authorities will be forbidden to intervene in determining shipment terms by the private sector to reduce the debt of cotton sector and to expand possibilities to attract funds for financing next year's crops. To increase profitability of cotton production, sales tax on cotton will be reduced.

To develop the processing sector, the creation of small and medium enterprises based on individual and co-operative forms of property will be encouraged. To attract investments in agricultural processing activity, the possibility of granting partial guarantees against risk will be considered. Measures to encourage production of seed production on commercial basis will be taken.

The Government will reduce its role in providing funds for farming and instead encourage private activities in this area. In particular, it will develop appropriate rules, regulations, registration requirements and membership criteria, for the creation and operation of rural credit and savings associations. It will also encourage the private provision of agricultural inputs and financial services to the sector through help in assessing credit-worthiness and risks. It will create an economic and legal basis and appropriate structures for realization and consolidation of rights to land and other agricultural resources. The possibility of preparing a register of assets and rental rights, to be used as collateral, will be considered.

To relieve the tax burden a unified land tax will be introduced in several areas as a pilot. Should the results be positive, the tax would be introduced throughout the country.

### **5.7 Privatization, labor and private sector development**

The Government's efforts to encourage private sector activity to create jobs and increase income are a central part of its anti-poverty program. They will focus on the proper functioning of markets by (a) establishing a legal and regulatory framework related to establishment and development of enterprises and work places; (b) privatization of state enterprises, giving priority to those especially in agriculture; and (c) assisting the development of financial markets.

As a first step, a 3-year strategic privatization plan is being developed, which will include privatization of a set of large enterprises that are subject to privatization as individual projects. Privatization of these enterprises requires a careful study of all aspects of the process and of ways to attract strategic investors. Different methods of auctions and tenders on sale of medium and large enterprises will be applied.

To accelerate privatization of medium and large enterprises, an assessment of enterprises based on cash flows will be introduced to replace the technical assessment. In

case of privatization of a large enterprise, consulting firms will be attracted for its assessment. Procedures will be introduced to determine the solvency of bidders and ensuring observance of requirements on entrance fee with the purpose of reducing non-payment by the successful bidders.

To develop a properly functioning labor markets a new edition of the Law “On Assistance in Employment of the Population” and regulations dealing with employment will be drafted. Other measures include: improvement of the employment management structures; preparation of a national job creation program; creation of a network of social-business centers; facilitating self-employment through micro credit programs for the unemployed; expanding programs on civil works involving the private sector; and preparation of special programs for employment of women.

Reform of vocational training will involve a range of measures including rehabilitation of buildings and re-equipment of training facilities; revision of curricula to reflect international standards, and provision of targeted assistance to poor students. In the field of labor protection and working conditions, a long-term program on improving labor conditions and protection will be developed, legislation and regulations will be updated, and state labor expertise will be established and staff trained.

The Government will improve the management of migration processes, whether these are environment or job related. Safe land areas will be developed for resettlement of people. Resettlement of households to safe areas will facilitate the process of development of internal and external migration. Local specialists in migration issues will be trained and relevant legislation and regulations prepared.

To identify obstacles in development of the private sector, a survey of entrepreneurs will be conducted, and annual seminars, conferences of entrepreneurs and local authorities will be held. The Government plans to conduct quarterly reviews of Books tracking audits of the agencies (black book) in order to identify and undertake measures to avoid further interference on part of the enforcement bodies. Training centers on basic entrepreneurship will be set up and relevant legislation and regulations on entrepreneurship will be developed. The Government also intends to prepare a ‘Policy Program on assistance of small and medium entrepreneurs’ will be adopted, new credit-investment, guarantee-investment and leasing organizations will be set up.

## **5.8 Infrastructure**

Availability of adequate infrastructure is an essential element in achieving satisfactory economic growth, which in turn provides the means for reducing poverty. A number of measures that are considered high priority in terms of the growth perspective are set out below. In addition, the Government will take actions that improve access to, and affordability of basic infrastructure services to the poorest groups.

The various infrastructure subsectors – energy, transport, water supply and communications – have much in common in terms of the actions proposed in support of the poverty reduction strategy. One of them is the development of a legal and regulatory framework that provides the context for operations in a market economy. Basic laws “On Energy” and “On Transportation” have been passed by Parliament. The next step will be to

adjust the rest of the legal and regulatory framework and ensure that it is in line with these laws. Basic laws “On Communication” and “On Drinking Water and Water Supply” are being drafted.

Reform of sector management – involving separation of operational and functional responsibilities – which has already taken place in the areas of energy, transport and water supply, will also be introduced in the communications sector. The Ministry of Communication will be responsible for sector planning and policy formulation as well as overall supervision, while separate companies will provide telephone and related services as well as produce TV and radio programs.

Competition in the sector is expected to be increased through privatization, corporatization and increasing the number of private companies. Corporatization of energy enterprises is planned, as is the denationalization of autotransport and road construction enterprises. Private companies will be attracted to implement cable TV and other commercial projects. Corporatization is also planned for water supply companies.

Another common measure in all four sub sectors is tariff reform. The level and structure of tariffs is being revised to enable operating companies to become financially viable. Eventually, tariffs will be set to achieve full cost recovery. Affordability of services to the poor will be addressed either within the tariff structure or through separate targeted measures. The financial position of enterprises will also be strengthened by measures aimed at reducing the substantial payment arrears.

Physical assets in all four subsectors are in a serious state of disrepair. Rehabilitation programs, with external assistance, are under way. In energy, the substantial shortfall in supply of electric power is mainly the result of lack of investment for maintenance. Once the system has been rehabilitated, and revised tariffs are effective, Barki Tajik will finance a continuing rehabilitation program. The situation in the transport sector is in some respects similar to that in energy. At present a number of highways rehabilitation projects are underway or expected to start soon. Modernization of the telecommunication system and of radio and TV based communications has been planned and part of it is already ongoing. The water supply system in Dushanbe is being rehabilitated to improve water quality.

Apart from the rehabilitation projects, the Government is also planning to invest in infrastructure facilities in rural areas to increase access for the poor. Supplying power to some outlying areas is most economically done through the establishment of small dams providing hydropower. The Government intends to set up a fund, with external assistance, to finance construction of such dams. Once they have been established, local communities would be responsible for the cost of operating and maintaining them. While the road rehabilitation projects focus on the major highways, one project also has a rural road component. A survey will be undertaken of the rural road network to determine the need for further investment. A program has been prepared to improve communications in the country's rural areas through creation of a network of public phone lines, by organizing centers for collective use of communication services and stage-by-stage provision of all jamoats and by providing large villages with at least three digital telephone lines.

## 5.9 Environmental protection and tourism

Environment. Environmental aspects of particular concern to the poor are the effects of natural disasters, water pollution, soil erosion and desertification. Actions intended in these areas include the preparation of a national strategy on disaster management as well as of an National Environmental Action Plan. One initiative that affects both energy and environmental policies concerns the search for non-traditional sources of power that could meet energy needs in rural areas. Development of alternatives to wood could yield important environmental benefits, including preservation of forests and soil conservation as well as a reduction in the release of carbondioxide.

Specific investment projects that have been prepared, but are yet to be implemented, include the environmental recovery of the Gissar valley and pilot projects within the Program to Combat Desertification in Tajikistan. The introduction of pollution controls also requires establishing monitoring capacity, including the purchase of monitoring equipment. The Government has signed several international treaties on environmental issues, including on climate change and on biodiversity conservation, which require follow-up measures such as developing a strategy and action program.

Tourism. The Government's role in the development of tourism is that of a facilitator, creating a favorable environment for the development of tourism. It will try to improve Tajikistan's image abroad and make it easier for tourists to enter and leave the country by removing administrative constraints found on the way of developing tourism and improving air connections. The development of a tourist infrastructure, such as hotels, entertainment facilities etc. are left to the private sector. The Government will, as part of its broader role in promoting private sector development, encourage private ventures in the tourist industry by liberalizing the market for services, introducing zoning regulations for recreation, ensuring transparency in the issue of licenses for tourist businesses and other measures aimed at increasing competition. It will also promote training in appropriate skills.

## 6. PERFORMANCE MONITORING

A crucial part of the PRSP process is the monitoring of progress towards the achievement of its goals. The monitoring process has three distinct elements: measurement of progress and of implementation of the proposed actions; the mechanism for monitoring progress; and data collection.

Measurement. There are several types of indicators that can be used in measuring progress towards PRSP objectives:

- Indicators that measure achievement of the main poverty reduction targets (mentioned in table 1) 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 enrollment 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 centers, 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.

Mechanism. The Government intends to establish a special unit within the Executive Office of the President on 'Monitoring and Improving the PRSP'. This unit will be responsible for monitoring progress as measured by the three types of indicators listed above, identifying the reasons for delays in implementation, and proposing measures to overcome the problems. It will also monitor the allocation of resources, through budget and PIP, to the projects and actions listed in the PRSP. Its work may require initiating special surveys to identify implementation problems or obtain a better understanding of the nature and causes of poverty in the country. The unit may need technical assistance.

There will be several levels of monitoring: at project/program level, where planned outputs will be compared to actual results; at sector level, to look at specific sector indicators and constraints; at local/regional level assessing the regional aspects of poverty ; and by the newly established unit at the national level. The aggregation of the results of the monitoring experience at the lower levels will occur at the national level.

Data collection. The quality of the monitoring exercise will depend 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.

Reporting. The Unit will 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. The format for the reports at the various levels will be elaborated.

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

Funding needs and sources. 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 and summarized in the table below. Total resource needs amount to about US\$ 690 mln., of which more than three quarters in foreign exchange. Projections of available funds show a total of US\$ 370 mln. 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 \$100 to \$150 m. The budget is projected to provide an additional \$125 m. over the 3-year period for all, including non-PRSP related, needs. The Government realizes that particular attention should be attached to a thorough debt management in order to ensure that debt servicing stay manageable and undertake measure to avoid accumulation of foreign debt in the short and long-term run.

**Summary of the costs and financing of the PRSP action program**  
(US\$ thousand)

Sector	Available External finance	Costs requirements		
		External	Domestic	Total
Public administration	1,322	3,728	258	3,986
Social protection	-	70,611	37,981	108,592
Multi-sector social services	55,000	43,800	14,000	57,800
Education	5,000	43,263	19,673	62,936
Health	25,412	27,647	8,726	36,373
Agriculture	118,140	127,100	18,840	145,940
Privatization, labor, private sector development.	3,985	14,909	2,105	17,015
Energy	58,300	61,520	17,780	79,300
Transport	74,000	83,000	21,000	104,000
Telecommunications	15,000	23,049	1,191	24,240
Water supply	15,000	40,105	4,205	44,310
Environment and tourism	-	3,415	38	3,453
<b>Total</b>	<b>371,247</b>	<b>542,147</b>	<b>145,797*</b>	<b>687,944</b>

\* Includes \$18.3 m. of non-budgetary financing.

The above figures provide only a very rough picture of the financial implications of the poverty reduction strategy for a number of reasons:

- a) Due to limited information it was difficult to properly cost many of the proposed actions. Cost estimates will be refined based on realities on the ground ;
- b) Activities outside the poverty reduction action program will continue to require funding and may claim part of the additional budgetary resources. However, there also is scope for reallocating some of the existing budget in favor of poverty-oriented activities;
- c) While the PRSP was drawn up for the period 2002-2004, the implementation of many of the proposed actions will take longer. Thus, not all costs are expected to be incurred during 2002-2004. Related disbursement of external funds might also shift to later years.

A realistic assessment of the financing requirements and available resources to fight poverty cannot be made before the financial planning and budgetary processes have been improved. Only then will it be possible to ensure that available resources match expenditure needs and that expenditure priorities outlined in the PRSP are reflected in annual budget allocations and in the composition of foreign funding.

Reform of public expenditure management. 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

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 will be gradually increased to include all sectors. The PRSP will be the basis upon which sector strategies are going to be prepared, and these will guide the allocation of resources between the various programs. The sector strategies for the MTBF will be carefully reviewed to make sure they reflect the priorities outlined in the PRSP. The MTBF for the period 2003-2005 is currently being prepared.

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 2001-2003. The investment planning process, which is soon to become a continuous exercise, allocates expected available resources for investment, mostly from donors, to priority projects. Sector strategies, together with other criteria, play a major part in the project selection process and, as in the case of the MTBF, will be based on the PRSP.

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.



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## GOVERNMENT POLICY MATRIX UNDER THE POVERTY REDUCTION STRATEGY POLICY

Measures and Actions	Date and Implementation Features	Responsible Bodies	Indicators	Financing (US\$ thousand)			
				Available External Resources	External	Financing Needs Domestic*	Total
<b>MACROECONOMIC MANAGEMENT</b> (see Attachments for details)							
<ul style="list-style-type: none"> <li>Adopt a financial policies stance consistent with achieving macroeconomic stabilization and debt sustainability.</li> </ul> <p><b>Fiscal policy</b></p> <ul style="list-style-type: none"> <li>Improving tax collection by expanding the tax base and strengthening tax administration (focus on major tax payers);</li> <li>Phase-out distortionary elements of the tax system, especially sales tax on cotton and aluminum;</li> <li>Strengthen treasury system by increasing its coverage and effectiveness;</li> <li>Budget reform, including integration of PIP in budget and improving the MTBF;</li> </ul> <p><b>Monetary policy</b></p> <ul style="list-style-type: none"> <li>Strengthen NBT by <ul style="list-style-type: none"> <li>ensuring it follows international accounting and reporting standards;</li> <li>pursuing a flexible exchange rate policy and foreign exchange reserve management;</li> <li>abandoning all activities, including remaining directed credits, not related to core functions of a central bank.</li> <li>measures to achieve positive net worth.</li> </ul> </li> <li>Improve the functioning of financial markets by: <ul style="list-style-type: none"> <li>Adopting rules on NBT's open market transactions;</li> <li>Expanding the number of instruments used for managing short term liquidity of the market;</li> <li>Activate a secondary securities market;</li> <li>Tightening regulations governing operations of commercial banks and acting to encourage deposits;</li> </ul> </li> </ul>	<p>2002-2005 approved government financial policies</p> <p>2002-2004</p> <p>2002-2004</p> <p>2002-2004</p> <p>2003-2006</p> <p>2002-2006</p> <p>Continuously</p> <p>2002-04</p> <p>Continuously 2002-2004</p> <p>2003</p> <p>Continuously</p> <p>2002-2006</p> <p>2002-2004</p>	<p>MoF, NBT, MRD</p> <p>MoF, MRD</p> <p>MoF, MRD,</p> <p>MoF</p> <p>MoF</p> <p>Government, International audit agency</p> <p>NBT</p> <p>NBT</p> <p>NBT</p> <p>NBT, Government</p> <p>NBT, MoF</p> <p>NBT, MoF</p> <p>NBT, Com.Banks</p>	<p>Achieving government's fiscal-monetary targets &amp; structural benchmarks</p> <p>Increased tax share as % of GDP</p> <p>Adjusted Tax code</p> <p>Integrated PIP in budget and improved fiscal implementation and projections</p> <p>Positive results of audit check-up</p> <p>Increased GIR</p> <p>No directed credits stock</p> <p>Positive net worth</p> <p>Adopted rules</p> <p>Increased volume of issued NBT and MoF bills</p> <p>Transactions with securities</p> <p>Increased (general) volume of deposits</p>				

Measures and Actions	Date and Implementation Features	Responsible Bodies	Indicators	Financing (US\$ thousand)			
				Available External Resources	External	Financing Needs Domestic*	Total
<b>External debt management</b> <ul style="list-style-type: none"> <li>Negotiate a restructuring of external debt;</li> <li>End the practice of providing Government guarantees (on non-concession terms);</li> <li>Enforce the law that gives MOF sole responsibility for managing public external debt;</li> <li>Establish detailed inventory of all external debt of Government and state enterprises;</li> <li>Prepare quarterly reports to Parliament on external debt.</li> </ul>	2002-Continuously 2002-2004  Continuously  2003 Continuously	MoF MoF  MoF, Government  MoF, NBT, MoF, MoF	Decreased annually paid debt payments No new Government issued guarantees  Positive MoF report  Clarified volume of external debt Information in Mass-media				
<b>PUBLIC ADMINISTRATION REFORM</b>				<b>1,322</b>	<b>3,728</b>	<b>258</b>	<b>3,986</b>
<ul style="list-style-type: none"> <li>Effectiveness of judiciary</li> <li>Establish a special group to assess, and make recommendations on, working conditions of the judiciary and of services provided to judicial bodies;</li> <li>Implementation of recommendations for all judicial bodies.</li> </ul>	2003 2003-2005	Government, MoF	Recommendations of special working group and implementation		67	8	75
<ul style="list-style-type: none"> <li>Restructuring of executive bodies</li> <li>Establish the number and structure of public bodies that constitute the executive and define their functions in line with the Government's strategic goals, avoiding overlapping responsibilities;</li> <li>Identify functions that could be performed by the private sector.</li> </ul>	2002 –2004  2002-2004	Government, Ministry of finance (WB-supported IBTA2 project) Working group on public management	<ul style="list-style-type: none"> <li>Recommendations of working groups and implementation;</li> <li>Creation of new government structure adequate to strategic goals</li> </ul>	261	995	75	1,070
<ul style="list-style-type: none"> <li>Ensuring transparency of activities of state bodies</li> <li>Expand communication between state agencies and the public through open debates, hot lines to agencies, publication of draft laws in the media, access of public to decision making sessions and public disclosure of irregularities.</li> </ul>	Continuously	Government, State financial control committee (CSFC)	<ul style="list-style-type: none"> <li>Wide participation of public in decision making;</li> <li>Availability of information on activities of state bodies;</li> </ul>				
<ul style="list-style-type: none"> <li>Equip restructured state agencies;</li> </ul>	2003-2005	Government, MoF (WB-supported IBTA2 project)		800	800	10	810

Measures and Actions	Date and Implementation Features	Responsible Bodies	Indicators	Financing (US\$ thousand)			
				Available External Resources	External	Financing Needs Domestic*	Total
<p><b>Reduce tariffs for services of state agencies</b></p> <ul style="list-style-type: none"> <li>Assess stamp duties in relation to the actual expenditures of state bodies for rendered services;</li> <li>Assess other fees of state bodies in similar way.</li> </ul>	2002-2004 Government Resolution	Government	<ul style="list-style-type: none"> <li>Adopt a Resolution</li> <li>Reduction in stamp duties</li> </ul>				
<p><b>Coordination of control activity</b></p> <ul style="list-style-type: none"> <li>Develop clearer review procedures;</li> <li>Develop a unified schedule of review for republican and sector administrations;</li> <li>Improve analytical method of analysis of control;</li> <li>Develop methods to assess the results of control.</li> </ul>	2002-2005 Continuously  Decision of control bodies	Prosecution jointly with enforcement bodies	<ul style="list-style-type: none"> <li>Decree of the Prosecutor office</li> <li>Usage of known review procedures</li> <li>Regulation of control activity;</li> <li>Decrease in number of reviews</li> </ul>				
<p><b>Creation of effective system of public administration in a market economy</b></p> <ul style="list-style-type: none"> <li>Survey of existing system of wages and wage variation depending on qualification, including impact of taxes;</li> <li>Develop a strategy to provide adequate compensation to public servants under market conditions and determine the necessary financing sources;</li> <li>Establish a professional public service and provide opportunities for continued professional improvement;</li> <li>Prepare and introduce Code of Ethics for public servants;</li> </ul>	2003-2005 (preliminary) Recommendation on pay strategy of public servants Development of corresponding normative acts	Department of public service, MOF	<ul style="list-style-type: none"> <li>Establish public service register;</li> <li>Introduce competitive and contractual system of recruitment;</li> <li>Introduce unified system of training and retraining</li> <li>Recommendations on wage strategy for civil servants</li> <li>Draft relevant regulations.</li> </ul>	261	1,866	165	2,031
<ul style="list-style-type: none"> <li>Expansion of activity of Committee of state financial control (CSFC)</li> </ul>	2003-2004	CSFC	<ul style="list-style-type: none"> <li>Legal basis established;</li> <li>Reports by CSFC;</li> </ul>				
<b>SOCIAL PROTECTION</b>					<b>70,611</b>	<b>37,981</b>	<b>108,592</b>
<p><b>Protection of poor children</b></p> <ul style="list-style-type: none"> <li>Determine criteria for paying cash compensation;</li> <li>Monitor the targeting of compensation payments;</li> <li>Strengthen control over compensation payments to ensure they reach the targeted people;</li> <li>Introduce the position of specialist in staff structure of MLSP to work on issues of cash compensation;</li> <li>Get international organizations to provide technical assistance and conducting seminars;</li> </ul>	2002 2002 2002-2004  2002 2002-2004	MLSP, MoF, MoJ, Khukumats, international organizations  MLSP, MoEd, MoF, MOJ, Khukumats,	<ul style="list-style-type: none"> <li>Payment criteria established;</li> <li>Increase in number of qualified recipients</li> <li>Position of specialist established</li> </ul>		20,379	19,835	40,214

Measures and Actions	Date and Implementation Features	Responsible Bodies	Indicators	Financing (US\$ thousand)			
				Available External Resources	External	Financing Needs Domestic*	Total
<ul style="list-style-type: none"> <li>Indexation of cash compensation payments including in line with consumer price index.</li> <li>Develop proposals to monitor and care after homeless children</li> </ul>	Annually 2003	international organizations	<ul style="list-style-type: none"> <li>Amount of technical assistance</li> </ul>				
<p><b>Pension system reform</b></p> <ul style="list-style-type: none"> <li>To draft the following Laws: <ul style="list-style-type: none"> <li>On guarantees of protection of savings and assets of population in the social insurance system;</li> <li>On non-government pension funds;</li> <li>On a funded pension scheme;</li> <li>On early treatment and rehabilitation of invalids.</li> </ul> </li> <li>Arrange home delivery of pensions;</li> <li>Introduce amendments and changes to existing laws <ul style="list-style-type: none"> <li>On pension provision of citizens.</li> <li>On social protection of invalids.</li> </ul> </li> <li>Comprehensive research of social-demographic processes in society to create and develop scientifically justified methods before elaboration of laws and programs;</li> <li>Determine ways and appropriateness of sector development in order to improve organization and structure of social protection system;</li> <li>Develop and introduce computerized model for survey of influence of various factors on social life and system;</li> <li>Raise pensions by up to 42%;</li> </ul>	2002-2004	MLSP, MoJ, MoF, SPF, Amonatbank, International organizations	<ul style="list-style-type: none"> <li>Indexation of pensions;</li> </ul>		15,400	18,000	33,400
<p><b>Rehabilitation of buildings and facilities</b></p> <ul style="list-style-type: none"> <li>Work out rehabilitation needs of institutions for invalids, elderly and severely mentally retarded children (psycho-neurological), of liceum-boarding schools for invalid and poor children;</li> <li>Develop investment program for rehabilitation of sanatoriums, preventive clinics and boarding houses for war and labor veterans.</li> </ul>	2002-2004	MoF, MLSP, International organizations	<ul style="list-style-type: none"> <li>Increase in number of aged and invalids in institutional care</li> <li>Reduction of beggars and homeless.</li> </ul>		9,727	146	9,873
<p><b>Develop new sources of funds for specialized institutions</b></p> <ul style="list-style-type: none"> <li>Develop Pilot program at one of the specialized institutions aiming to distribute the experience of finding ways out of economic difficulties under market conditions</li> <li>To support creation of small enterprises on processing of agriculture and other types of products on the basis of farms attached to facilities</li> </ul>	2002 2002-2004	MLSP, local Khukumats, NGO	<ul style="list-style-type: none"> <li>Program elaboration</li> </ul>		860		860



Measures and Actions	Date and Implementation Features	Responsible Bodies	Indicators	Financing (US\$ thousand)			
				Available External Resources	External	Financing Needs Domestic*	Total
<p><b>Social services and assistance to pensioners, invalids and those living below poverty line</b></p> <ul style="list-style-type: none"> <li>To elaborate a program on creating daycare centers for poor pensioners;</li> <li>Training of specialists – social workers to provide services at home;</li> <li>To provide social workers with special clothing materials and transport;</li> <li>Encourage expansion of network of social assistance and services delivery at regional level;</li> </ul>	<p>2002</p> <p>2002-2004</p> <p>2002-2004</p> <p>2003-2004</p>	<p>MLSP, international organizations, Khukumats.</p>	<ul style="list-style-type: none"> <li>Program elaboration</li> <li>Number of social workers to assist at houses</li> </ul>		15,045		15,045
<p><b>Rehabilitation and prophylactic measures</b></p> <ul style="list-style-type: none"> <li>Develop a program for providing services and prosthetic – orthopedic and other prosthetic goods to invalids;</li> <li>Improve health resort treatment of veterans and invalids;</li> <li>Train staff to treat 3rd category invalids;</li> <li>Elaborate sport and health care programs and create special rehabilitation premises meeting modern standards</li> <li>Assist rehabilitation of education and production facilities at invalid clubs.</li> </ul>	<p>2002</p> <p>2002-2004</p> <p>2002-2004</p> <p>2002-2004</p> <p>2002-2004</p>	<p>MoF, MLSP and International organizations, Republican MoH bodies</p>			9,200		9,200
<b>SOCIAL SECTORS: MULTI-SECTOR PROJECTS</b>				<b>55,000</b>	<b>43,800</b>	<b>14,000</b>	<b>57,800</b>
<p>The following projects finance activities in the education, health, social protection and private sector development sectors:</p> <ul style="list-style-type: none"> <li>Second poverty alleviation project (SOC 02);</li> <li>Social sector rehabilitation project (HEA 03);</li> <li>Social services development project (SOC 04);</li> </ul>	<p>World Bank</p> <p>ADB</p> <p>ADB</p>			<p>15,000</p> <p>20,000</p> <p>20,000</p>	<p>13,800</p> <p>20,000</p> <p>10,000*</p>	<p>4,000</p> <p>5,000</p> <p>5,000</p>	<p>17,800</p> <p>25,000</p> <p>15,000*</p>
<p><b>EDUCATION</b></p> <p>(See also under Social Sectors: Multi Sector Projects)</p>				<b>5,000</b>	<b>42,063</b>	<b>19,673</b>	<b>61,736</b>
<p><b>Revision of financing and tax legislation</b></p> <ul style="list-style-type: none"> <li>Raise salaries in the education sector by up to 40% and pay them on time and in full;</li> <li>Develop and introduce a new financing system for education;</li> <li>Revise legal framework of the system of state and non-state education sector and include the possibility of tax concessions;</li> </ul>	<p>2002-2004</p>	<p>Government, MoE, MoF, MoJ</p>	<ul style="list-style-type: none"> <li>Increase in wages of workers of education institutions</li> <li>Increase in number of private schools</li> </ul>		28	18,000	18,028

Measures and Actions	Date and Implementation Features	Responsible Bodies	Indicators	Financing (US\$ thousand)			
				Available External Resources	External	Financing Needs Domestic*	Total
<ul style="list-style-type: none"> <li>Develop multi-channel financing of education institutions</li> <li>Consider introduction of interest free student loans for vocational training;</li> <li>Improve pay system of education system workers.</li> </ul>							
<p><b>Rehabilitation of physical infrastructure of education institutions</b></p> <ul style="list-style-type: none"> <li>Develop norms for condition of buildings, class rooms and other type of premises;</li> <li>Develop criteria for determining priorities for rehabilitation;</li> <li>Determine total rehabilitation needs;</li> <li>Work out costs of rehabilitation program;</li> <li>Rehabilitate buildings of preschool institutions, schools, pedagogical universities, colleges, teacher training institutes in accordance with norms;</li> <li>Investment project: Rehabilitation Secondary schools (less pre-2002 disbursement)</li> </ul>	2002-2006  2000-2004	Government, MoE together with interested ministries and institutions          MoE (supported by the IDB)	<ul style="list-style-type: none"> <li>Number of repaired buildings;</li> <li>Amount of investments in rehabilitation;</li> <li>Increased capacity of schools and preschool institutions.</li> </ul>	5,000          5,000	20,353	1,096          600	20,849
<p><b>Providing schools with textbooks, modern teaching equipment and other teaching resources</b></p> <ul style="list-style-type: none"> <li>Strengthen material and technical base of schools;</li> <li>Determine needs for text books, equipment, furniture, and other teaching aids;</li> <li>Create a mechanism for monitoring the quality of text books;</li> <li>Introduce new information technologies in schools;</li> <li>Develop local industries for school furniture production and teaching aids;</li> <li>Create mechanism for monitoring quality of textbooks;</li> </ul>	2002-2006	MoE (supported by the WB and the AsDB)	<ul style="list-style-type: none"> <li>% of students with textbooks</li> <li>Number of schools being re-equipped.</li> <li>% of schools being provided with textbooks;</li> </ul>		16,558	466	17,024

Measures and Actions	Date and Implementation Features	Responsible Bodies	Indicators	Financing (US\$ thousand)			
				Available External Resources	External	Financing Needs Domestic*	Total
<p><b>Revise content of curricula and programs</b></p> <ul style="list-style-type: none"> <li>Develop and improve curricula and programs taking into account interactive methods of teaching and international standards;</li> <li>Update contents of education and adapt it to the needs of a market economy;</li> <li>Create conditions for alternative access to education system;</li> <li>Publish teaching-method and playing aids, didactic materials for schools and preschool institutions;</li> <li>Revise monitoring system of new curricula and programs</li> </ul>	2002-2005	MoE (supported by the WB and the AsDB)	<ul style="list-style-type: none"> <li>Number of revised curricula and programs;</li> <li>Increase in literacy</li> </ul>		81	6	87
<p><b>Introduction of new models of teacher training and improvement</b></p> <ul style="list-style-type: none"> <li>Revise current curriculum and program for teacher retraining;</li> <li>Increase qualification of teachers of pedagogical HEI, colleges and institutes of qualification improvement;</li> <li>Develop non-traditional forms and methods of qualification improvement with help from NGOs;</li> <li>Strengthen material and technical base of qualification improvement institutes;</li> <li>Ensure that not less than 50% of teachers of basic education receive training to improve their qualifications;</li> <li>Develop programs using new education technologies.</li> </ul>	2002-2005	MoE (supported by the WB and the AsDB)	<ul style="list-style-type: none"> <li>Accessibility of rural teachers to system of qualification improvement and teacher retraining</li> <li>Number of qualified teachers.</li> </ul>		2,046	50	2,096
<p><b>Improvement of management model</b></p> <ul style="list-style-type: none"> <li>Define management responsibility of Government, MOE, departments, local authorities and education institutions;</li> <li>Develop regulations describing functions of MOE, Khukumats and jamoats;</li> <li>Develop monitoring system for new management model;</li> <li>Expand management independence of education institutions;</li> <li>Develop policy regarding the role of non-government structures including NGOs, parents and teachers associations, communities, private sector.</li> </ul>	2002-2004	Government, MoE interested institutions and local Khukumats (supported by the WB and AsDB)	<ul style="list-style-type: none"> <li>Establishment of clear rules on management responsibility</li> </ul>		22		22

Measures and Actions	Date and Implementation Features	Responsible Bodies	Indicators	Financing (US\$ thousand)			
				Available External Resources	External	Financing Needs Domestic*	Total
<p><b>Establishment of targeted scholarships for poor children</b></p> <p>Provide clothing, footwear, school writing accessories for 20% of students; Provide meals for students at elementary schools (1-4 grades) Improve mechanism of presidential quota and concessions for children from remote districts; Allocate scholarships to poor children and orphans; Create alternative forms of education for children from refugee families, slow developers who do not attend school.</p>	2002-2006	MoE (supported by the WB and the AsDB)	<ul style="list-style-type: none"> <li>• Growth of number of poor students at schools</li> <li>• Number of children from poor families receiving targeted scholarships</li> <li>• Growth of number of girls at upper grades and HEI</li> </ul>		4,662	55	4,717
<p><b>Development of professional activity of teachers</b></p> <ul style="list-style-type: none"> <li>• Improve teacher/ student ratio in order to increase effectiveness and quality of education;</li> <li>• Purposefully train and retrain managers for education system</li> <li>• Develop system to encourage teachers to work on their own professional development from their own account</li> </ul>	2002-2004	Government and MoE (supported by the WB and the AsDB)	<ul style="list-style-type: none"> <li>• % of graduates of pedagogical HEI;</li> <li>• % of teachers with higher education;</li> <li>• % of teachers passing qualification improvement and teachers retraining courses.</li> </ul>		113		113
<ul style="list-style-type: none"> <li>• Elaboration of program of education development for the medium- and long-term</li> </ul>	2002	MoE	<ul style="list-style-type: none"> <li>• Program developed</li> </ul>				
<p><b>HEALTH</b></p> <p>(See also under Social Sectors: Multi Sector Projects)</p>				25,412	27,647	8,726	36,373
<p><b>Strengthening of primary medical care and public health services</b></p> <ul style="list-style-type: none"> <li>• Management improvement, restructuring of medical and prophylactic institutions</li> <li>• Rehabilitation of buildings, provision of medical equipment, transport vehicles and inventory of institutions of primary medical care, public health and Emergency Medical Care</li> <li>• Rationalization of medical services, motivation of personal responsibility of the population for their own health;</li> <li>• Primary Health Care, phase I (less pre-2002 disbursement)</li> <li>• Social Sector Rehabilitation (less pre-2002 disbursement)</li> </ul>	2002-2005	Government, MoH (supported by the WB, AsDB and IDB)	<ul style="list-style-type: none"> <li>• % of population having access to primary medical and public health services</li> <li>• Number of repaired and equipped primary medical and public health institutions</li> </ul>	22,850	22,850	2,210	25,000
	2000-2003	MoH, World Bank		2,850	2,850	150	3,000
	2002-2004	MoH, World Bank		20,000	20,000	2,000	22,000

Measures and Actions	Date and Implementation Features	Responsible Bodies	Indicators	Financing (US\$ thousand)			
				Available External Resources	External	Financing Needs Domestic*	Total
<b>Hospital service reform</b> <ul style="list-style-type: none"> <li>Rationalization, restructuring of hospitals;</li> <li>Rehabilitation of buildings, provision of medical equipment and inventory of hospitals;</li> <li>Rehabilitation of emergency surgery;</li> <li>Development and introduction of standard schemes of diagnostics and treatment of main illnesses.</li> </ul>	2002-2004	MoH, interested institutions (supported by the WB, AsDB and IDB)	<ul style="list-style-type: none"> <li>% of medical institutions using unified standards of diagnostics and treatment</li> </ul>	2,562	3,186	60	3,246
			<ul style="list-style-type: none"> <li>Number of repaired and equipped hospitals.</li> </ul>	2,562	2,562		2,562
<b>Promotion of family planning and reproductive health care</b> <ul style="list-style-type: none"> <li>To increase level of knowledge on family planning and healthy way of life</li> <li>Provision of contraceptive means to population</li> <li>Rehabilitation of buildings, provision of resources</li> </ul>	2002-2004	Government, MoH, interested institutions	<ul style="list-style-type: none"> <li>Maternal and infant mortality rates;</li> <li>% of women using contraceptive;</li> <li>Number of repaired and equipped institution.</li> </ul>		585		585
<b>Improvement of the public health system</b> <ul style="list-style-type: none"> <li>Strengthen human resources in the public health system;</li> <li>Improvement of sanitary conditions of population;</li> <li>Intensification of anti-epidemiological activities with help of international organizations</li> <li>Rehabilitation of buildings, provision of adequate resources to diagnostic laboratories</li> <li>Control of infectious diseases.</li> </ul>	2002-2004	Government, MoH, interested institutions	<ul style="list-style-type: none"> <li>% of trained and retrained staff;</li> <li>Incidence of non-infectious and infectious diseases</li> <li>% of vaccinated children;</li> <li>Number of repaired and equipped institutions;</li> </ul>		30		30
<b>Pharmaceutical infrastructure development</b> Create a new structure for the pharmaceutical sector, improve its human resource potential and draft legislation; Use manufacturing capacity of existing chemist's shops effectively; Improve the system of medicine supply and local provision of pharmaceutical raw materials Repair and rehabilitation of buildings, provision of laboratory equipment for quality control of medicines.	2002 - 2004	Government, MoH	<ul style="list-style-type: none"> <li>New model of pharmaceutical sector developed and a phased reform started</li> <li>% of medicines that meet quality standards;</li> <li>Number of pharmaceuticals quality control laboratories</li> <li>Number of firms using local raw</li> </ul>		26	3	29

Measures and Actions	Date and Implementation Features	Responsible Bodies	Indicators	Financing (US\$ thousand)			
				Available External Resources	External	Financing Needs Domestic*	Total
			materials				
<p><b>Implementation of new financing system</b></p> <ul style="list-style-type: none"> <li>Develop and introduce new financing system, its planning and evaluation;</li> <li>Raise salaries of employees in health sector;</li> <li>Create a fee based system while retaining package of guaranteed free-of-charge services;</li> <li>Introduce a health insurance system.</li> </ul>	2002-2004	Government, MoH,	<ul style="list-style-type: none"> <li>Change in level of salaries;</li> <li>Special groups receive free medical care</li> <li>Legal base of health insurance established</li> </ul>		808	6,500 6,500	7,308
<p><b>Improvement of human resource management and development system</b></p> <ul style="list-style-type: none"> <li>Improvement of management skills</li> <li>Decentralize and rationalize management system;</li> <li>Training and of medical and pharmaceutical workers;</li> <li>Improve quality and achieve optimal ratio of high and medium level medical workers.</li> </ul>	2002-2004	Government, MoH, interested institutions	<ul style="list-style-type: none"> <li>Management reform completed</li> <li>Number of medical institutions with trained managers;</li> <li>New curriculum at Med.University</li> </ul>		71	4	75
<p><b>Development of information system</b></p> <ul style="list-style-type: none"> <li>Provide modern information technologies for health care;</li> <li>Develop information system on medicines</li> <li>Introduce reporting forms in accordance with international classification of diseases IDC-10</li> <li>Develop and introduce training standards and a plan for upgrading information system specialists.</li> </ul>	2002-2005	Government, MoH	<ul style="list-style-type: none"> <li>No. of institutions with computerized medical statistics;</li> <li>IDC (Rus. MKB)-10 introduced;</li> <li>No. of institutions covered by unified information system</li> </ul>		91	9	99
<b>AGRICULTURE and IRRIGATION</b>				<b>118,140</b>	<b>127,100</b>	<b>18,840</b>	<b>145,940</b>
<p><b>Farm restructuring</b></p> <ul style="list-style-type: none"> <li>Reorganize remained kolkhozes and sovkhoses and create new farms able to function in market conditions;</li> <li>Introduce a simple and cheap system of land registration;</li> <li>Ensure equitable allocation of land of reorganized farms: <ul style="list-style-type: none"> <li>Develop consulting programs for peasants on their rights on land use</li> <li>Create private and NGO-supported legal consultation offices on explanation of rights and obligations on receipt and use of land;</li> </ul> </li> </ul>	2002-2005 2002 2002 2002-2004 2002	SLC, MoA, regional and district Govts. Government, SLC MoA, SLC, MoJ, regional and district Govts.	<ul style="list-style-type: none"> <li>Area farmed by private sector;</li> <li>Number of new farms;</li> <li>Certificate price established in line with SAC-2</li> <li>Approved program</li> <li>Number of NGOs and local legal consultations</li> </ul>				

Measures and Actions	Date and Implementation Features	Responsible Bodies	Indicators	Financing (US\$ thousand)				
				Available External Resources	External	Financing Needs Domestic*	Total	
<ul style="list-style-type: none"> <li>○ Strict observance of all legislation; provide broad discussion of farm reorganization issues with participation of all staff members of reorganized farms;</li> <li>○ Assist holders of privileged right to land;</li> <li>○ Broad discussion of problems of land reform in republican and local mass media;</li> <li>• Consider extending to the State Land Committee (SLC) the right of control over distribution of land among workers of agriculture production entities;</li> <li>• Strict monitoring of land reform, adoption of urgent measures to implement of Law on Land and Land Code through adoption of special resolution of the Government regarding land reform implementation;</li> </ul> <p style="text-align: center;"><b>Irrigation</b></p> <ul style="list-style-type: none"> <li>• Reform of water management system;</li> <li>• Adopt legislation on water resources that provides for the creation and functioning of independent and autonomous organizations on water distribution and also for the association of water users;</li> <li>• Identify priorities for rehabilitation of irrigation system;</li> <li>• Gradual increase in tariffs on water and electricity to achieve full payback of expenses;</li> <li>• Investment projects: <ul style="list-style-type: none"> <li>○ Irrigation project in Dangara valley (6000 ha);</li> </ul> </li> <li>• Rehabilitation of rural infrastructure;</li> </ul>	2002 and continuously 2002	Government, SLC  Government, MoA, SLC, MoJ	<ul style="list-style-type: none"> <li>• Resolution of the Government</li> </ul>	<b>28,140</b>	<b>28,140</b>	<b>4,960</b>	<b>33,100</b>	
	2002 2002	MoA SCL, RCSFP, MoJ (supported by the WB and ASDB)	<ul style="list-style-type: none"> <li>• Reform proposal</li> <li>• Legislation</li> </ul>					
		2002-2004 2002-2006	Government, Ministry of land reclamation, MoJ	<ul style="list-style-type: none"> <li>▪ Priorities set;</li> <li>▪ Tariff is established at 100% cost-recovery;</li> </ul>	8,140 20,000	8,140 20,000	4,000	9,100 24,000
		2002-2004; IDB 2002-2004	MoA State Committee of Land Reclamation, MoE, WB	<ul style="list-style-type: none"> <li>▪ Project implementation schedules.</li> </ul>				
<p style="text-align: center;"><b>Agricultural support services</b></p> <ul style="list-style-type: none"> <li>• Provide support to farmers and agricultural enterprises:</li> <li>• Train farmers in use of fertilizers and pesticides;</li> <li>• Establish legislation and an effective system of plant protection and quarantine;</li> <li>• Consider commercializing seed production;</li> <li>• Encourage establishment of information and consultation centers for agricultural enterprises.</li> <li>• Elaborate measures to eliminate unofficial quotas on raw cotton production</li> <li>• Consult with cotton producers through NGOs and rural administrations on future contracts to determine prices for cotton and inputs;</li> </ul>	2002-2004 2002 2003	MoA MoA, MoJ						
	2002 2002	MoA MoA	<ul style="list-style-type: none"> <li>• Number of commercial seed producers;</li> </ul>					
	2002	MoA	<ul style="list-style-type: none"> <li>• Elaborated measures</li> </ul>					
	2002	MoA, Government						
	2002	MoA, Government		<ul style="list-style-type: none"> <li>▪ Proposals;</li> </ul>				

Measures and Actions	Date and Implementation Features	Responsible Bodies	Indicators	Financing (US\$ thousand)			
				Available External Resources	External	Financing Needs Domestic*	Total
<ul style="list-style-type: none"> <li>prices for cotton and inputs;</li> <li>Consider creating an information center based in one of the divisions of MA that will inform cotton producers about world market developments;</li> <li>Adopt Government decision prohibiting central and local authorities to interfere with private decisions on cotton export;</li> <li>Expand areas of individual land use to increase fodder production;</li> <li>Encourage development of private veterinary service;</li> </ul>	<p>2002</p> <p>2002-2003</p> <p>2002-2003</p>	<p>MoA,</p> <p>MoA, Government, SLC</p>	<ul style="list-style-type: none"> <li>Government Resolution;</li> <li>Increase of pasture area for private use</li> </ul>				
<p><b>Investment projects</b></p> <ul style="list-style-type: none"> <li>Agricultural rehabilitation and sector development program;</li> <li>rehabilitation of veterinary services in Khatlon oblast and Rasht district;</li> <li>Fight against agricultural pests;</li> <li>Farm privatization support;</li> <li>Post-privatization agricultural support;</li> </ul> <p><b>Development of processing industry:</b></p> <ul style="list-style-type: none"> <li>Privatization of processing enterprises</li> <li>Determination of measures to create small and medium enterprises on the basis of individual and cooperative forms of ownership</li> </ul>	<p>2002-2005;</p> <p>2002-2004</p> <p>2002</p>	<p>WB, AsDB</p> <p>SPC, Corporation “Khurokvori”, MET, Government, Corporation “Khurokvori</p>	<ul style="list-style-type: none"> <li>Number of privatized enterprises</li> <li>Action plan adopted</li> </ul>	<p><b>85,000</b></p> <p>45,000</p> <p>20,000</p> <p>20,000</p>	<p><b>93,960</b></p> <p>45,000</p> <p>5,120</p> <p>3,840</p> <p>20,000</p> <p>20,000</p>	<p><b>12,880</b></p> <p>6,500</p> <p>1,380</p> <p>300</p> <p>2,700</p> <p>2,000</p>	<p><b>106,840</b></p> <p>51,500</p> <p>6,500</p> <p>4,140</p> <p>22,700</p> <p>22,000</p>
<p><b>Credit, taxation and insurance</b></p> <ul style="list-style-type: none"> <li>Encourage the creation of rural lending and savings associations;</li> <li>Consider creation of a register of assets and the use of rental rights as collateral;</li> <li>Elaborate measures to promote creation of Commodity Credit Corporation (CCC) on procurement and sale of agriculture production and trade and delivery for processing enterprises;</li> <li>Draft legislation for leasing;</li> <li>Investment: Rural financial systems development;</li> <li>Taxation: monitoring of budget revenues from rayon having unified tax on land and, in case of positive effect, introducing it on the whole country in 2003;</li> <li>Reduction of cotton sales tax rate to 5 % followed by its full abolition and replacement by VAT;</li> <li>Elaborate new legislation and regulations on insurance, on transfers of insurance payments and determination of sums of insurance compensation;</li> </ul>	<p>2002</p> <p>2002</p> <p>2002</p> <p>2002-2004</p> <p>2002-2004</p> <p>2002</p> <p>2003-2005</p> <p>2003-2005</p> <p>September, 2002</p>	<p>MoA</p> <p>MoA</p> <p>MoA</p> <p>MoA, Government</p> <p>Government (supported by the AsDB)</p> <p>MoRD</p> <p>Government, MRD</p> <p>MoA, MET, MoJ</p>	<ul style="list-style-type: none"> <li>Number of associations;</li> <li>Govt. resolution</li> <li>Law on leasing;</li> <li>5% sales tax</li> </ul>	<p><b>5,000</b></p> <p>5,000</p> <p>5,000</p>	<p><b>5,000</b></p> <p>5,000</p> <p>5,000</p>	<p><b>1,000</b></p> <p>1,000</p> <p>1,000</p>	<p><b>6,000</b></p> <p>6,000</p> <p>6,000</p>





Measures and Actions	Date and Implementation Features	Responsible Bodies	Indicators	Financing (US\$ thousand)			
				Available External Resources	External	Financing Needs Domestic*	Total
Development of institutional potential of labor market <ul style="list-style-type: none"> <li>• Improvement of system of collection and generalization of information at labor statistics with introduction of methods of ILO</li> <li>• Elaboration and introduction of system of indicators on labor force survey</li> <li>• Technical equipping of employment services and statistics bodies</li> <li>• Conduct a labor force survey;</li> <li>▪ Elaborate and introduce a system of reporting on labor market developments based on a unified data base;</li> </ul>	2002-2003	MLSP, SSC	<ul style="list-style-type: none"> <li>• System of indicator according to ORS</li> <li>• Technical equipping of 74 ES and 10 OS units</li> <li>• Labor force survey</li> <li>• Establishment of unified computer network of employment services</li> <li>• New system of reporting on labor statistics</li> </ul>		<u>901</u> 6	<u>10</u>	<u>911</u> 6
	2002			5		5	
	2002-2003			253	10	263	
	2002 and annually			448		448	
	2002-2004			190		190	
<u>Pay system reform in public sector</u> <ul style="list-style-type: none"> <li>▪ Improve pay system according to Unified Tariff Net (UTN)</li> <li>▪ Work out and issue UTN and classification as separate brochures</li> <li>▪ Rehabilitate organizational structure of pay system and its rate fixing</li> </ul>	2002-2004	MLSP, MOF, local Khukumats	<ul style="list-style-type: none"> <li>• Modern pay system</li> <li>• 72 classification brochures</li> <li>• 75 rehabilitated labor bodies</li> </ul>		<u>71</u>		<u>71</u>
	2002-2003						
	2002-2004						
<u>Reform of vocational education system</u> <ul style="list-style-type: none"> <li>▪ Rehabilitate buildings, premises, facilities and communication systems of vocational education institutions;</li> <li>▪ Equip institutions with teaching equipment and technical facilities;</li> <li>▪ Develop programs of targeted assistance to pupils of vocational institutions;</li> <li>▪ Ensure that the existing curriculum reflects international standards;</li> <li>▪ Work out modern basis of vocational education</li> </ul>	2002-2006	MLSP, MOE, creative groups	<ul style="list-style-type: none"> <li>• 30 repaired buildings</li> <li>• 30 equipped voc. education instit.</li> <li>• 113 new curricula</li> <li>• 1100 trained system specialists</li> <li>• Package of normative documents of voc. education instit.</li> <li>• Program of targeted training at voc. education instit</li> </ul>		<u>1,389</u> 303	<u>15</u>	<u>1,404</u>
	2002-2006			776			
	2002						
	2002-2004			302 6			
	2002-2003			2			
<u>Development of migration processes</u> <ul style="list-style-type: none"> <li>▪ Develop program on voluntary and ecological migration</li> <li>▪ Training of local specialists</li> <li>▪ Develop legislation on migration</li> </ul>	2002	MLSP, State Committee of land reclamation, Ministry on Emergencies,	<ul style="list-style-type: none"> <li>• Transfer 700 households</li> <li>• Voluntary migration of 800 households</li> </ul>		<u>1,171</u> 868	<u>345</u>	<u>1,516</u>
	2002-2003			111			
	2002			22			
	2003			170			

Measures and Actions	Date and Implementation Features	Responsible Bodies	Indicators	Financing (US\$ thousand)			
				Available External Resources	External	Financing Needs Domestic*	Total
<ul style="list-style-type: none"> <li>Create a computerized center of State Migration Service (SMS)</li> </ul>		Geology department, MOJ	<ul style="list-style-type: none"> <li>Computerized center of SMS</li> </ul>				
<p><u>Labor safety and labor protection</u></p> <ul style="list-style-type: none"> <li>Strengthening of structure of state administration on labor protection and labor conditions;</li> <li>Creation of state expertise on labor conditions</li> <li>Training of labor protection workers in accordance to recommendations and support of ILO</li> <li>Provide equipment needed for labor protection and safety conditions;</li> </ul>	2002-2003	MLSP, interested ministries	<ul style="list-style-type: none"> <li>Package of normative documentation on labor protection;</li> <li>4 stationary laboratories</li> <li>20 movable laboratories</li> <li>40 equipped divisions of labor protection system</li> </ul>		1,889	195	2,084
	2002				60		
	2002-2003				1,467		
	2002-2003		99				
	2002-2003		263				
<p><b>Private sector development</b></p> <p><u>Development of entrepreneurship, small and medium enterprises</u></p> <ul style="list-style-type: none"> <li>Survey on determination of entrepreneurship environment and private sector development;</li> <li>Amend legislation, provisions regulating entrepreneurship activity</li> <li>Improve institutional conditions by reducing requirements, permissions, reviews, and reducing bureaucracy, simplifying rules of taxation, providing necessary information and training in legal issues and accounting;</li> <li>Strengthen financial intermediaries that work with small enterprise;</li> <li>Establish centers offering training in basics of entrepreneurship and private business;</li> <li>Elaborate an SME development strategy;</li> <li>Monitoring of private sector activity;</li> <li>Development of microfinance institutions</li> </ul>	2002	SAAPES,	<ul style="list-style-type: none"> <li>Survey of entrepreneurship environment</li> </ul>	3,600	6,700	1,697	8,397
	2002	MOJ, SAAPES	<ul style="list-style-type: none"> <li>Growth in number of SMEs;</li> </ul>	200	200	25	225
	2002-2003	Government		200	200	22	222
	2002-2003	MET, SAAPES					
	2002-2004	SAAPES, AsDB, NBT, NGO			2,500	200	2,700
	2002-2004	SAAPES					
	2002-2004	SAAPES		200	200	50	250
	2002-2004	SAAPES		3,600	3,600	[1,400]	5,000
<b>INFRASTRUCTURE AND COMMUNICATION</b>							
<p><b>Energy</b></p> <ul style="list-style-type: none"> <li>Ensure that the legal and regulatory framework of the sector is in accordance with the enacted law "On energy";</li> <li>Develop and implement plan of action to introduce new tariffs on electric power that ensure full cost</li> </ul>	Until the end of 2002	ME, MOJ	<ul style="list-style-type: none"> <li>Regulations that encourage competition</li> </ul>	58,300	61,520	17,760	79,300
	2003	ME, MET, SAAPES	<ul style="list-style-type: none"> <li>Adoption of plan and new tariffs on energy;</li> </ul>		40	60	100
					80	220	300

Measures and Actions	Date and Implementation Features	Responsible Bodies	Indicators	Financing (US\$ thousand)			
				Available External Resources	External	Financing Needs Domestic*	Total
<ul style="list-style-type: none"> <li>recovery, including introduction of three-level tariff system;</li> <li>• Develop and implement Action Plan to reduce accounts receivable of Barqi Tajik and Tajik Communservice and to avoid accrual of new debts;</li> <li>• Increase collection of funds from electricity users <ul style="list-style-type: none"> <li>○ up to 70 %</li> <li>○ up to 100%</li> </ul> </li> <li>• Develop and adopt national energy-saving program, its implementation plan, introduction of strict accounting of consumption of electric energy;</li> </ul>	<p>2002</p> <p>December 2002 December 2003</p> <p>2002</p>	<p>ME, BT, TKS, TADAZ</p> <p>ME, BT, TKS</p> <p>ME, MET</p>	<ul style="list-style-type: none"> <li>• Adoption of plan</li> <li>• Schedule of debt repayment</li> <li>• Collect funds from energy users</li> <li>• Program adoption.</li> </ul>				
<ul style="list-style-type: none"> <li>• Prepare long-term program of energy sector development, including: <ul style="list-style-type: none"> <li>○ Privatization program;</li> <li>○ Long term program on energy resources marketing.</li> </ul> </li> <li>• Corporatization of autonomous enterprises of energy sector with their further privatization;</li> <li>• Complete transformation of SJSHC “Barki Tajik”, Tajikgas, Tajikneftgas, Tajikcoal into JSC;</li> <li>• Investments: <ul style="list-style-type: none"> <li>○ Power sector rehabilitation (rehabilitation Nurek HES, Varzob cascade HES, improvement energy supply Dushanbe, rehabilitation energy supply southern regions)</li> <li>○ Small hydropower stations fund;</li> <li>○ Feasibility study of construction of Shurobad heat power plant in Sogd oblast;</li> <li>○ Rehabilitation and development of Shurob brown coal deposit, stone coal deposit in Ziddy, ultrapure anthracite deposits in Nazar-Ailock.</li> </ul> </li> </ul>	<p>2003</p> <p>2003-2005</p> <p>2004</p> <p>2004-2006</p> <p>2002-2006</p> <p>2003-2005</p> <p>2003</p> <p>2003-2005</p>	<p>ME, MET</p> <p>ME,SPC</p> <p>ME,SPC</p> <p>ME</p> <p>ME,Barki Tajik (supported by AsDB and IDB)</p> <p>ME,Barki Tajik, IDB</p>	<ul style="list-style-type: none"> <li>• Level of energy export and import;</li> <li>• Number of Joint stock entities</li> <li>• Number of privatized enterprises</li> <li>• Number of corporatized enterprises;</li> </ul>		200	200	400
	49,300	49,300	13,500	62,800			
	9,000	9,000	3,000	12,000			
		800	200	1,000			
		2,100	500	2,600			
<p style="text-align: center;"><b>Transport</b></p> <ul style="list-style-type: none"> <li>• Ensure that the legal and regulatory framework of the sector is in line with the adopted law “On Transport”;</li> <li>• Amend departmental regulations of the sector;</li> <li>• Modify the “Statutes of automotive transportation” and “Rules of transportation of freight and passengers”</li> <li>• Prepare preferential passenger transport fares for the poor, elaborating the issue of targeted funding;</li> <li>• Prepare and adopt plan to reduce accounts receivable of GART and TR</li> </ul>	<p>2002-2003</p> <p>2002</p> <p>2002</p> <p>1 half of 2003</p> <p>2002</p>	<p>MT, MOJ, MET</p> <p>MT, MOJ, MET</p> <p>MT, MOF, STC, SART, TR</p> <p>MT, MT,MOF, SAAPES</p>	<ul style="list-style-type: none"> <li>▪ Adoption and Publication of regulations</li> <li>▪ Size of accounts receivable of companies;</li> <li>▪ Tariffs on freight</li> </ul>	<b>74,000</b>	<b>83,000</b>	<b>21,000</b>	<b>104,000</b>

Measures and Actions	Date and Implementation Features	Responsible Bodies	Indicators	Financing (US\$ thousand)			
				Available External Resources	External	Financing Needs Domestic*	Total
<ul style="list-style-type: none"> <li>of GART and TR;</li> <li>• Revise tariff structure of freight and passenger transportation by all means of transportation taking into account accessibility of transport services for the poor;</li> <li>• Replace Aero navigation equipment of main airports;</li> <li>• Road rehabilitation projects: <ul style="list-style-type: none"> <li>○ Road rehabilitation I: Dushanbe-Kurgan Tube-Kulyab;</li> <li>○ Road rehabilitation II: including mountain roads in Khatlon district and start of construction of road from Dushanbe to Kyrgyzstan border.</li> </ul> </li> </ul>	<p>2002 – 2005</p> <p>2002-2005</p>	<p>EBRD-supported project MoTransport (supported by the ASDB, IDB, arab development funds)</p>	<ul style="list-style-type: none"> <li>and passenger transportation;</li> <li>▪ Schedule of project implementation;</li> </ul>	<p>1,000</p> <p>25,000</p> <p>20,000</p>	<p>1,000</p> <p>25,000</p> <p>20,000</p>	<p>3,300</p> <p>6,300</p>	<p>1,000</p> <p>28,300</p> <p>26,300</p>
<ul style="list-style-type: none"> <li>• Completing construction of road Zigar-Shkev;</li> <li>• Complete construction of road Shagon-Zigar;</li> <li>• Drilling equipment for “Anzob” tunnel;</li> <li>• Establishment of training center for improving qualification of junior technical personnel;</li> <li>• Implement plan to denationalize auto transport and road-construction enterprises and organization of the sector;</li> <li>• Adopt and implement updated plan of privatization of non-government auto transport enterprises;</li> <li>• Conduct a survey of the rural road network and its development needs.</li> <li>• Corporatization of Tajik Railway and State Airlines Company “Tajikistan” (following recommendations and proposals and survey by EBRD)</li> <li>• Remove airports from State Airlines Company and turn them into joint stock companies; (following recommendations and proposals and survey by EBRD)</li> </ul>	<p>2002-2005, KDF</p> <p>2002-2004, IDB January, 2003</p> <p>Until end of 2003</p> <p>2005-2007</p> <p>2005</p> <p>second half of 2002</p> <p>second half of 2002</p>	<p>MT</p> <p>MT, MOE</p> <p>MT, SPC</p> <p>MT, SPC</p> <p>Khukumats, MA, MT</p> <p>MT, SPC</p> <p>MT, SPC</p>	<ul style="list-style-type: none"> <li>• Decision of MT;</li> <li>▪ Number of trained students;</li> <li>▪ Number of private transp. enterprises;</li> <li>▪ Plan adopted;</li> <li>▪ Number of private companies.</li> <li>• Government Resolution ;</li> </ul>	<p>18,000</p> <p>10,000</p>	<p>27,000</p> <p>10,000</p>	<p>3,000</p> <p>2,100</p> <p>6,300</p>	<p>30,000</p> <p>12,100</p> <p>6,300</p>
<p><b>Telecommunications, TV and Radio</b></p> <p>Institutional reforms, tariff reforms in services (following recommendations and proposals and survey by EBRD)</p> <p>Limit functions of Ministry of Communication to policy formulation and oversight; remove commercial activities; establish an independent regulatory body;</p> <ul style="list-style-type: none"> <li>• Privatization of Tajiktelecom through sale of greater part of stocks to strategic investor;</li> <li>• Develop and adopt a plan to reduce accounts receivable of communication enterprises;</li> </ul> <p>Legal framework (following recommendations and</p>	<p>2003</p> <p>2003-2005</p> <p>By July, 2002</p>	<p>MET, MC, MOJ</p> <p>MC, MET, Khukumats</p> <p>MC, MOF, TC,</p>	<ul style="list-style-type: none"> <li>▪ Adoption of legislation;</li> <li>▪ Regulatory body established;</li> <li>▪ Structure of share capital;</li> <li>▪ Plan adopted;</li> </ul>	<p><b>15,000</b></p>	<p><b>23,049</b></p> <p><u>500</u></p> <p><u>310</u></p>	<p><b>1,191</b></p> <p><u>100</u></p> <p><u>340</u></p>	<p><b>24,240</b></p> <p><u>600</u></p> <p><u>650</u></p>

Measures and Actions	Date and Implementation Features	Responsible Bodies	Indicators	Financing (US\$ thousand)			
				Available External Resources	External	Financing Needs Domestic*	Total
proposals and survey by EBRD)		Tajiktelecom					
<ul style="list-style-type: none"> <li>Adoption of new Law "On Communication";</li> <li>Bring regulatory framework of the sector in line with the law "On Communication";</li> </ul>	2002	MC, MOJ, MET	<ul style="list-style-type: none"> <li>Law adopted;</li> <li>New regulations;</li> </ul>				
<ul style="list-style-type: none"> <li>Amend legislation governing TV and radio broadcasting to ensure competition among programs;</li> <li>Sector policy development program directed at sector liberalization and promotion of competitive environment for TV and radio channels, especially at FM diapason, including private ones;</li> </ul>	2002	MC, CTR, MET	<ul style="list-style-type: none"> <li>Adoption of legislation;</li> <li>No. of TV and radio channels, including FM diapason;</li> </ul>				
<ul style="list-style-type: none"> <li>Rehabilitation and modernization of infrastructure</li> <li>Modernization of telecommunications system;</li> <li>Establishment of repair centers for telecommunication and TV/radio equipment;</li> <li>Introduction of non-traditional autonomous power supply units;</li> <li>Selection of equipment and technologies on tender basis.</li> </ul>	2002		<ul style="list-style-type: none"> <li>Project implementation schedule;</li> <li>Repair centers established.</li> </ul>	15,000	16,029	121	16,150
	2002-2004	MC, EBRD, SAAPES			15,000		15,000
	2002-2004	MC, MoF, Tajiktelecom			300	50	350
	2002-2004				279	21	300
	2002-2004				450	50	500
	2002-2004				5,360	480	5,840
	2002-2004				400	50	450
<ul style="list-style-type: none"> <li>Rehabilitate powerful radio transmitters using new technologies and transferring to pulse operation;</li> <li>Rehabilitation wire broadcasting system;</li> <li>Review tariff structure of communication including affordability for the poor and real cost of services;</li> <li>Expansion of national digital satellite TV network;</li> <li>Installation of new satellite transmission stations of KU-diapason directly in TV center;</li> <li>Set up of distant education units connected to distant education center in Dushanbe;</li> <li>Based on the Republican network of data transfer and national operators, ensure telecommunication services are provided to the secondary and higher educational establishments, boarding schools etc, in urban, province and rayon levels</li> </ul>	2002-2004		<ul style="list-style-type: none"> <li>No. of connected units.</li> </ul>		350	50	400
	2002-2004				220	80	300
	2002-2004				1,630	60	1,690
	2002-2004				2,300	200	2,500
	2002-2004				460	40	500
	2002-2004				850	150	1,000
	2002-2004	MC, MOF, Tajik-telecom, interested parties	<ul style="list-style-type: none"> <li>Training center established;</li> <li>Public internet centers</li> </ul>				
<ul style="list-style-type: none"> <li>Establish training center for specialists in telecommunications, TV and radio broadcasting;</li> <li>Improve teaching methods for training of specialists; provide equipment; prepare educational programs using new technologies, strengthen teaching staff with professionals;</li> </ul>	2002-2004						

Measures and Actions	Date and Implementation Features	Responsible Bodies	Indicators	Financing (US\$ thousand)			
				Available External Resources	External	Financing Needs Domestic*	Total
<b>Water supply</b>							
<u>Institutional reforms</u>				<b>15,000</b>	<b>40,105</b>	<b>4,205</b>	<b>44,310</b>
<ul style="list-style-type: none"> <li>Legal and tariff issues;</li> <li>Draft and adopt Law "On drinking water and drinking water supply";</li> <li>Review water tariff structure, assuring access of poor;</li> <li>Develop and implement action plan to reduce accounts receivables of sector enterprises and organizations and to avoid accrual of new debts;</li> <li>Increase collection of water charges to 100%;</li> <li>Planning and institutional structure;</li> <li>Develop and adopt water saving national program and an action plan for its implementation; introduce strict control over usage of water;</li> <li>Adopt plan to rehabilitate and modernize key water supply facilities;</li> <li>Corporatization of autonomous enterprises of the sector and their consecutive privatization;</li> </ul>	2002 2002 2002 2003 2002 2002 2003	MoW, MET, MOJ, MLR, Khukumats, SUE, SAAPES, MOF, TCS, BT	<ul style="list-style-type: none"> <li>Adoption of Law;</li> <li>New water tariffs;</li> <li>Action plan</li> <li>Schedule of debt repayment;</li> <li>Collection rate;</li> </ul>		1,025	75	1,100
<ul style="list-style-type: none"> <li>Rehabilitation of water supply systems</li> <li>Rehabilitation of Dushanbe water supply;</li> <li>Realization of water supply projects of Khujand city and Khujand district;</li> <li>Realization of water supply projects of Dangara and Dangara district;</li> <li>Improvement of rural water supply: Yavan, Vakhsh, Obi-Kiyik valley, Kumsangir.</li> </ul>	2004-2006	SPC  Khukumat of Dushanbe city Khukumat of Sogd region, SUE Khukumat of Khatlon region, SUE (supported by the WB, AsDB, IDB)	<ul style="list-style-type: none"> <li>Program and action plan adopted;</li> <li>Government Resolution ;</li> <li>Number of joint stock/private companies;</li> <li>Water quality in Dushanbe;</li> <li>Water quality in Khujand;</li> <li>Quality of water in Dangara;</li> </ul>	15,000	15,000	2,650	17,650
					2,050	150	2,200
					5,660	100	5,700
					16,370	1,230	17,600
<b>ENVIRONMENT AND TOURISM</b>					<b>3,415</b>	<b>38</b>	<b>3,453</b>
<b>Environment</b>							
<ul style="list-style-type: none"> <li>Preparation and approval of National Strategy and Action Plan on Conserving Biodiversity;</li> <li>Elaboration and adoption of National strategy on disaster management;</li> <li>Environmental recovery of Gissar valley;</li> <li>Monitoring of environmental protection: development of legal and regulatory framework, purchase of monitoring equipment;</li> </ul>	2002-2004 2002-2004 2002-2004 2002-2004	MEP  MEP, Ministry of Emergencies MEP MEP	<ul style="list-style-type: none"> <li>National strategies adopted;</li> </ul>		2,800		2,800
					400		400
<ul style="list-style-type: none"> <li>Preparation and approval of National Environmental Action Plan;</li> <li>Implementation of pilot projects within Country Program to Combat Desertification in Tajikistan;</li> </ul>	2003 2002-2005 2002-2004	MEP MEP MEP	<ul style="list-style-type: none"> <li>Action Plan adopted</li> <li>Communication</li> </ul>				

Measures and Actions	Date and Implementation Features	Responsible Bodies	Indicators	Financing (US\$ thousand)			
				Available External Resources	External	Financing Needs Domestic*	Total
<ul style="list-style-type: none"> <li>Development and approval of First National Communication on climate change;</li> <li>Development and approval of National Strategy and Action Plan on Biodiversity Conservation;</li> <li>Implementation of pilot projects within Country Program for Phasing Out Ozone Depleting Substances.</li> <li>Developing non-traditional energy sources for rural energy supply.</li> </ul>	2002-2004	MEP	approved; Strategy and action plan approved;				
	2002-2004	MEP					
	2002-2004				130	30	160
<p style="text-align: center;"><b>Tourism</b></p> <ul style="list-style-type: none"> <li>Development of the national tourism strategy</li> <li>Creation of positive image of Tajikistan;</li> <li>Liberalize market for services;</li> <li>Ensuring transparency of licensing regime for tourist businesses;</li> <li>Easing entry and exit procedures for tourists;</li> <li>Training of tourism specialists;</li> </ul>	2002-2004	MET, MEP		70	8	78	
				15		15	
<b>TOTAL PRSP</b>				<b>371,247</b>	<b>42,147</b>	<b>145,797*</b>	<b>687,944</b>

\* The total figure for domestic financing includes \$18.3 m. from non-budgetary sources (power rehabilitation: \$13.5 m.; second poverty alleviation: \$3 m.; small hydropower fund: \$1.6 m.; agricultural rehabilitation: \$0.2 m.

\*\* An additional \$10 m. in financing needs covered by this project is included under the 'needs' figures for the education sector.

NBT- National Bank of Tajikistan	RCSFP – Republican Center for the support of farm privatization
MRD – Ministry of state revenues and duties	WB – World Bank
MLSP- Ministry of Labor and Social Protection	AsDB – Asian Development Bank
MECD – Ministry of emergency and civil defense	IDB – Islamic Development Bank
MMW – ministry of melioration and water	EBRD – European Bank for Reconstruction and Development
MET - ministry of economy and trade	ILO – International Labor Organization
MC – ministry of communication	CPI – Consumer Price Index
SPC – State Property committee	GIR – gross international reserves
CSFC – Committee for state financial control	Com. Bank – commercial bank
CTVB – Committee for TV and broadcasting	ES – employment service
SAAPES – state agency for antimonopoly policy and entrepreneurship support	



## Attachment 2

## Tajikistan: Medium-term Macroeconomic Framework, 2001-2006

	2001	2002	2003	2004	2005	2006
	Actual	Projections				
(Annual percentage change; unless otherwise indicated)						
National income and prices						
Nominal GDP (in millions of somoni)	2.512	3.000	3.439	3.755	4.101	4.478
Nominal GDP (in millions of U.S. dollars)	1.033	1.046	1.147	1.239	1.340	1.449
Real GDP (percent change)	10.2	7.0	6.0	4.0	4.0	4.0
GDP per capita (in U.S. dollars)	162.9	160.9	173.1	183.7	195.1	207.9
Consumer prices (12-month changes, e.o.p.)	12.5	9.5	7.0	5.0	5.0	5.0
(In percent of GDP)						
General government finances						
Total revenue and grants	15.2	16.6	17.4	18.0	18.1	18.1
Of which:						
Tax revenue	14.1	15.1	15.6	16.3	16.7	16.9
Total expenditure	18.4	19.9	20.9	21.0	21.1	21.1
Of which:						
Current expenditure	13.2	14.3	15.2	15.3	15.4	15.4
Fiscal balance (excluding PIP, cash basis)	-0.1	-0.4	-0.5	0.0	0.0	0.0
Public investment projects (PIP)	2.1	2.9	3.0	3.0	3.0	3.0
Savings/investment balances						
Current account balance	-7.2	-4.9	-4.8	-4.1	-3.9	-3.0
Overall fiscal balance (including PIP, cash basis)	-2.2	-3.3	-3.5	-3.0	-3.0	-3.0
Fiscal balance (excluding PIP, cash basis)	-0.1	-0.4	-0.5	0.0	0.0	0.0
PIP	2.1	2.9	3.0	3.0	3.0	3.0
Net investment (S-I) of the private sector 1/	-5.0	-1.6	-1.3	-1.1	-0.9	0.0
(In millions U.S. dollars; unless otherwise indicated)						
External sector						
Current account balance	-74	-51	-55	-51	-52	-43
Gross international reserves	96	113	137	168	186	186
Gross international reserves (in months of imports)	1.9	2.3	2.7	3.0	3.2	3.1
NPV of Dept						
Total public sector and guaranteed in percent of GDP	753 73	730 70	744 65	750 61	751 56	700 48
Dept service due in percent of fiscal revenue	47	63	39	35	35	35

1/Defined as the current-account balance less the overall fiscal balance (including

NPV: Net present value





