

**INDEPENDENT EVALUATION OFFICE  
INTERNATIONAL MONETARY FUND**

**OPERATIONS EVALUATION DEPARTMENT  
WORLD BANK**

**Republic of Tajikistan**

**Evaluation of the Poverty Reduction Strategy Paper (PRSP)  
Process and Arrangements Under the Poverty Reduction and  
Growth Facility (PRGF)**

July 6, 2004

This case study was prepared jointly by the independent evaluation units of the World Bank and IMF, as background to separate but complementary evaluation reports available at [www.worldbank.org/oed/prsp](http://www.worldbank.org/oed/prsp) and [www.imf.org/ieo](http://www.imf.org/ieo). The other country case studies conducted in support of these evaluations are also available on-line at the above addresses.

	Page
Abbreviations and Acronyms .....	4
Executive Summary .....	6
I. Introduction.....	14
II. Country Background.....	15
A. Political Context.....	15
B. Poverty Profile .....	16
C. Economic Performance and Policies .....	17
D. Capacity Constraints .....	19
III. The PRSP Process.....	19
A. Relevance.....	19
B. Application of Underlying Principles .....	21
C. Preliminary Evidence on Results.....	31
IV. World Bank Support .....	33
A. The Bank Program in Tajikistan.....	33
B. Bank Support for PRSP Formulation.....	34
C. Bank Alignment with the PRSP.....	37
D. Other Issues.....	42
V. IMF Support.....	44
A. Overview of the 1998-2001 ESAF/PRGF Arrangement .....	44
B. Inputs to the PRSP Process.....	46
C. Program Formulation Process.....	50
D. Policies and Performance vis-à-vis Program Projections .....	53
VI. IMF-World Bank Collaboration .....	59
A. Role of the Joint Staff Assessment .....	59
B. Collaboration in Country Operations.....	60
C. Collaboration with Other International Partners.....	62
VII. Main Conclusions and Lessons.....	63
Boxes	
1. The PRSP at a Glance .....	20
2. Underlying Principles of the PRSP Process.....	21
3. The NGO Poverty Assessment Report: Section on Public Administration Reform.....	25
4. Conveying the PRSP Comments .....	35

5. Key Features of the PRGF .....	45
6. Experience under the 1998-2001 IMF Arrangement: What Lessons did the Staff Draw? .....	46
7. Macroeconomic and Related Issues in “NGO Poverty Assessment Report” .....	48

#### Figures

1. Real GDP Growth and Inflation .....	17
2. External Terms of Trade .....	17
3. Total External Debt.....	18
4. Number of Agencies in Tajikistan .....	28
5. Disbursements ODA Tajikistan US\$ MM.....	28
6. Tajikistan: Fiscal Deficit Including Grants.....	57
7. Tajikistan: Revenue & Grants.....	57
8. Tajikistan: Expenditure & Net Lending.....	57

#### Tables

1. Distribution of the Poorest and Richest Quintiles by Location .....	17
2. Poverty Reduction Targets.....	31
3. Government Expenditure on Social Services .....	32
4. General Government Budget—Medium-term Projections .....	55

#### Appendices

I. Survey Results .....	67
II. Selected Tables .....	72
A1. Poverty Indicators in Tajikistan.....	72
A2. Tajikistan: Selected Economic Indicators.....	73
A3. Chronology of Key Events Related to the PRSP Process.....	74
A4. Tajikistan: Resource Allocation in the PRSP and the Public Investment Program (PIP).....	75
A5. List of Ongoing Projects (as of November 2003).....	76
A6. IDA Lending Program, FY03-05 .....	77
A7. CAS Triggers, FY03-05.....	78
A8. Core CAS Monitoring Benchmarks in Relation to PRSP.....	79
A9. Key Events in Relations with the IMF.....	80
A10. Macroeconomic Frameworks.....	81
A11. IMF Technical Assistance, 1998-2003 .....	82
A12. Structural Conditionality in IMF-Supported Programs .....	83
III. Tajikistan: Summary of Key PRSP Areas and Benchmarks .....	84
IV. An Assessment of the Adaptation of the IMF’s Internal Policy Process.....	88
V. List of Interviewees.....	91
References.....	95

## Abbreviations and Acronyms

AsDB	Asian Development Bank
CAS	Country Assistance Strategy
CCA	Common Country Assessment
CDD	Community-driven development
CFAA	Country Financial Accountability Assessment
CG	Consultative Group
CPAR	Country Procurement Assessment Review
CSO	Civil Society Organization
CSP	Country Strategy Paper
CU	Coordination Unit (for preparation of the PRSP)
DFID	Department for International Development (UK)
ECA	Europe and Central Asia
ESAF	Enhanced Structural Adjustment Facility
ESMAP	Energy Sector Management Assistance Program
ESW	Economic and Sector Work (World Bank)
GDP	Gross Domestic Product
HIPC	Heavily Indebted Poor Countries
IEO	Independent Evaluation Office
IFI	International Financial Institution
IMF	International Monetary Fund
I-PRSP	Interim PRSP
JSA	Joint Staff Assessment
LSMS	Living Standards and Measurement Survey
MDG	Millennium Development Goals
MEFP	Memorandum of Economic and Financial Policies
MoE	Ministry of Economy
MoF	Ministry of Finance
MTBF	Medium-Term Budget Framework
NBT	National Bank of Tajikistan
NGO	Non-governmental organization
ODI	Overseas Development Institute
OED	Operations Evaluation Department
PER	Public Expenditure Review
PFP	Policy Framework Paper
PIP	Public Investment Program
PRGF	Poverty Reduction and Growth Facility
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
PSIA	Poverty and Social Impact Analyses
PWG	Presidential Working Group
QAG	Quality Assurance Group
SAC	Structural Adjustment Credit
SME	Small and Medium Enterprises

SSA	State Statistical Agency
SWG	Sector Working Group
TLSS	Tajikistan Living Standards Survey
UN	United Nations
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Program
UNHCR	United Nations High Commissioner for Refugees
USSR	United Soviet Socialist Republic
UTO	United Tajik Opposition
WGs	Working Groups

## EXECUTIVE SUMMARY

### Overview

Tajikistan experienced a tumultuous decade following the collapse of the Soviet Union, marked by a protracted civil war and sharp reductions in the population's incomes and living standards. The civil war and a serious brain drain left their mark on the country's economic infrastructure and capacity in the public service. Economic reforms gathered momentum in 1997 following a peace accord that marked the end of the war. Real GDP growth has been strong since 1998—albeit from a low base—and a measure of macroeconomic stabilization has been achieved.

The PRSP sets a target of reducing the proportion of the population living below the poverty line from 83 percent in 2001 to 75 percent in 2006 and to 60 percent by 2015. The strategy for reducing poverty involves: (i) export-led labor-intensive growth, with increasing reliance on the private sector; (ii) efficient and fair provision of basic social services; (iii) targeted support to the poorest groups; and (iv) efficient governance and improvement in security.

The authorities see the PRSP mainly as an instrument for attracting external development assistance.

### Application of underlying principles

The PRSP approach was relevant to Tajikistan, given: weak country-ownership of ongoing economic reforms, the lack of a forum for the participation of a wide range of stakeholders in policy discussions, and weak coordination of external development assistance.

The PRSP was prepared through a well-organized **government-led** process that involved **broad participation**—including line ministries, scholars, and representatives of civil society organizations (CSOs). Regional participation was a strong feature of the process; scores of workshops and conferences were held across the country to discuss sector notes prepared by Sector Working Groups. A number of other initiatives were undertaken to supplement the official regional consultations: a donor-funded NGO umbrella group “Counterpart Consortium Tajikistan” sought the views of local NGOs and communities on poverty and compiled these in a key document, the “NGO Poverty Assessment Report;” and the World Bank and the Asian Development Bank supported a “Voices of the Poor” study which provided qualitative feedback from the poorest segments of the population.

The PRSP process opened up the policy making process to some extent, but there is little familiarity with the final version of the PRSP outside government. Furthermore, the role of the participatory process in implementation and monitoring, and in future iterations of the strategy, has not been defined by the government and is a source of concern among stakeholders. NGOs described their interactions with government as having “petered out” after the formulation of the PRSP.

The PRSP *recognized the multi-dimensional nature of poverty* by defining poverty broadly, to encompass income and non-income aspects of poverty (including indicators that measure well-being and access to social services). The PRSP also highlighted differences in poverty incidence across geographical regions.

To tackle poverty issues comprehensively, the PRSP proposed a cross-cutting, inter-sectoral approach, whereby, for example, the improvement of infrastructure would need to be linked to the improvement of social services, and vice-versa. The organization of the PRSP work around nine “sector” working groups under the direction of an overall Steering Committee helped to provide a comprehensive view. However, in a number of areas, greater coverage and more detailed discussion could have given the PRSP more cohesion (for example, constraints to private sector development and links between the formal and informal sectors).

The PRSP is based on a *long-term perspective* for poverty reduction, with key targets linked to the MDGs. However, as a guide to operations, it is *insufficiently result-oriented*, as the vast majority of indicators specified in it relate to processes and policy measures rather than to outcomes. Furthermore, public actions are not well prioritized and there is a disconnect between the PRSP and the government’s public investment program, with neither being well integrated into the government budget process. The institutional arrangements for monitoring the implementation of the PRSP revolve around a PRSP Implementation Unit that became operational in the first half of 2003. The Unit, in conjunction with other agencies, is in the process of developing a more focused set of indicators, including for measuring intermediate outcomes.

A weakness of the PRSP which adversely affects its results-orientation is inadequate prioritization. All major issues are covered in some form, but public actions needed to achieve goals are weakly prioritized. By way of better orienting the government budget towards poverty reduction, the PRSP highlights reform of the public expenditure management system as critical. Three key elements are marked as being in need of strengthening: the medium-term budget framework (MTBF), the public investment program (PIP), and the preparation of the annual budget.

The PRSP is *partnership-oriented* in that it has provided a point of reference for donor interactions with the government. However, it has not provided a basis for reconciling what appears to be a substantial difference between government preferences (top priority to infrastructure development) and what donors are willing to finance (spending on social sectors and on safety nets).

The size and composition of external aid to Tajikistan has evolved significantly over the last decade, moving from being predominantly humanitarian assistance to becoming mainly development assistance provided by an increasing number of donors. Donors were involved to varying degrees in the preparation of the PRSP, mainly through commenting on sector notes circulated by the sector working groups. On the whole, donors felt that their inputs were taken into account in the preparation of the PRSP.

There is some evidence of donors aligning their programs to PRSP objectives, but with no clear links to the PRSP policy matrix. In discussions with the evaluation mission, a number of donors noted that the unprioritized nature of the PRSP meant that it was easy for donor programs to be aligned to some PRSP objective or other.

### **Preliminary results**

The authorities indicated to the evaluation mission that they have been implementing measures specified in the PRSP “policy matrix” to the extent that they can, and cited lack of external financing as the major factor hindering implementation. All the ministries contacted said that their budgets for 2003 and the proposals under formulation for 2004 were based on the PRSP. However, the evaluation mission formed the view that not much has happened by way of integrating the PRSP, the PIP, the MTBF and the government budget. This is an important task since currently, the PRSP and the PIP appears to have different priorities.

The government’s attempt to coordinate more effectively donor assistance has led to a proliferation of units with responsibilities that include liaison with donors. This has resulted in overlapping functions and accountability.

### **World Bank support**

*PRSP formulation.* There is awareness and appreciation of the Bank’s role in support of PRSP formulation both within government and outside. Bank staff (including local office and sectoral staff) provided useful comments on the draft PRSP document, they assisted the working groups in mounting the workshops and consultations with civil society, and they helped to familiarize key officials about best practices in tackling poverty, through the holding of a series of workshops in Moscow and Budapest.

A key part of the Bank assistance came as a result of the Poverty Assessment Report of June 2000, which was a well-argued, analytic document. While this report preceded the PRSP, it formed a cornerstone on which the authorities could base their PRSP proposals and measures. The report established the poverty line benchmarks and it highlighted strategic issues to be tackled in the labor market, agriculture, education, health, social protection, and governance sectors/areas. The report did not cover energy, infrastructure, and private sector development.

In assessing sectoral differences, the evaluation mission’s discussions with representatives of the PRSP Working Groups revealed that the Bank’s work on education, poverty analysis, social protection, health, energy, and agriculture/land reform have been the most appreciated as having direct relevance to the PRSP, while private sector development, the financial sector, water, and the transportation sectors are seen as perhaps being relevant, but have had the least input into shaping the PRSP.

*Alignment of Bank assistance to PRSP priorities.* The Tajikistan CAS of February 2003, which was formulated after the PRSP, takes a medium-term perspective of 5-6 years, and as such, represents a good fit with the long-term perspective of the PRSP. The guiding



principles of the CAS are in line with the four PRSP pillars or elements mentioned above, and this alignment is further reflected in the areas of focus in the Bank's lending program: a mix of adjustment lending and investment lending in the social sectors (education and health), agriculture, watershed management, banking, private sector support, and municipal infrastructure. The economic and sector work represents a key element of the Bank support to the PRSP. To assist in improving governance, the Bank will focus on public sector management reform, including civil service reform, and the strengthening of the customs and tax departments, and improving the budget process.

The ongoing Public Expenditure Review (PER) is a key exercise in providing the prioritization that was missing in the PRSP, especially as regards highlighting the main expenditure items or programs to be supported in the budget. All potential Bank actions/activities are aimed at the same basic problem that was flagged in the PRSP formulation stage: strengthening the weak institutional capacity that exists within Tajikistan. The Bank is increasing its program of analytical work, which has important potential to assist the PRSP implementation phase. All major non-lending products are associated with key focus areas of the PRSP, including the Business Environment and Investment Climate Review, PER, Living Standards and Measurement Survey and Poverty Update, Social Sector Expenditure Review (completed), and Education Sector Review (completed).

A key element in the CAS revolves around the community-driven development (CDD) approach. Board discussion of the CAS highlighted the riskiness of this approach, while agreeing that it had a role to play in the country, and stressed the importance of considering the broader growth agenda and sources of future growth. Risks outlined by Board members included the substantial concentration of authority at the central government level, capacity constraints with regard to coordination between the central government and the communities, and limited prior Bank activity in this area. The evaluation mission's discussions with NGOs and field visits outside Dushanbe confirmed that there are significant challenges and risks to the CDD approach: (i) factoring in capacity constraints at the local level, as well as at the center (national capital and Oblast capitals); (ii) constraints in scaling-up quickly to assist in achieving the PRSP's time-bound targets; and (iii) meshing with the CDD projects or programs of other donors in the country.

*Capacity building in PRSP implementation.* In 2003 the Bank approved a grant for Provision of Implementation Support and Development of Monitoring Indicators for the PRSP. The grant is channeling technical assistance to the PRSP unit in the Presidential Administration, which has been set up to coordinate the implementation of the PRSP. The World Bank Institute's selection of Tajikistan as a focus country for its capacity-building programs should allow training and global distance learning opportunities to be delivered to key officials, and to have these activities geared around supporting the PRSP objectives. Regional learning opportunities and seminars at the Bank's Kazakhstan hub office, and at other ongoing PRSP exercises such as in the Kyrgyz Republic, could also play a valuable role

In order to ensure effective support of the PRSP process, the evaluation mission sees five other areas that merit the Bank's close attention:

- i) Creating stronger partnerships with other donors on PRSP issues.* At the CG meeting in Dushanbe in May 2003, the Bank exercised a direct role in keeping the PRSP on the radar screen. The Bank should continue to use the CG process to help identify shared priorities and policies and continue this process throughout the year with donor/government discussions on policy and implementation issues.
- ii) Monitoring the effectiveness of Bank support in the PRSP implementation phase.* This requires a holistic view: how to integrate the work of the new implementation grant into drawing out the poverty-related linkages of regular project work, and how best to tackle the poverty issues that are embedded in the major ESW studies -- all of this represents a vital part of the Bank's support role to PRSP implementation.
- iii) Sequencing the Bank's work on PSIAs.* Government officials noted to the evaluation mission that the PSIAs on energy and land reform had not been carried out, yet conditionalities on tariffs (in natural gas) had been agreed without the benefit of having the PSIA on Energy completed.
- iv) Designating a focal point on PRSP work in the Bank's program.* The Dushanbe office is short of a specially-appointed or designated person on PRSP issues.
- v) Interactions with the hub setting.* Bank leadership on Tajikistan is exercised through a hub setting in Almaty, Kazakhstan. This places a particular challenge in keeping the triangular communication patterns close and frequent.

### **IMF support**

IMF staff, especially the resident representative, provided substantial support to the authorities in the preparation of the I-PRSP, but were more removed from the PRSP preparation process. In particular, they did not participate in the government-led consultative process; staff saw this as essentially a domestic stakeholders' affair. However, the PRSP acknowledged the influence of the IMF on its macroeconomic framework; for example, it indicated that monetary policy would be guided by the PRGF-supported program (then under negotiation).

The inclusion of "macroeconomic management" as one of the nine "sector" working groups ensured that there was some discussion of macroeconomic issues in the PRSP consultation process, including in the NGO Poverty Assessment Report. Several of the policy recommendations in the NGO Report indicate a state-interventionist rather than market-based approach to economic management, but others emphasized the importance of strengthened institutions and greater transparency as essential elements of a sound macroeconomic framework. The issues raised demonstrate the potentially useful role IMF staff can play in raising broader awareness of macroeconomic issues, and in promoting broader participation in policy discussions.

We found the IMF's technical assistance to be broadly consistent with priorities and objectives set out in the PRSP. In recent years, the areas covered by this assistance have

included: bank restructuring, tax policy and administration, external debt management, monetary operations, macroeconomic statistics, and economic legislation. Much of the technical assistance has been closely coordinated with program activities; for example, providing key elements of structural conditionality and/or aimed at meeting capacity gaps revealed by poor implementation of program commitments.

Overall, we found evidence that the internal IMF policy formulation and review process has adapted to the PRSP/PRGF approach in some areas—such as allowing room for alternative options for meeting some program objectives and in paying attention to guidelines on streamlining structural conditionality. However in other areas, notably related to fiscal flexibility and to PSIAs, there was little evidence of movement towards a markedly “different way of doing business” suggested by the PRSP/PRGF approach.

*Participation and country ownership.* Participation in the formulation of Tajikistan’s IMF-supported programs continues to be limited to a relatively small circle of government and central bank officials. Typically, the discussions revolve around a draft “memorandum of economic and financial policies” (MEFP) prepared by IMF staff. In our view, this approach is not conducive to encouraging government ownership and runs the risk of perpetuating dependence on IMF staff. We recommend that the staff and the authorities establish a timetable for turning over to the authorities increasing responsibility for the preparation of the first draft of the MEFP. We formed the view that the PRGF-supported program is playing a crucial role in maintaining a measure of discipline in Tajikistan’s public finances, but we also formed the strong impression that the authorities have gone along with important aspects of the PRGF-supported program that they do not fully agree with, mainly because they perceive that to do otherwise would reduce development assistance to the country.

*Fiscal policies.* There has been a modest increase in government spending on social services in recent years and this trend is projected to continue under the current PRGF-supported program. The program also provided for some compensation to low-income households to mitigate the impact of tariff increases in the energy sector, and has recently introduced a “floor” on government spending as part of conditionality under the program. With respect to pro-growth orientation, the PRGF emphasizes governance measures—especially to stop public officials’ interference in the affairs of private enterprises—more than fiscal measures.

The key feature “appropriate fiscal flexibility” is intended to allow room for programs to be more accommodating of increased public spending (linked to poverty reduction goals) that can be financed in a non-inflationary way (usually through concessional external financing). Although the program’s formal conditionality does not cover concessional borrowing, there is an understanding that external borrowing to finance the PIP will be limited to no more than 3 percent of GDP. IMF staff have justified this limit on grounds of debt and fiscal sustainability, and absorptive capacity constraints. However, a number of senior government officials question the rationale for the limit, viewing it as arbitrary. In our view, justification of the 3 percent of GDP limit needs to be more firmly grounded in a quantitative sustainability framework and also in growth analysis.

*Structural conditionality.* The total number of structural conditions has fallen, and its composition has changed slightly. In particular, conditionality on public enterprise restructuring/privatization has been dropped, but conditionality remains on sectoral issues deemed to have macro-relevance, especially when other IFIs—especially the World Bank—have no lending operation in the sector. Although staff have cited capacity constraints as a reason for streamlining structural conditionality, in practice “streamlining” has been interpreted to mean clearer division of labor vis-à-vis the World Bank.

*Social impact analysis.* There has not yet been a PSIA on any aspect of Tajikistan’s IMF-supported program, although the programs recognized that measures aimed at eliminating quasi-fiscal deficits in the energy sector would have severe adverse effects on the well-being of a large part of the population.

### **IMF-World Bank collaboration**

Tajikistan was a pilot case for an “enhanced Bank-Fund collaboration” project that was initiated in late 1998. With the advent of the PRSP approach, it was expected that staff would build on the progress achieved under the pilot project.

In general, the staffs have tried—not always successfully—to coordinate their work programs. Areas in which collaboration has been very effective include support to the government in ensuring that the priority status of the education sector in the PRSP is translated into appropriate budget allocations (based on World Bank analytical work). Collaboration has also been good on issues related to the agriculture sector and land reform, though the IMF has now pulled back from these areas. Collaboration on energy sector issues appears to have improved over time, but could be closer.

Areas in which collaboration has either not been effective or has been slow in producing results include PSIA and expenditure policy issues. Regarding current issues that have an important bearing on poverty, IMF staff indicated that they looked forward to receiving the report on the Public Expenditure Review (PER) being undertaken by the World Bank staff. Also, the PSIA for energy was delayed, which meant that it will be undertaken after a number of important policy measures have been implemented, rather than before.

The staffs of the IMF and the World Bank maintain contacts with staff of other international financial institutions, especially the AsDB which is a major source of concessional loans to Tajikistan. An economist from the AsDB routinely participates in IMF missions as an observer; both sides indicated to the evaluation team that this arrangement has proved to be mutually beneficial. In our view, closer collaboration among the three institutions would enhance the effectiveness of assistance being provided to Tajikistan by each in at least three areas: (i) support for the development of a well functioning medium-term expenditure framework that integrates the PIP into the budget process (requiring closer coordination of the various strands of the assistance that each institution is already providing to the budget process and/or the PIP); (ii) energy sector reforms (AsDB has taken the lead in assisting the authorities but its operations and conditionalities have not addressed the issue of quasi-fiscal

activities, which IMF and World Bank staffs have highlighted as significant problems);  
(iii) PSIAs—the three institutions can collaborate in a manner that complements each other's operations.

## I. INTRODUCTION

1. The International Monetary Fund (IMF) and the World Bank introduced the Poverty Reduction Strategy Paper (PRSP) process in 1999 to strengthen the poverty alleviation focus of their assistance to low-income countries. This report reviews Tajikistan's experience with the PRSP process, focusing on the effectiveness of IMF and World Bank support to the process and the extent to which the two institutions' lending and non-lending activities in the country are aligned to the objectives of the PRSP approach.

2. Tajikistan submitted to the IMF and the World Bank, an Interim PRSP (I-PRSP) in October 2000 and a full PRSP in June 2002. For the purposes of this evaluation—given the focus on the PRSP process—the period of particular interest is 2000-2003. However, to the extent that they provide context for subsequent developments, activities in the 1990s are also covered (especially the period following the end of the civil war in 1997).

3. This country case study has been undertaken jointly by the IMF's Independent Evaluation Office (IEO) and the World Bank's Operations Evaluation Office (OED), and will provide input to separate reports that IEO and OED will prepare for their respective Executive Boards.<sup>1</sup> The report draws on materials from a variety of sources, including: (i) official documents of the Government of Tajikistan; (ii) documents of the IMF and World Bank; (iii) interviews with staffs of the IMF and the World Bank; (iv) studies on Tajikistan prepared outside the IMF and the World Bank; and (v) interviews with a wide range of national stakeholders and representatives of Tajikistan's international development partners during a joint IEO/OED mission that visited Tajikistan in June 2003. The findings of the mission were supplemented by the results of a stakeholder survey administered in Tajikistan.<sup>2</sup>

4. The rest of the report is organized as follows. Part II provides brief background accounts of political and economic developments since independence in 1991, including poverty incidence in the late 1990s. The relevance of the PRSP approach, application of the

---

<sup>1</sup> For the terms of reference of the evaluations, see the IEO's "Issues Paper" (available at [www.imf.org/external/np/ieo/2002/prsp](http://www.imf.org/external/np/ieo/2002/prsp)) and the OED's "Approach Paper" (available at [www.worldbank.org/oed/prsp](http://www.worldbank.org/oed/prsp)).

<sup>2</sup> The mission team comprised Mr. Tsidi Tsikata (IEO), Mr. Jeffrey Balkind (Consultant, OED), Mr. Zamir Islamshah (OED), Ms. Goulsara Pulatova (Consultant, OED), and Mr. Vladimir Dashko (interpreter). Mr. Bill Battaile (OED) joined the team for the second half of the mission. The survey was administered under the direction of Ms. Pulatova, and a summary of the results are presented in Appendix I. The report, which was transmitted for comments to the Government of Tajikistan on February 2, 2004, covers the experience of Tajikistan with the PRSP/PRGF process through mid-2003.

underlying principles, and preliminary evidence on results, are examined in Part III. Part IV considers the effectiveness of World Bank support, including alignment of that support to the objectives of the PRSP approach. The effectiveness of IMF support, including alignment of programs supported under the Poverty Reduction and Growth Facility (PRGF) and its predecessor—the Enhanced Structural Adjustment Facility (ESAF)—to PRSP objectives, is assessed in Part V. Part VI reviews IMF-World Bank collaboration, including the Joint Staff Assessments (JSA) of the PRSP and of collaboration on country operations. Part VII presents main conclusions and lessons.

## II. COUNTRY BACKGROUND

### A. Political Context

5. Tajikistan experienced a tumultuous decade following the collapse of the USSR in 1991. It voted overwhelmingly for preservation of the union in a national referendum in March 1991. However, in September, with the union rapidly collapsing, the government declared the republic a sovereign state. Maintaining a functioning and inclusive government proved to be a tremendous challenge for the new administration.

6. A bloody civil war broke out in 1992. It lasted for over 5 years, costing 50,000 lives and an estimated US\$7 billion in losses to infrastructure. In 1997, the government and opposition signed a peace accord, which legalized Islamic opposition parties and granted them a 30 percent share in government. Under the new constitution agreed between the government and the UTO, the President appoints a Prime Minister to lead a council of ministers. The legislature is the bicameral *Majlisi Oli*, which comprises a 63-member Assembly of Representatives elected by popular vote and a 33-member National Assembly, with 25 members elected by *majlis* deputies and 8 presidential appointees. Both houses have 5-year terms. Tajikistan's governmental structure remains highly centralized with the office of the President having a broad role.

7. The 1997 peace agreement brought a degree of stability to the country, creating a government considered to be one of the more inclusive in the region. Despite a functioning Parliament and an active opposition, regional and political rivalries remain a reality in Tajikistan and are aggravated by the pressing socioeconomic problems the country faces.

8. Tajikistan's regional relations are of critical importance in both economic and geopolitical terms. Being landlocked, Tajikistan relies on access through neighboring countries. Periodic closure of borders by some of its neighbors (Uzbekistan, Kazakhstan and Russia) has been disruptive to trade. Recent political events in the region have also had significant impact. The ouster of the Taliban in Afghanistan raised the prospect for greater stability along the country's southern border and in the region as a whole. Tajikistan's support for the war effort and its strategic location raised the profile of the country within the international community and strengthened the international commitment to ensure stability in Tajikistan. An indication of this resolve was provided by a large increase in the external aid pledged by international donors at the Consultative Group meeting held in Dushanbe in May 2003.

## B. Poverty Profile

9. Tajikistan is one of the poorest countries in the world with per capita income of about US\$200 in 2002. The country ranks 113<sup>th</sup> among 175 countries according to the UNDP's *Human Development Report 2003*.<sup>3</sup> While material poverty is widespread, indicators for literacy, education and health and infant mortality are better than for many other low-income countries. However, Tajikistan's human development index was among the lowest in the republics of the former Soviet Union.

10. Using the poverty line suggested by the State Statistical Agency (SSA), about 83 percent of the population is considered to be poor, and 33 percent to be extremely poor.<sup>4</sup> A poverty assessment undertaken by the World Bank in late-1999 contained a well laid out analysis of data and trends, based on the results of the Tajikistan Living Standards Survey (TLSS) carried out that year. It paints the following broad picture:

- While inequality seems to be lower than in other countries in this region, it has been rising; with the Gini coefficient going from 0.3 in 1989 to about 0.5 in 1999.
- There are significant regional differences regarding poverty; poverty incidence in Dushanbe is much lower than elsewhere in Tajikistan (Table 1).
- Poverty incidence among demographic groups shows that children are the most vulnerable group. The Poverty Assessment Report documented that the higher the number of children in a household, the greater was the poverty incidence. Another group with a high poverty incidence was the elderly; poverty rates were especially high for cases where three or more elderly persons resided in the same household or extended family.

11. The TLSS revealed higher poverty rates among women, and found that these gender disparities were growing. The greater incidence of poverty among women partly reflected the large proportion of unemployed female household heads that came about from the civil war. A 1996 survey by UNHCR revealed that the collapse of social allowances and services had led to extra burdens for women. Female-headed households had less access to land, irrigation and livestock. They also had lower food security and lower monthly income compared to male-headed households.<sup>5</sup> The ongoing update of the TLSS will provide valuable data for analyzing the trends in poverty since the 2000 Poverty Assessment Study.

---

<sup>3</sup> The index is based on indicators of life expectancy, educational attainment and real income.

<sup>4</sup> This is a head-count measure of poverty, based on a minimum consumption basket valued at TR20,000 (equivalent to US\$15 at the time) for the poor, and TR10,000 for the extremely poor. For other measures of poverty incidence, see Appendix II, Table A1.

<sup>5</sup> UNHCR and Relief International (1996).



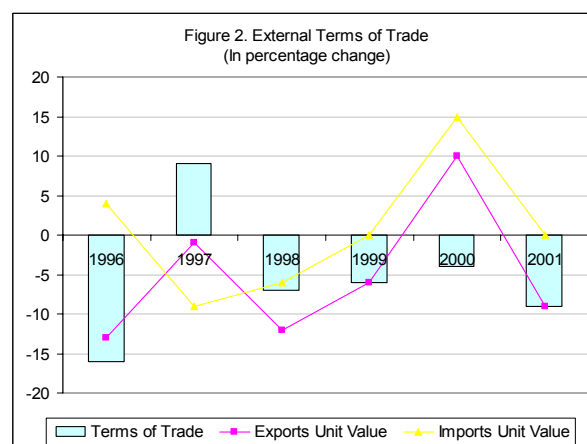
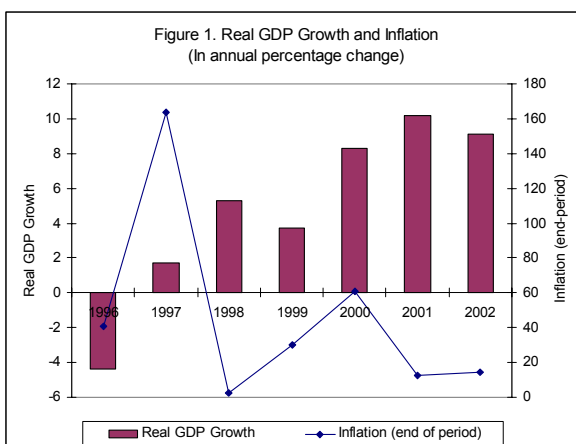
Table 1: Distribution of the Poorest and Richest Quintiles by Location

	Poorest 20 Percent	Richest 20 Percent	All Tajikistan
All individuals	100.0	100.0	100.0
Urban	18.5	29.7	21.9
Dushanbe	2.1	14.5	6.4
GBAO	6.9	1.3	3.9
RRS	19.2	36.4	25.3
Leninabad	26.1	22.8	26.1
Khatlon	45.7	25.0	38.1

Source: World Bank (2003).

### C. Economic Performance and Policies

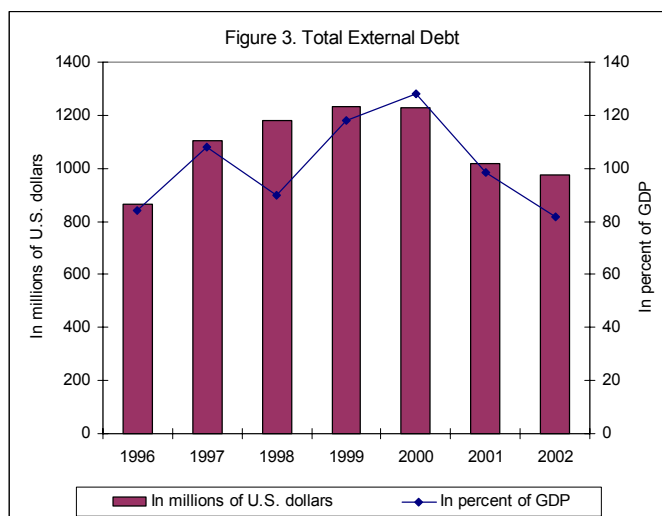
12. The authorities' economic reform programs supported by the IMF, the World Bank, and other multilateral and bilateral donors gained momentum after the end of the civil war in 1997. Since then, real GDP growth has been strong and inflation has been reduced from triple-digit levels to low double-digit levels (Figure 1). However, the economy remains highly susceptible to external shocks, including those related to the terms of trade (Figure 2).



Source: IMF (staff reports and WEO database).

13. Macroeconomic stabilization goals have been pursued through tight monetary and fiscal policies in the context of IMF-supported programs, but periodic lapses in monetary policy—for example quasi-fiscal activities in the form of issuance of directed credit by the central bank—have contributed to a lack of success in maintaining inflation at low levels.

14. Tajikistan has achieved significant fiscal adjustment since the mid-1990s, with the overall fiscal deficit (excluding externally financed public investment) falling from nearly 6 percent of GDP in 1996 to near fiscal balance in 2002 (Appendix II, Table A2). However, substantial quasi-fiscal activities (especially in the energy and cotton sectors) raise concerns about fiscal sustainability, and the combination of low tax revenue, and the heavy debt-service burden limit the scope for increasing government spending on poverty reducing measures. Debt restructuring agreements in recent years have contributed to a reduction in the debt/GDP ratio (see Figure 3), but medium-term projections indicate continuing high debt-service in relation to government revenue (estimated to average about 20 percent per annum during 2002-08).



Source: IMF (WEO database)

15. The share of agriculture in total GDP has declined from more than one-third to about a quarter. However, it remains the largest sector and the major source of employment, especially in rural areas where over 70 percent of the population resides. Reforms in the sector are incomplete, and further measures to remove distortions and disincentives to investment are widely regarded as holding the best prospects for significant poverty reduction in the country.<sup>6</sup> The PRSP cites “official interference in the process of pricing, procurement and marketing,” and poor infrastructure as major constraints.

<sup>6</sup> For an overview of reform of the agriculture sector to date and outstanding issues, see the chapter on “Adjustment and Reform in the Agriculture Sector” in International Monetary Fund (2002).

16. Privatization of small-scale enterprises has been completed and progress has been made on reform of large scale enterprises, but several key sectors including energy are still dominated by public enterprises.

#### **D. Capacity Constraints**

17. There has been a serious brain drain from the country, beginning with the civil war and continuing with the prospect of higher wages abroad, mostly in Russia. Low pay and high turnover represent serious barriers to capacity building in government. The civil service faces a challenge in attracting and retaining qualified officials with wages at their current levels—teacher salaries are reportedly around US\$2 per month and the salary of a Deputy Minister is not more than US\$20 per month. Low wages have also contributed to the institutionalization of corruption with rent-seeking emerging as a mechanism for sustaining livelihoods.

18. The issue of weak capacity and the need to pay special attention to capacity building in designing assistance programs featured prominently in virtually all the discussions the evaluation mission held with representatives of the donor community in Tajikistan.

19. Reorganization of the structure of government “to meet the requirements of a market system” is given high priority in the PRSP. According to the PRSP, the aim of public administration reform “is to realign the functions of ministries and agencies, create a skilled, adequately paid and corruption-free service capable of developing, implementing and monitoring government policies.” The PRSP also flags reform/strengthening of the judiciary as being important for protecting the poor and for fighting corruption.

### **III. THE PRSP PROCESS**

20. A chronology of key events related to the PRSP process is presented in Appendix II, Table A3. A flavor of the content of the PRSP is provided in Box 1.<sup>7</sup>

#### **A. Relevance**

21. Concern about poverty has been a major issue in Tajikistan since the collapse of the Soviet Union and the associated reduction in the population’s incomes and living standards. In the aftermath of the civil war, Tajikistan faced three key impediments in being able to address poverty issues: (i) the basic benchmarks (poverty line) were not yet established; (ii) within the government, the responsibility for policy formulation generally and especially on poverty reduction aspects was spread among different ministries and departments (the Office of Presidential Administration, the Ministry of Finance, and line ministries such as Social Welfare, Health, and Education); and (iii) the capacity in the government to implement a coherent set of policies was weak.

---

<sup>7</sup> A summary of the PRSP policy matrix is presented in Appendix III.

22. Specific gaps and weaknesses that the PRSP could be expected to help address included the following:

- There was no forum for a wide range of stakeholders to discuss policy issues, especially in the poverty area.
- Weak coordination among a rapidly growing donor community (no organizing framework to guide relations with each other and with government).
- There was weak country ownership of the reform agenda, including as embedded in Policy Framework Papers (PFPs).

#### **Box 1. The PRSP at a Glance**

**Principal objective:** Increase real incomes, achieve a fair distribution of the benefits of growth, and ensure a rise in the living standards of the poorest groups of the population.

**Poverty reduction target:** Reduce proportion of the population living below the poverty line from 83 percent in 2001 to 75 percent in 2006, and to 60 percent by 2015.

**Strategy for reducing poverty:** (i) Export-led, labor-intensive growth, with increasing reliance on the private sector; (ii) efficient and fair provision of basic social services; (iii) targeted support to poorest groups; (iv) efficient governance and improvement in security.

**“Sectoral” objectives and policies include:**

(i) Macroeconomic management: establish a stable economic environment through appropriate fiscal, monetary, and exchange rate policies.

(ii) Public administration: create a skilled, adequately paid, and corruption-free civil service capable of developing, implementing, and monitoring government policies.

(iii) Social protection: Provide the poor with income through direct cash transfers, and increased opportunities through access to productive assets.

(iv) Education: Ensure access to basic education for all, and raise the quality of education.

(v) Health care: Ensure wide access to curative care and public health services, and provide the right balance between preventive and curative care.

(vi) Agriculture: Continue process of restructuring and privatization of state-owned and cooperative farms. Accelerate land reforms.

(vii) Employment creation: In addition to promoting agricultural development, emphasis will also be placed on creating a favorable environment for private enterprise (including in the informal sector), ensuring a well-functioning labor market, and privatization of state enterprises.

(viii) Infrastructure and communication: Provide access to reliable and affordable public services in the areas of energy, transport, information and communications, and safe drinking water. In urban areas, focus will be on improving the reliability of the infrastructure; in rural areas, priority will be to provide access to services.

(ix) Environmental protection: Reduce the vulnerability of the poor to natural disasters through environmental protection, production of sustainable energy, and disaster prevention.

(x) Tourism: Remove administrative obstacles to private sector development of the tourism sector, and help create a positive image of the country abroad.

**Monitoring:** A special unit will be established in the Office of the President with responsibility for monitoring progress towards the achievement of PRSP goals, identifying reasons for delays in implementation, and proposing measures to overcome the problems.

23. Thus, the PRSP approach was relevant to Tajikistan and the timing of its launch (in late 2000) was appropriate. However, capacity weaknesses in the government and a lack of experience with participatory processes in policy formulation in the country suggest that a broad-based participatory approach would be challenging to implement. In the event, as discussed below, activities of the authorities and a coalition of NGOs complemented each other in obtaining input from a broad range of stakeholders. In the opinion of the authors of an NGO Poverty Assessment Report that provided input to the PRSP, the forums whose deliberations formed the basis of the report “clearly demonstrated that citizens are willing and able to be more aware of and involved in both national and local policy and decisions and the participatory development process on all issues that directly impact their living standards.”<sup>8</sup>

24. Feedback given to the evaluation mission by government officials is that the extensive consultations took much time and diverted their attention away from priority tasks, such as formulating the economic policies for the year and implementing the state budget consistently. To the extent that the main areas of PRSP focus can be shown to have been carried through to the adoption of specific budget provisions, then the time spent was well worth it. However, because the PRSP was not well prioritized, the process did not achieve this result. The PRSP itself acknowledged the need for better prioritization of proposed measures, indicating that, “(upon) establishment of the special unit to monitor the implementation of the PRSP, the priorities (in the PRSP policy matrix) will be revised in the light of (the) real situation on the ground and (the) real absorptive capacity of the country.”<sup>9</sup>

## B. Application of Underlying Principles

25. The PRSP approach is based on five underlying principles (Box 2). In this section, we review the application of these principles in Tajikistan.

### Box 2. Underlying Principles of the PRSP Process

1. *Country-driven* involving broad-based participation.
2. *Results-oriented* and focused on outcomes that benefit the poor.
3. *Comprehensive* in recognizing the multi-dimensional nature of poverty.
4. *Partnership-oriented* involving coordinated participation of development partners.
5. Based on a *long-term perspective* for poverty reduction.

---

Source: International Monetary Fund and International Development Association (1999).

---

<sup>8</sup> Counterpart Consortium Tajikistan (2001).

<sup>9</sup> Government of the Republic of Tajikistan (2002), chapter 5, first paragraph.

**a) Country driven with broad-based participation**

26. Tajikistan had no experience with broad-based participatory initiatives prior to the PRSP process. Decades of state-centric planning created strict governing hierarchies which, despite growth in the political system, have endured in some form. In this context, it is noteworthy that the PRSP received the full support of the Presidency. The process officially began in March 2000 with a Presidential Decree establishing a Presidential Working Group (PWG) to begin work on a poverty reduction strategy. Shortly after completion of the Interim PRSP (I-PRSP), nine Sector Working Groups (SWGs) and a Coordination Unit (CU) were established in November 2000. A large investment was made by the government in setting up a wide consultation process, and, unlike in many other PRSP countries (particularly HIPC), time pressures were not a serious constraint on the process.

27. The extent of consultations in the formulation of the Tajikistan PRSP is widely considered as a key strength of the process. The JSA 2002 describes the consultations as “broad and intensive” and the PRSP received “high marks” in the international community for the extent of participation.<sup>10</sup>

***Country ownership***

28. There was high-level government commitment to the PRSP process during the formulation of the strategy. A Coordination Unit (CU) was located in the Office of the President under the direction of the State Advisor to the President on Economic Affairs. While in many countries location of the PRSP unit in the Ministry of Finance is seen as an important sign of commitment, in Tajikistan the Office of the President carries the greatest weight in directing the activities of the government. The Tajikistan PRSP was also discussed and approved by parliament, though parliament’s role in the process seems to have been limited.

29. Understanding of the PRSP principles does not seem to be widespread in Tajikistan. In particular, there appears to be little appreciation of the PRSP approach as a process, and not just a document. Representatives of civil society expressed concern to the evaluation mission that government commitment to the PRSP had fallen off following approval of the strategy. Some participants in the process described the PRSP as having now been “put on the shelf,” while others referred to “post-PRSP fatigue” on the part of the government. This finding is supported by results from the survey conducted by OED and IEO, in which a relatively large proportion of respondents did not agree that the government had continued to engage their stakeholder group following formulation of the PRSP document.<sup>11</sup> The

---

<sup>10</sup> Overseas Development Institute (2003), p.13.

<sup>11</sup> See Appendix I, section D. The survey question, “Government has continued to engage your stakeholder group in the implementation and monitoring of the PRSP,” received the

(continued)

authorities acknowledged to the mission that one year after completion of the PRSP, the institutional arrangements for monitoring its implementation were only now becoming operational, and that the role of parliament and CSOs in the monitoring process had not yet been fully defined. However, they noted that the monitoring unit envisaged in the PRSP had been formally established in September 2002, and that procedures to guide its operations, including its relations with government organizations that will be providing it with information, were spelt out in a Presidential decree issued in May 2003.<sup>12</sup>

30. The evaluation mission formed the view that the authorities see the PRSP process—which they link to the MTBF, the PIP and the CG process—as an important vehicle for attracting development assistance. Representatives of a broad range of stakeholder groups, including government officials, told the mission that a combination of donor pressure and the prospect of increased financial assistance were the key factors that influenced the government to embark on the PRSP process. While the process was said to have been driven by the IMF and the World Bank, there was broad agreement that the final strategy was country-owned.

### *The participatory process*

31. In October 2000, the PWG finalized the country's I-PRSP which laid out the steps for preparation of the full strategy, including a roadmap for the consultative process. The I-PRSP was published in national newspapers in three languages: Tajik, Russian, and Uzbek. Preparation of the PRSP document was based on the outputs of the nine SWGs set up by the PWG to focus debate and recommendations along broad “sectoral” lines: (i) macroeconomic management; (ii) public administration reform; (iii) social protection; (iv) education; (v) healthcare; (vi) agriculture; (vii) privatization, labor and private sector development; (viii) infrastructure and communication; and (ix) tourism, recreation and environment protection.

32. The World Bank country team played an important role in the design of the SWGs and the ADB supported a full-time PRSP advisor to coordinate the overall participatory process. The SWGs consisted of a range of participants including representatives from government (central and local), NGOs, academia, and the private sector. Each SWG produced sector notes which were then subjected to wider review.

33. Regional participation in the formulation of the PRSP was a strong feature of the process. Between March and June 2001, 56 workshops and conferences were held across the country to discuss sector notes and provide comments and recommendations for the PRSP.

---

second highest share of negative responses, defined as ‘disagree’ or ‘completely disagree’ responses (31.9%).

<sup>12</sup> The activities of the unit are discussed further in Section III C below.

Broad consultations were particularly important given the country's divisive past, and regional leaders consulted during the evaluation mission described the process as having "instilled hope in people." The consultations were also successful in reaching a large number of stakeholders, with over 2000 participating in the day-long events. Summaries of discussion were prepared by local consultants and submitted to government in every case.

34. A number of initiatives were undertaken to supplement these regional consultations with more direct consultations with NGOs and the poor. The donor-funded NGO umbrella group "Counterpart Consortium Tajikistan" sought the views of local NGOs and communities on poverty and compiled these in a key document, the "NGO Poverty Assessment Report."<sup>13</sup> Twenty one-day forums were held in Dushanbe, Sugd, GBAO, Kurganteppa, and Kulob in which participants provided recommendations for the SWGs. The government also supported a "Voices of the Poor" study which provided qualitative feedback from the poorest in Tajikistan. This study, carried out jointly by the World Bank, the ADB and a local research team, highlighted women's views on poverty.<sup>14</sup>

35. The NGO Report noted that "a number of NGOs and community based organizations were not able to participate in the government's PRSP program." However, those who did participate expressed strong views on a range of issues. For example, "the Forums also clearly showed that the citizens of Tajikistan profoundly realize the unfairness that has thus far prevailed in the privatization process. Citizens resent that they are left out and that privatization benefits only a few politically favored groups." Regarding availability of capital for business startups, the NGO report pointed out that most people had no funds for the purchase of privatized property, due to inflation and the annulment of assets and bank accounts that occurred during and after the breakup of the Soviet Union.

36. The NGO Report is more candid in its analysis and more pointed in its recommendations than is the PRSP document. For example, it is quite specific on what might be done to redress weak public administration, which is an issue that has featured prominently in reports of donors (including the World Bank and IMF). The PRSP document contained few of these recommendations (Box 3). Whereas the NGO Report called for "a 30 percent reduction of the number of civil servants," and "for appointments to be made on the basis of competition, merit, and professionalism (skills and qualifications)," the PRSP talked of "developing a strategy of adequate compensation to public servants under market conditions and determination of the necessary financing sources."

37. While private sector representatives were involved in the SWGs, the overall role of the private sector appears to have been minimal. Beyond its inherent importance, the private

---

<sup>13</sup> Counterpart Consortium Tajikistan (2001).

<sup>14</sup> De Soto (2001).



sector also plays a role in supporting social service delivery in some parts of the country and their greater involvement would have been useful.

38. In January 2002, the government assigned a small team drawn from the SWGs the task of summarizing the draft PRSP. This group reduced the draft from an unwieldy 250 pages to 70. Some NGOs consulted by the evaluation mission felt that some areas (e.g., environment, natural disaster mitigation, and participation in implementation and monitoring) were not emphasized enough in the final document. The final document does cover all major issues in some form, but is weakly prioritized.

**Box 3. The NGO Poverty Assessment Report: Recommendations on Public Administration Reform**

- Formulate a national strategic program for training of employees of public sector agencies and Ministries. (In the PRSP).
- Certify on a regular basis the employees of state agencies and hire independent experts where needed. (Not in the PRSP).
- Establish an institution of public and municipal governance/administration. (Not in the PRSP).
- Change selection criteria for recruitment of state governance bodies employee; base on merit and professionalism, skills and qualifications. (Not in the PRSP).
- Make appointments on an “open competition” basis. (Not in the PRSP. The NGOs were concerned that in order to get employment in the public sector, one had to have contacts; women expressed particular concern about their prospects for advancement once in the public service).
- Involve the NGO sector in the implementation of programs for training of municipal employees. (Not in the PRSP).
- Rationalize budget expenditures for public administration by implementing a reduction of staff by 30 percent. (Not in the PRSP).
- Abolish overlapping and duplication of functions by some state bodies. (In the PRSP)
- Oversee training of state governance bodies employees. (In the PRSP).
- Study international experience on the training of public sector employees. (Not explicitly in the PRSP, but implicitly covered).
- For the government to ensure overseeing of execution of the Law “On Civil Service.” (This is a regular function of the government, so it is in the PRSP, but sentiment was that it was not being done properly).

Implicitly the PRSP measures cover many of these points. In general, the NGO report wished to see a greater opening up of the public service and not a closed system.

39. The role for consultations in the implementation and monitoring of the PRSP has not been defined by the government and is a source of concern among stakeholders. NGOs described their interactions with government as having “petered out.” Sustained consultations with NGOs is critical in Tajikistan, given the role they play in delivering social services throughout the country. The role of participation in future iterations of the strategy is unclear. General awareness of the PRSP in Tajikistan is also very low, despite the scale of the regional consultations. The government ran a public information campaign during formulation, but dissemination of the final strategy has been limited.

**b) Comprehensive**

40. In assessing whether the PRSP was comprehensive in recognizing the multi-dimensional nature of poverty, two issues need to be addressed, namely, the extent to which a

solid diagnosis of poverty informed the strategy, and how broadly poverty was defined. The Tajikistan PRSP does recognize the multidimensional nature of poverty. Poverty was broadly defined, using a number of benchmark statistics that broadly followed those established in the World Bank's Poverty Assessment Report (a general lack of income and wealth in the country, with a pronounced skewness: more than 80 percent of the population living below the poverty line), lack of infrastructure and social services (lack of reliable infrastructure in urban areas and lack of access in rural areas), poor education levels, poor health indicators, and in all aspects the indicators were shown to be more severe in the mountainous regions in the south-east than in the central regions and the cities (e.g. Dushanbe and Khojand).

41. To tackle poverty issues comprehensively, it was recognized that a cross-cutting, inter-sectoral approach would be required, whereby the improvement of infrastructure, for example, would need to be linked to the improvement of social services, and vice-versa (improvement in general human capital and skills training was seen to be needed across all agencies of the government to help deliver better social services and also among NGOs and society at large). In that sense, the organization of the PRSP work around nine working groups under the direction of an overall Steering Committee helped to provide a comprehensive view, which had not existed before in Tajikistan's socio-economic planning.

42. There were a number of areas where greater coverage and discussion of the issues could have given the PRSP more cohesion. The PRSP notes that private sector development should be the main engine of growth. It states that annual seminars/workshops will be held with entrepreneurs to discuss how to overcome constraints on business development. Administrative barriers and rent-seeking inspections would be reduced or eliminated, as these were seen as harming the development of small and medium scale enterprises (SME). However, although there have been periodic discussions, these annual seminars have yet to be held. The PRSP recognizes the need to improve the legal and regulatory framework. However, the strategy is not achievable in the absence of a proper functioning courts system and the continued existence of widespread corruption in administrative positions.

43. An issue which affects comprehensiveness is the limited discussion of the informal sector, which appears to be growing in Tajikistan. The informal sector has a large bearing on how the poor are coping. Basic questions needed to be asked—how large is the shadow economy? What can be done to bring the activities of the informal sector more into line with the regular economy? What taxation and regulatory measures would need to be streamlined so that growth of the informal economy is not indirectly encouraged at the expense of the regular economy?

44. The comprehensive nature of the PRSP is undercut by an uneven discussion of sectoral strategies in dealing with poverty issues, for example, in the discussion of the infrastructure sector, the text part of the PRSP lays out a partial strategy and describes in a general way measures that are underway or proposed such as saying that “tariff reform is being pursued” (no details given), “physical assets are being rehabilitated in all four sub sectors—energy, transport water supply, and communications” and “competition in the sector is expected to be increased through privatization.” The matrix lists measures, according to

energy, transport, and telecommunications, TV and radio, and water supply subsectors. But these subsector distinctions, which can be important, are not preserved in the text section headed “Objectives and Strategy.” For example, problems of the water sector (water utilities as distinct from water resource management) and sewerage are mixed in with heat supply (a quite different sector). As a result, this weakens the overall comprehensiveness of the “Infrastructure Strategy” and “Measures to be adopted” sections compared to the discussion on other sections such as Education and Health.

45. On roads, focus in the PRSP text is on rural roads. Yet the mission found that the current attention of officials is mainly fixed on a long-planned national road that would join the northern part of the country (Sugd Oblast) with the center (the capital) and the south. The PRSP is silent on this issue, which is an omission as the project is seen by some officials as an important part of the government’s national unification program and the development of key trade and transport linkages.

### **c) Results oriented and focused on outcomes that benefit the poor**

#### ***Targets***

46. The PRSP describes three types of indicators for monitoring progress towards its poverty reduction goals: (i) indicators that measure the achievement of the main poverty reduction targets (i.e., long-term outcomes); (ii) indicators that measure the extent to which specific measures have been successful (i.e., intermediate outcomes); and (iii) indicators showing whether or not specific actions/measures have been taken (process indicators). For the first type, it lists nine indicators (Table 2), of which five are linked to the MDGs—reduction in the proportion of the population living below the poverty line, increased primary school enrolment, lowering of the infant mortality rate, increased maternal mortality rate, and increased access to reproductive health services for the adult population.

47. The vast majority of the remaining indicators—the policy matrix contains over 200 of them—refer to processes and policy measures (e.g., preparation of action plans, adoption of laws and resolution, etc), rather than to outcomes. Thus, the monitoring system component of the PSRP is quite weak, with many of the targets and indicators in the policy matrix being mechanical in nature without reflecting a strategic view or any prioritization (e.g. repair 30 vocational school buildings or issue 72 classification brochures, etc.). The PRSP Monitoring Unit in the Office of the President indicated to the evaluation mission that it was in the process of consulting line Ministries and other agencies to develop an appropriate set of indicators for each sector, including for measuring intermediate outcomes.

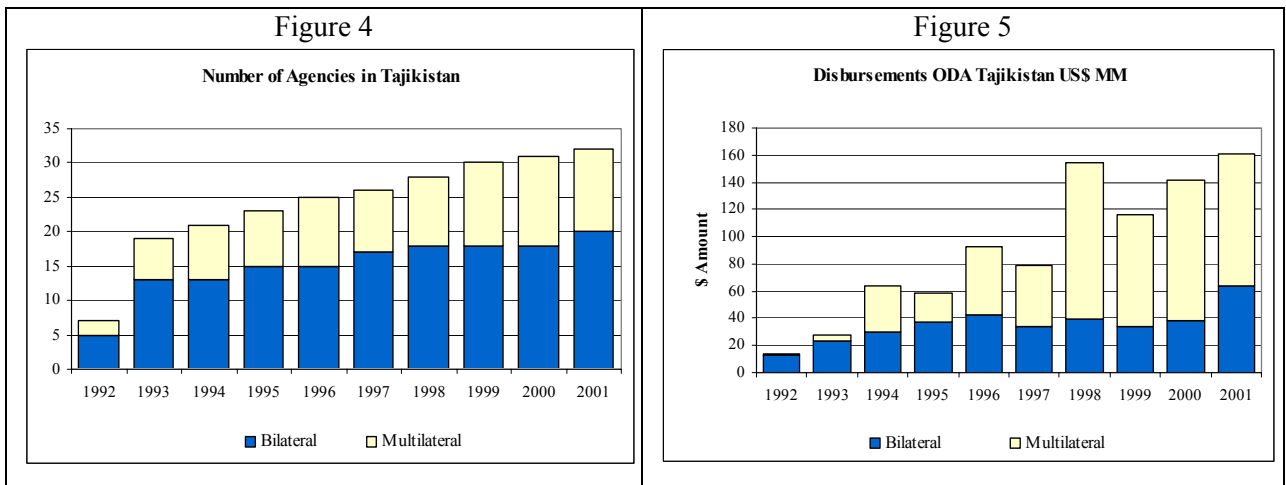
#### ***Links to the government budget***

48. The PRSP highlighted reform of public expenditure management as a critical input to re-orienting government expenditure towards poverty reduction. It proposed strengthening three key elements: the medium-term budget framework (MTBF), the public investment program (PIP), and the preparation of the annual budget. The MTEF, which is intended to link public spending to the government’s economic policy objectives in a medium-term

framework, was first prepared in 2001. That initial effort was based on only a few sector strategies (education, health, and agriculture), and the PRSP proposes a gradual extension to all sectors. The sector strategies are supposed to be based on the PRSP. The PIP is intended to be a rolling three-year “plan” based almost entirely on foreign financing. Currently, there is a disconnect between the PIP and both the PRSP and the government budget process.

**d) Partnership-oriented involving coordinated participation of development partners**

49. The size and composition of external aid to Tajikistan has evolved significantly over the last decade, moving from being predominantly humanitarian assistance to becoming mainly development assistance provided by an increasing number of donors. The improvement in the political environment and security situation following the peace accord of 1997 contributed to increases in the number of multilateral donor agencies and in the size of aid disbursements to the country (Figures 4 and 5).<sup>15</sup>



Source: OECD DAC (2003)

<sup>15</sup> Net ODA, as defined by OECD, comprises: total grants, total net loans (loans received minus loans repaid or extended), less interest payments. See OECD DAC (2003).

50. Interest in Tajikistan further increased in the wake of the attacks on the United States on September 11, 2001. Tajikistan's strategic location and support for the war against the Taliban in Afghanistan translated into an increase in donor support. Donors pledged a record US\$900 million over three years at the May 2003 Consultative Group (CG) meeting in Dushanbe (compared to US\$390 million over two years pledged at the 2001 CG). The increased reliance on aid makes donor coordination even more relevant, especially since many donors are new to the country.

51. Donors were involved to varying degrees in the preparation of the PRSP, mainly through commenting on sector notes circulated by the nine SWGs. Donors provided comments on PRSP drafts and, on the whole, felt their inputs were taken into account. The participatory process was rated highly by donors at the May 2001 CG meeting held in Tokyo. At the May 2003 CG, the first to be held in-country, donors were presented with the completed PRSP and a draft of the government's Public Investment Program (PIP) for 2004-06. The government's emphasis was on securing donor-financing through grants, given the level of indebtedness and the limits on borrowing contained in Tajikistan's IMF-supported program (discussed below).

52. While donors did pledge substantial amounts in support of the government's program, the impact of the PRSP on donor programs is difficult to ascertain. In discussions with the evaluation mission, a number of donors noted that the unprioritized nature of the PRSP meant that it was easy for donor programs to be aligned to some PRSP objective or priority. The amount of the pledges must also be considered in light of serious implementation constraints in Tajikistan which resulted in disbursement of only a fraction of donor commitments in the period since the CG of May 2001.

53. For a large number of donors in Tajikistan, their involvement in the country is of fairly recent origin, so it is not surprising that there are no well-established donor coordination mechanisms. The PRSP has provided a potentially useful framework for a coordinated approach to providing development assistance to Tajikistan. As the head of one donor agency noted to the evaluation mission: "Donor coordination is a new and evolving theme in Tajikistan. Each donor is assessing how they can use the PRSP as an organizing framework." While there is strong coordination of donor programs in the education and health sectors there is significant overlap in terms of donor activities as a whole. Partnership orientation was, however, the highest rated underlying PRSP principle in the survey of PRSP stakeholders.<sup>16</sup> In particular, respondents felt that donors had supported the formulation of the PRSP and were beginning to align their assistance to the process.

---

<sup>16</sup> Appendix I, section D shows the average for the group of six questions on Partnership orientation relative to the other underlying principles. Partnership received a mean score of 3.44 out of 5, where a score of 5 represents complete agreement with the statement. Partnership was followed by Relevance which received a mean score of 3.40.

54. During the evaluation mission, we formed the view that most coordination takes place on an ad hoc basis rather than within a structure promoting an ongoing dialogue among donors. Subsequently, we understand that in November 2003, donors held a meeting in Dushanbe to follow up on donor coordination issues that surfaced during the May 2003 CG, with a view to establishing a mechanism for regular interactions between CG meetings.

**e) Based on long-term perspective**

55. The main objectives of Tajikistan's PRSP are to achieve increases in real incomes, fair distribution of the benefits of growth, and enhanced living standards of the poorest population in the country. These are long term goals. The PRSP discusses the strategy in relation to the Millennium Development Goals spelling out indicators for: (i) 2001 as the baseline; (ii) 2006 as a mid-term target; and (iii) 2015 as the long-term target (Table 2). Thus, there is a link of the PRSP to a long term perspective. But, there is no link between the 2006 and 2015 targets—one does not see a clear way to get to some of these targets, e.g. private sector share of GDP to rise from 30 percent to 60 percent in twelve years; a drop in the proportion of people living below the poverty line from 83 to 60 percent; or the proportion of the population having access to safe drinking water to rise from 52 percent to 80 percent by 2015.

56. How realistic are the PRSP targets that relate to the MDGs? The JSA characterizes some of the PRSP targets as either being conservative (poverty line reduction) or too ambitious (access to safe drinking water target). But this is quite difficult to do in the absence of reliable trend data. The Bank's Poverty Assessment Report (2000) was based on the Living Standards Survey of 1999, and only now—some 5 years later—is an update of the Living Standards Survey being launched. A UNDP-sponsored report concludes that out of 8 MDGs and 18 targets, more than half are not likely to be met by 2005,<sup>17</sup> and they are also not likely to be met by 2015.

---

<sup>17</sup> Government of the Republic of Tajikistan and UNDP (2003). The report uses 2005 for the medium-term target and not 2006 as in the PRSP.

Table 2. Poverty Reduction Targets

Indicator	2001	Mid-term target for 2006	Target for 2015
Percent of population living below poverty line	83	75	60
Primary education coverage (percent )	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
Percent of adult population with access to reproductive health services	21.8	24	30
Share of private Sector in GDP	30	40	60
Percent of population with access to drinking water	51.2	58	80
Employment rate among able-bodied citizens	56	59	65-70
Number of telephones per 100 residents.	3.6	4	5

Source: PRSP.

### C. Preliminary Evidence on Results<sup>18</sup>

#### Government spending on social services

57. Government spending on social services in Tajikistan collapsed after the breakup of the Soviet Union. There has been a bit of a recovery in recent years, but at 7 percent of GDP in 2002, government spending on social services is estimated to be half of that in other CIS countries.<sup>19</sup> Consistent with the objectives of the PRSP, spending on social services is projected to rise over the next three years both as a ratio to GDP and as a share of total government spending (Table 3). In terms of components, spending on education, which has increased slightly as a share of GDP since 1998, is projected to rise further through 2005. Spending on health has declined in recent years but is projected to recover and to exceed the 1998 level by 2005.

<sup>18</sup> At the time of finalization of this report, the first annual progress report on the implementation of the PRSP had not yet been issued. In particular, we had no information for gauging progress against PRSP targets. The section focuses on government spending and domestic institutions.

<sup>19</sup> See Box 2 in International Monetary Fund (2002a).

Table 3. Government Expenditure on Social Services

	1998	1999	2000	2001	2002	Projections		
						2003	2004	2005
(In percent of GDP)								
Total expenditure and net lending 1/	15.8	16.6	15.2	16.2	16.8	17.3	19.2	19.1
Social services	5.9	6.8	6.6	6.8	7.0	7.3	8.6	9.1
Education	2.2	2.2	2.0	2.5	2.6	2.8	3.2	3.5
Health	1.1	1.0	0.9	1.0	0.9	1.1	1.2	1.4
Social security and welfare	2.3	1.9	2.3	1.9	2.0	2.0	2.0	2.1
Other social services	0.2	1.6	1.4	1.5	1.5	1.4	2.1	2.1
(In percent of total expenditure and net lending 1/)								
Social services	37.0	40.8	43.4	42.2	41.5	42.2	44.3	47.6
Education	13.6	13.4	13.1	15.4	15.5	16.2	16.7	18.3
Health	7.2	6.2	5.8	5.9	5.3	6.4	6.3	7.3
Social security and welfare	14.8	11.4	15.3	11.5	11.9	11.6	10.4	11.0
Other social services	1.4	9.8	9.1	9.3	8.7	8.1	10.9	11.0

Source: IMF.

1/ Total expenditures excluding external financed PIP.

### Impact on domestic institutions

58. The authorities indicated to the evaluation mission that they have been implementing measures specified in the PRSP “policy matrix” to the extent that they can, and cited lack of external financing as the major factor hindering implementation.<sup>20</sup> All the ministries we spoke with said that their budgets for 2003 and the proposals under formulation for 2004 were based on the PRSP. However, the evaluation mission formed the view that not much has happened by way of working towards integrating the PRSP, the PIP, the MTBF and the government budget. This is an important task, since currently, the PRSP and the PIP appear to have different priorities. The PRSP has about one-third of the external resources indicated in the action program going to the social sectors, and about one-quarter to energy and transport. By contrast, in the PIP, about half of the resources go to energy and transport while the share going to social sectors falls from about 20 percent in the PIP for 2001-03 to 12 percent in the PIP for 2004-06 (Appendix II, Table A4).

59. The evaluation mission found that one year after completion of the PRSP, the institutional arrangements for monitoring its implementation were only now becoming operational, and that the roles of parliament and CSOs in the monitoring process had not yet been defined. The monitoring unit envisaged in the PRSP was formally established in September 2002, and procedures to guide its operations, including its relations with

<sup>20</sup> Although the PRSP “action program” was not fully costed, a preliminary estimate of total cost for the 3-year program was given as US\$689 million, of which US\$542 million (nearly 80 percent) was to come from external sources.



government organizations that will be providing it with information, were spelt out in a Presidential decree issued in May 2003.<sup>21</sup> The adequacy of monitoring structures received among the lowest ratings in the survey of PRSP stakeholders, with over one quarter of respondents disagreeing that an effective system had been put in place to monitor PRSP results.<sup>22</sup>

60. The unit, with a total staff of four, is rather small for its job description. One of its key tasks, the development of indicators, is underway in cooperation with ministries and other relevant agencies (e.g., Statistics Committee). The unit contributed to a recent UNDP-sponsored government report on “Progress toward the Millennium Development Goals” which was produced by a working group that included representatives of government, UN agencies, and NGOs.

61. The government’s attempt to more effectively coordinate donor assistance has led to a proliferation of units with responsibilities that include liaison with donors. There are two such units located in the Office of the President, one in the Ministry of Economy, and another in the Ministry of Finance. This has resulted in overlapping functions and accountability.

#### **IV. WORLD BANK SUPPORT**

62. This section turns to an assessment of the Bank’s role in supporting the PRSP. Two main dimensions are reviewed: the quality of the Bank’s support to PRSP formulation and alignment of the Bank’s country assistance program with the PRSP priorities. Given the short time period between the Bank’s new CAS in 2003 and the review mission for this evaluation, there is limited information available on implementation of the Bank’s assistance strategy in support of the PRSP. Thus discussion of alignment of Bank financial and non-financial support largely entails comparing the intended program to the PRSP pillars.

##### **A. The Bank Program in Tajikistan**

63. Since 1997, when six years of civil conflict ended, the Tajikistan economy has been rebounding steadily. The conflict claimed 50,000 lives and destroyed much of the country’s infrastructure. Poverty indicators dropped dramatically. Per capita income declined from \$1,050 in 1990 to \$150 a decade later. During this tumultuous period, there have been three CASs, with the last two occurring in the post-civil conflict period: 1998 and 2003. The Bank program grew from an inactive situation during the early 1990s into a full-fledged program by the late-1990s, encompassing policy-based analytical work, sectoral studies, lending, and

---

<sup>21</sup> According to the PRSP, the unit would be responsible for: (i) monitoring progress towards meeting PRSP objectives; (ii) identifying reasons for delays in implementation and proposing measures to overcome problems; and (iii) monitoring the allocation of resources to the projects and actions listed in the PRSP matrix.

<sup>22</sup> See Appendix I, section D.

technical assistance. Soon after the Peace Accord of 1997, the Bank undertook several emergency reconstruction and quick-disbursing loans, which had limited success. The 1998 CAS proposed a series of investment operations to develop capacity in support of sector policy reforms. However, these operations proved overly optimistic, and were plagued by delayed policy reforms and an increasingly difficult project implementation environment marred by corruption, procurement and management problems. In 1999-2000 Tajikistan had the highest proportion of problem projects in the Region, as assessed by the Bank's internal Quality Assurance Group (QAG).<sup>23</sup> Consequently, in 2002 after a Country Portfolio Performance Review, the Bank undertook a major effort to clean up the portfolio through restructurings and cancellations, and the portfolio showed steady improvement. As of November 2003, all projects in the portfolio were rated as not having major problems (see Appendix II, Table A5, List of Ongoing Projects).

64. The Bank work is organized through a hub setting: the Country Director for the Central Asia Republics (ECCU8) is located in neighboring Almaty, Kazakhstan. The Country Manager heads up the Dushanbe office with ten staff members.

### **B. Bank Support for PRSP Formulation**

65. **Bank support at the poverty assessment level.** The Bank's activities over the period 1999-2002 played an important role in supporting the PRSP formulation process. In FY2000, the Bank completed a Poverty Assessment Study, which was the first comprehensive study in the country to analyze issues surrounding poverty in a holistic manner. The Poverty Assessment Report was both an analytic exercise and a training function on how to conduct poverty analyses. Substantial doubt existed at the time as to whether the government could organize itself to tackle poverty in a cross-cutting and comprehensive manner. Bank staff who were supporting the government's processes to formulate and adopt a comprehensive poverty reduction strategy recognized three steps that needed to be taken: (i) the government needed to organize the collection of comprehensive household data; (ii) the government needed to set up a special Monitoring Unit within the Presidential Administration to assess how the relevant line ministries could best tackle poverty issues systematically; and (iii) the government at the highest level needed to reach out to the non-government sector—the private sector, NGOs and individual citizens—who were considered to be important “change agents” in targeting support to the poorest groups of the population.

66. The Poverty Assessment Report served as the main analytic input to the PRSP exercise. It was the primary source of analysis of poverty data for the government and the donor community. The Poverty Assessment had analytical and strategic chapters on education, health, social protection, and agriculture. Coincidentally, the most focused parts of the PRSP are in fact these same three sectors/themes, except for agriculture, which is quite weak in the PRSP. The sectors where the Poverty Assessment did not provide any discussion

---

<sup>23</sup> World Bank (2003), page 15.

at all (private sector development, infrastructure and energy) are the weakest parts of the PRSP.

### **Sectoral issues**

67. The Bank's support to the PRSP process at the sectoral level was quite uneven (Box 4), with some sector units devoting close attention to the PRSP (education, health, and agriculture/rural development), while others found it quite difficult to figure out their entry points, for example in the energy sector where the Bank was not involved prior to 2000. (ADB had taken the lead in the sector up to that point.) Staff have conveyed feedback that it is easier for their colleagues in the social sectors to structure their assistance and dialogue around a PRSP process than it is for staff in the infrastructure, energy, banking, and private sector development sectors, where the links to poverty reduction are less obvious, but are equally important.<sup>24</sup>

#### **Box 4. Conveying the PRSP Comments**

The Bank helped key government officials who were responsible for leading the PRSP process to become familiar with current thinking on poverty issues, by involving them in Bank-led workshops in Moscow and Budapest (arranged by Bank's ECA Region). These workshops proved to be essential to the Steering Committee representatives in leading the PRSP exercise in Tajikistan. The Bank's detailed *PRSP Sourcebook* (in two volumes) was passed on to the government, but feedback given to the evaluation mission suggests that the sheer size of "the Source Book" has made it difficult for the Government to absorb the book.

Bank sector specialists provided comments to the WGs on the various drafts of the PRSP Document. However, when it came to time for the WGs to reflect the comments that they had received from the Bank, they did not know how to deal with some of the comments, and mentioned to the evaluation mission that direct meetings with the sector specialist who had prepared the comments would have been useful. The Bank's local office played a coordinating role in relaying the comments to the government, but the process could have been strengthened if there had been either a special mission organized to discuss the PRSP Document in its last stages, involving the key Bank sectoral staff; or a video-conference held between the WGs and the Bank sectoral staff. At the same time, the WGs did not always seek out Bank views in a timely fashion.

The evaluation mission found some disconnect between what the NGO Poverty Assessment Report (see earlier section) was saying, and the Bank, and the WGs. Some Bank sectoral staff were unaware of the NGO Report. The detailed work in reconciling comments for the final PRSP was often left to consultants, which complicated matters.

68. Experience in Central Asia has shown that the energy sector<sup>25</sup> has direct relevance to the macroeconomic framework and to fiscal issues and trade balance issues, especially in

---

<sup>24</sup> Aggregate figures for the Bank's administrative budget in supporting the PRSP are as follows: US\$230,000 in FY01 and US\$162,000 in FY02. Sectoral composition is not available.

<sup>25</sup> Several working papers issued by the ECA Region of the World Bank, as well as "Transition: A Review of the Reform Process Ten Years after the Fall of the Soviet Union," a study released at the Annual Meetings in Prague in September 2000.

non-oil producing, gas-importing countries like Tajikistan. At a household level, the lack of proper heating systems in this cold climate, including how electricity and natural gas are priced, and whether there exists effective targeting of needy households, are issues that have a large impact on the lives of the poor. Yet beyond broad statements about “the need to adjust household energy pricing and tariffs,” the PRSP as a process (and as a document) was not especially useful in being able to address energy sector considerations. Nevertheless, the sector came to feature prominently in the IMF’s PRGF (see later section).

69. Moreover, the way the government organized the nine working groups did not help in being able to tackle the energy and poverty-related issues in a systematic manner: the sector has a direct impact on the lives of the poor (especially because of heating needs in cold climates), yet it was not featured as one of the working groups. Instead, the sector was folded into the overall discussion of “Infrastructure,” with the result that energy-specific issues got blurred with the discussion on public utilities generally, including that of water and transportation.

70. In assessing sectoral differences, ex-post discussions with representatives of the working groups reveals that the Bank’s work on education, poverty analysis, social protection, health, energy, and agriculture/land reform have been the most appreciated as having relevance to the PRSP. The discussions also revealed that the Bank’s work in private sector development, the financial, water, and transportation sectors have had the least input into the PRSP.<sup>26</sup> Partly this is on account of “conceptual affinities” or lack thereof as mentioned (energy is seen as being directly relevant to poverty impact in Tajikistan), but it is partly explained by the fact that staff are constantly “fire-fighting” on their project preparation and supervision work. As regards other TA work, the second Institution Building (IB2) Credit included a substantial training and TA portion for developing software and a data bank that has since been transferred to the MoF’s data systems. This work has the potential to provide practical input to the targeting of expenditures on poverty-related programs.

---

<sup>26</sup> For example, the Dushanbe Water Supply Project, which was approved in 2002, has not led to a set of norms being adopted for provision of water supply and sanitation services generally. The PRSP matrix of measures mentions that in addition to Dushanbe, “water supply projects will be realized in Khojand and Dangara cities”. The MDGs for Tajikistan envision that the proportion of persons without access to safe drinking water would be cut by half by the year 2015. Currently, 51 percent of the population is connected to a water supply system, while 49 percent receive water from other sources, many not being of safe quality. In order for the un-served proportion to drop to 25 percent, it will require a scale of resources that has not been estimated.

### C. Bank Alignment with the PRSP

71. **Country assistance strategy.** A new CAS was endorsed by the Board in February 2003, and given the short time for implementation of the assistance strategy, discussion of alignment is limited to comparison of intentions in the CAS to programs in the PARPA. In a departure from many CASs, the Tajikistan CAS takes a perspective of 5-6 years and, in that sense, represents a better fit with the long term perspective of the PRSP. The CAS contains four guiding principles that are also pertinent to the PRSP: (i) effective institution-building takes time; (ii) communities have to do more to help themselves; (iii) increased attention has to be paid to infrastructure deficiencies, unfavorable geography, and the difficult regional trade environment; and (iv) the Bank has to set manageable priorities and focus on implementation aspects.

72. Among the lessons mentioned in the 2003 CAS that are drawn from the preceding CAS period, the evaluation mission believes two are particularly important for the Bank's continued support of the PRSP: (i) attracting more experienced Bank staff to work on Tajikistan is an important precondition for success in the country's difficult environment; and (ii) with too few overall resources and an enormous reform agenda, donor coordination must move beyond information sharing to establishing partnerships and supporting joint programs. A central theme in the CAS is that governance and institutional capacity within the country remain as serious constraints to delivering an effective program, including in regard to the PRSP.

73. In order to assess the alignment of the CAS with the PRSP, it is necessary to emphasize the four elements of the poverty reduction strategy as mentioned earlier in Box 1:

- to encourage equitable, labor intensive economic growth, with an emphasis on exports;
- to support efficient and fair provision of basic social services;
- to target support to the poorest group of the population; and
- to improve governance and security.

74. The 2003 CAS contains a matrix of planned activities that is largely organized around the nine working groups used during PRSP formulation. There are several exceptions. Most noteworthy is that Community Driven Development (CDD), which is a prominent component of the CAS matrix, does not appear in the PRSP's nine working groups. Similarly, neither do knowledge activities, which are included in the CAS matrix. At a minor level, the separate listings that appear in the PRSP for education, health care, and social protection were combined in the CAS matrix into one sector: Human Development. Environment is grouped with agriculture, whereas in the PRSP it is grouped with tourism.

75. **Bank support in lending.** The level of IDA's lending will depend on the country's macroeconomic performance, its progress on governance and structural reforms, and the status of the portfolio. Under the current base case scenario, the CAS provides up to US\$80 million consistent with the IDA allocation triggered by macroeconomic performance, in particular external debt management, as well as the continuation of structural reforms. Due to the phasing out of Tajikistan's status as a transition country in a post-conflict situation, this

lending is lower than in the past. Of direct relevance to the overall PRSP support, satisfactory progress regarding macroeconomic stability and structural reforms would allow IDA's lending to move from a base case, which includes a Structural Adjustment Credit, to a high case scenario that would include a Poverty Reduction Support Credit (PRSC in FY05 for US\$20 million). If the country fails to meet the performance triggers in the 2003 CAS, the program would be reduced to the low case scenario (US\$45 million) and projects would be limited to supporting basic social needs (see Appendix II, Tables A6 and A7 for the scenarios and triggers).

76. Other operations have direct relevance to the four PRSP pillars. As regards the first pillar (economic growth and exports), the Bank plans to support financial sector reforms, particularly improvements to the regulatory framework, bank restructuring and capacity building. Investment projects will focus on micro and small enterprises and private family farms as well as providing private banks with the means to channel funds (first pillar). The CAS also includes two investment projects that relate to the first and third pillars: the Community Agriculture and Watershed Management and the Banking and Private Sector Support. A review on Future Directions in Agriculture is proposed to gather information for future reforms in agriculture.

77. The government noted its concern about the projected decline in IDA lending as the country moved from a post-conflict situation to a more stable situation. As regards adjustment lending, the privatization of agricultural land (land reform) is a major topic. A Regional Study on Microfinance as well as a multi-donor conference on Expanding Access to Microfinance in Central Asia were held (both in FY03) with the aim to provide information on development of microfinance in Central Asia and to develop best-practice approaches.

78. As regards the second pillar, the Bank plans to help provide basic social services to the poorest members of the population—through engagement of communities and NGOs. Two proposed projects will help provide basic social services: education support and empowerment and community and basic health, and three projects will be directed at supporting community-level infrastructure: community agriculture and watershed management, Ferghana Valley water, and municipal infrastructure. Ongoing operations are pilot education, primary health care and farm privatization support. Several ESW tasks will provide the basis and information for appropriate actions in this area.

79. As regards the third pillar, the targeting of support to the poorest groups, the non-lending work (see below) appears the most relevant. Poverty and Social Impact Analyses (PSIAs) in energy and land privatization/land reform are also potentially important pieces of the program (see section on Bank-Fund collaboration).

80. The CAS's agenda for the fourth pillar of the PRSP—the *improvement of governance and security*—stretches over the medium and long-term. At the CG meeting in May 2003, the government stated that it was making significant progress regarding governance issues, whereas donors and NGOs felt that a much more concerted effort and focus on this area was

needed. Government officials pointed out that specific sectoral investments such as energy development and infrastructure were essential for growth, while donors felt that the commitment to economic reform and to improving security was still too weak for a large preponderance of these investments.

81. To assist in improving governance, the Bank will focus on public sector management reform, including civil service reform, and try to strengthen the customs and tax departments, and improve the budget process. The ongoing PER, CPAR, and CFAA will provide information for actions to take. The Bank is also working with the AsDB on its Governance and Institutional Review, which will be the analytical base for the adjustment operations under this CAS. The legal basis of the public procurement system will be reformed with the help of a proposed IDF grant on public procurement (FY05). Moreover, all new investment operations will contain capacity building activities and each of the ESW tasks will be used for developing joint products and share knowledge. As noted in earlier sections on public administration reform and the NGO Poverty Assessment Report, all these CAS components and potential Bank actions/activities are aimed at the same basic problem that was flagged in the PRSP formulation stage: weak institutional capacity.

82. **The CDD approach in projects.** A key element in the CAS revolves around the community-driven development (CDD) approach. CDD is a decentralized approach to designing and implementing projects, using local communities in a substantive manner.<sup>27</sup> Board discussion of the Tajikistan CAS highlighted the riskiness of this approach, while agreeing that it had a role to play in the country, and stressed the importance of considering the broader growth agenda and sources of future growth. Risks outlined by Board members included the substantial concentration of authority at the central government level, capacity constraints with regard to coordination between the central government and the communities, and limited prior Bank activity in this area.

83. The government expressed some uncertainty regarding the interface of the CDD focus that is contained in the CAS and the strategy and measures of the PRSP itself. Specifically, government representatives see a need to develop institutional capacity *within the line ministries and public sector agencies*, which they feel should have the primary role in helping to fight poverty. While the government plans to involve local communities and district agencies and councils in this work, they are quite unsure about how best to do this. Officials also echoed the earlier comments by Board members at the CAS discussion in

---

<sup>27</sup> The CDD approach has been classified into four categories: those that help the enabling environment (policy and institutional reforms oriented toward increased control of decisions and resources by communities); those that embody community control and management of investment funds; those that embody community control without giving them management of investment funds; and those that use local governments, usually where there are elected local governments that make decisions on planning and implementation. See Kumar (2003), page 5.

welcoming attention by the Bank to physical infrastructure issues, which they say has a strong potential to affect growth, and thereby reduce poverty. Examples given were the Bank's work in assisting the government with the energy and land reform PSIAs, and power generation including what to do about the unfinished and deteriorating hydropower projects in the country.

84. Discussions with NGOs and field visits outside Dushanbe confirmed to the evaluation mission that there are significant challenges and risks to the CDD approach. In the mission's view, three points arise: (i) factoring in capacity constraints at the local level, as well as at the center (national capital and Oblast capitals); (ii) constraints in scaling up quickly to assist in achieving the PRSP's time-bound targets; and (iii) meshing with the CDD projects or programs of other donors in the country.

- Institutional capacity constraints exist at the local level, as they do at the center. There are few decentralized municipal structures operating in the country. Neither are community groups well formed. Those that exist will need guidance on setting norms and standards, be it a water service delivery project or building a school.<sup>28</sup> Designing CDD projects that combine support for capacity building at the local and central levels with implementation of subprojects at the community level may result in very complex CDD operations which could be a challenge to implement.
- The timely scaling up of CDD activities will be critical to maximizing poverty reduction impact. Three dimensions appear relevant to achieving this in Tajikistan. First, adequate capacity to facilitate the CDD process at the community level, through NGOs, and de-concentrated public agents is important. Second, communities are not homogeneous and there will be need to tailor interventions in each community to its particular needs. Third, clear policies in support of local resource allocations and decisions need to be in place.
- Since other donors are also using CDD approaches in the country, the Bank will need to harmonize its work with that of the other donors. The Bank's close coordination with NGOs, local governments, and other donor assistance will be especially crucial in this area, as acknowledged by Bank staff.

### **Bank support in non-lending/analytical work**

85. The Bank is increasing its program of analytical work in Tajikistan, which has important potential to assist PRSP implementation. Five exercises are worth noting:

---

<sup>28</sup> Sentiment expressed by the group of NGO representatives and community groups, with whom the evaluation mission met in Khojand and Dushanbe.



- **The medium-term Public Expenditure Review (PER).** The PER is analyzing the budget expenditure-setting process to see if it is sufficiently geared to supporting the PRSP objectives. Lack of prioritization is the key problem—the PRSP represents more of a shopping list than a strategy, and since some of the investment projects are of questionable priority, the PER mission has an important function to play in regard to helping the government in properly prioritizing its investment program. The Public Investment Program (PIP) document that was distributed at the CG meeting does not give any basis for expenditure prioritization, as it merely lists projects that were either underway or planned at the time, but no key measurement or estimated rates of return indicators are shown.<sup>29</sup>
- A clear link of the ESW program to the PRSP is represented by the ongoing **Living Standards and Measurement Survey and Poverty Update**. This update involves surveying households, using an expanded survey form (570 questions) to capture more disaggregated data than was obtained in the 1999 LSMS.
- A **Social Sector Expenditure Review** was completed in October 2002. Its results are feeding into the PER.
- An **Education Sector Review** was also completed in October 2002 and its results were fed directly into the CAS in the base case lending (see planned Education program).
- To bring about sustained economic growth in Tajikistan, the role of the private sector is paramount. The Bank is conducting a **Business Environment and Investment Climate Review** that focuses on reducing the institutional and regulatory constraints that impede business development. This work will feed into the PER work, and the restructuring of public assets would be supported by policy-based lending.

86. In addition to analytical work, the Bank's ongoing projects also help to address poverty concerns. Both can contribute to solving common issues such as the lack of counterpart funds, and how priority expenditures can be protected in the budget.<sup>30</sup> Much of

---

<sup>29</sup> The share of energy and transport projects in the PIP is much higher than in the PRSP. The latter allocates 34 percent of external resources (or nearly 40 percent of total resources) to the social sectors compared to 12 percent in the PIP for 2004-2006 (or 22 percent in the 2001-03 PIP). For energy and transportation together, the PRSP has 27 percent while the new PIP has about 50 percent.

<sup>30</sup> The IMF team noted that Bank project staff should flag to them those cases where priority expenditure needs are not being funded in the budget utilization figures, and since the IMF reviews these quarterly, the IMF would be willing to take the matter up with the appropriate MoF officials. This was recently done in relation to the education sector expenditures.

the Bank's program revolves around capacity-building and rehabilitation issues, which are pressing in the country, given the country's recent emergence from civil conflict. Rehabilitation and new investments need to go hand in hand. Sectoral staff need to be up-to-date on emerging poverty trends and assess what this implies about the tradeoff between new investments and improving the maintenance of current assets, and about solving institutional problems that might emerge in their project-specific interventions.

87. **Capacity building in PRSP implementation.** In 2003 the Bank approved a grant for Provision of Implementation Support and Development of Monitoring Indicators for the PRSP. The grant is channeling technical assistance to the PRSP unit in the Presidential administration, which has been set up to coordinate the implementation of the PRSP. The ECA PREM Unit and the consultants to be hired under the grant would assist the government in designing the main indicators that it requires to strengthen its implementation of the PRSP. Funding for the grant comes from the Bank's Global Trust Fund for PRSP work.

88. The selection of Tajikistan by the World Bank Institute as a focus country for its capacity building programs should allow training and global distance learning opportunities to be delivered to key officials, and to have these activities geared around supporting the PRSP objectives. Moreover, regional learning opportunities and seminars at the Bank's Kazakhstan hub office, and at other ongoing PRSP exercises such as in the Kyrgyz Republic, could play a valuable role.<sup>31</sup>

#### **D. Other Issues**

89. The evaluation mission's assessment of the Bank support role indicates five issues that merit attention: (1) creating closer partnerships with other donors on PRSP issues; (2) monitoring the implementation of the PRSP; (3) sequencing the Bank's work on PSIA's; (4) designating a focal point on PRSP work in the Bank's program; and (5) increasing the interactions with the hub setting.

##### **1. Creating closer partnerships with other IFIs and donors**

90. The evaluation mission assessed whether the PRSP has so far facilitated ownership. The view is that ownership was quite evident in 2001 and 2002, but that it has petered out in 2003. As a result, a significant revamping is needed. The Bank can play an important role in this revamping by taking certain actions jointly with other donors and liaising closely with the Aid Coordination departments in the government.

91. At the CG meeting in May 2003 in Dushanbe, the Bank exercised a direct role in keeping the PRSP on the radar screen. The meeting included discussions of policy issues and capacity aspects in project implementation. In November 2003, a follow-up to the CG meeting was held, again in Dushanbe. Closer coordination of the various sectoral programs is

---

<sup>31</sup> For example, a workshop was held in Bishkek in December 2003 on the Kyrgyzstan PRSP.

helping to avoid overlap among donors so as to render effective support to the ongoing PRSP implementation phase. The idea is to build in interaction between the main event CGs and the smaller follow-up meetings so that implementation issues can be addressed in a more systematic way. There have also been meetings among donors and the government on more specific matters such as community development.

92. The Bank liaises with the government's Aid Coordination department, but as noted there are four of these units or departments in the government (MoF, MoE, Presidential administration unit and the PRSP unit itself), so responsibility is fragmented. There is opportunity for increased interaction with UNDP in the context of planned and ongoing work that would provide a closer relationship within the UN family on PRSP matters. This includes both the ongoing preparation of the Tajikistan CCA/UNDAF and the UN country team's planned MDGs costing exercise.

## **2. Monitoring the implementation of the PRSP and Bank effectiveness**

93. The Bank has been assisting on PRSP implementation aspects through the new implementation grant and through the regular project work and ESW studies, such as the PER. Work is underway on helping the government to strengthen its institutional capacity to implement the PRSP program and to develop the necessary monitoring indicators. During this implementation phase it will be important for the Bank to continue this focus on results, including the monitoring of effectiveness of Bank assistance to the process (e.g., via the CDD approach).

## **3. Carrying out PSIAs**

94. Government officials noted to the evaluation mission that the PSIAs on energy and land reform had not been carried out, yet conditionalities on tariffs (in natural gas) had been agreed without the benefit of having the PSIA on Energy completed. After intensive discussions, the Bank has now commenced work on the energy PSIA, funded out of ESMAP (a global fund for energy work managed by the Bank). Work is underway on the PSIA for land reform. Both pieces are important to the implementation of the PRSP.

## **4. Designating a focal point on PRSP work in the Bank's program**

95. When interviewing government officials, donors and NGOs, it became clear to the evaluation mission that in the minds of these officials there was no designated focal point/person to contact in the Bank's work on PRSP matters. Responsibility and accountability was seen as being quite diffuse. Officials noted that it is quite a different situation to projects and ESW studies, where task team leadership is clearly designated and they know whom to contact, but the same does not exist in relation to the PRSP. The management may wish to

clarify its PRSP arrangements vis-à-vis headquarters and the local office. Moreover, the local office is short of a specially appointed or designated person on PRSP issues.<sup>32</sup>

## **5. Interacting in the context of a hub setting**

96. Because the management leadership on Tajikistan is exercised through a hub setting in Almaty, it is important that the triangular communication pattern (Dushanbe/Almaty/Washington) be frequent (see section on IMF-World Bank Collaboration). However, because of budget pressures, staff are often carrying out their Tajikistan work on the way to, or way back from, another mission, and their visits tend to be add-ons to an already overloaded mission to several countries, without timely de-briefings being made to the Country Director.<sup>33</sup> This issue is not specific to Tajikistan, but has emerged in hub settings elsewhere.

## **V. IMF SUPPORT**

97. What has been the IMF's role in the PRSP process in Tajikistan? To what extent is the IMF delivering on the "key features" (Box 5) that are supposed to distinguish the PRSP/PRGF approach from that of programs supported under the Enhanced Structural Adjustment Facility (ESAF)? Has the IMF's internal policy formulation process adapted to the PRSP/PRGF approach? These are the main questions addressed in this chapter. In order to provide some background and context, we begin with an overview of Tajikistan's ESAF/PRGF-supported programs of 1998-2001 and of preparations toward a successor PRGF arrangement. A more extensive chronology of Tajikistan-IMF relations is presented in Appendix II, Table A9.

### **A. Overview of the 1998-2001 ESAF/PRGF Arrangement**

98. The IMF approved a three-year ESAF arrangement for Tajikistan in June 1998, following on the heels of two post-conflict arrangements extended to the country after the formal end to the civil war in 1997. A combination of weak policy implementation and the impact of exogenous shocks contributed to poor performance against program targets in the first year of the ESAF.

99. For the second year program (approved in July 1999), the timing of program reviews was changed from a semi-annual to a quarterly schedule in an effort to strengthen program monitoring. The greater frequency of reviews was also seen as providing the program with more flexibility—in terms of opportunities to update or revise program targets and projections—to take into account Tajikistan's vulnerability to external shocks. Closer monitoring did not yield an improvement in program implementation; the next program

---

<sup>32</sup> The Bank has recruited PRSP specialists in several of the PRSP country cases and attached them to the Bank's local offices (e.g. Albania and Cambodia).

<sup>33</sup> The mission overload problem was felt by all sector units.

review was delayed by four months, the third and fourth reviews were not completed, and the authorities had to establish a track record of good performance before IMF staff would present a request for the third annual arrangement to the Executive Board.

#### **Box 5. Key Features of the PRGF**

The following are the key features that are supposed to distinguish programs supported under the PRGF from those supported under the predecessor facility, the ESAF:

- (i) broad participation and greater country ownership;
- (ii) embedding the program in an overall strategy for growth and poverty reduction;
- (iii) government budgets that are more pro-poor and pro-growth;
- (iv) appropriate flexibility in fiscal targets;
- (v) more selective structural conditionality;
- (vi) emphasis on measures to improve public resource management and accountability; and
- (vii) social impact analysis of major macroeconomic adjustment and structural reforms.

---

Source: International Monetary Fund (2000).

100. The third annual arrangement (approved in October 2000), maintained the quarterly program review regime, but it too went off-track soon after the completion of the second review and expired in December 2001 without completion of the third and fourth reviews. It would be another twelve months—including a six-month staff monitored program period—before a new arrangement would be approved.

101. As part of the preparation towards a new PRGF arrangement, IMF staff produced a Country Strategy Paper (CSP) in late-2001 which reviewed experience under Tajikistan's about-to-expire arrangement, with a view to drawing lessons for improving the design of the program to be supported under a successor arrangement and enhancing the prospects for better implementation (Box 6).<sup>34</sup>

---

<sup>34</sup> Tajikistan's relations with the IMF have been plagued by numerous incidents of misreporting—mostly related to the accumulation of arrears on external debt—and the country has had to refund some of the disbursements it received from the IMF on account of this. IMF staff and the authorities have indicated that these incidents mainly reflect capacity weaknesses in the management of external debt, and that measures have been undertaken to strengthen capacity in this area (including through a Swiss-funded technical assistance program).

### **Box 6. Experience under the 1998-2001 IMF Arrangement: What Lessons did the Staff Draw?**

Key lessons drawn by IMF staff in a country strategy paper on Tajikistan that they prepared in late 2001 included the following:

- Inexperience, weak institutions, insufficient ownership, and weak governance contributed to a poor record of compliance with program targets and benchmarks.
- The complexity of the structural reform agenda under the IMF-supported programs also contributed to the difficulties in meeting program schedules. The case for streamlined conditionality is particularly strong in Tajikistan.
- Despite the weak performance under programs, IMF engagement with the authorities contributed to the achievement of macroeconomic stability by helping counter pressures for less favorable policies and by providing a coherent macroeconomic framework, an agenda for structural reform, and a wide range of technical assistance.
- Extensive quasi-fiscal activities (especially in the energy sector) pose a threat to the maintenance of macroeconomic stability and growth.
- The effectiveness of monetary policy was frequently compromised by pressure on the central bank to issue directed credits.
- Debt restructuring will be needed if poverty-reduction expenditures are to increase significantly.

In order to strengthen country ownership, the staff proposed that:

- The authorities pursue an aggressive land reform program and address governance issues in order to increase significantly the number of beneficiaries from the economic reform process; and
- IMF staff increase their outreach activities.

## **B. Inputs to the PRSP Process**

102. Tajikistan embraced the PRSP approach at a time when it was negotiating the third year program under the ESAF/PRGF arrangement.<sup>35</sup> In this section, we focus on the support provided by IMF staff to the PRSP process as well as the extent of the staff's influence over the macroeconomic framework of the I-PRSP and the PRSP. We also explore the scope for further support to the process, especially with respect to promoting broader discourse on macroeconomic policy issues in the country—a pre-requisite for broadening participation in program formulation (key feature (i)). In the last sub-section we consider the extent to which IMF technical assistance has been supportive of the PRSP process.

### **Role in the formulation of the I-PRSP and the PRSP**

103. IMF staff, especially the Resident Representative, provided substantial support to the authorities in the preparation of the I-PRSP—including commenting on successive drafts and helping edit the final version. This close involvement stemmed from the fact that, at the time, the I-PRSP was seen to be playing the role that used to be played by the Policy Framework Paper (PFP) in the documentation required to accompany a request for an ESAF

---

<sup>35</sup> The IMF transformed the ESAF into the PRGF in November 1999, a few months after approval of Tajikistan's second annual ESAF arrangement.

arrangement.<sup>36</sup> The I-PRSP explicitly acknowledged that its medium-term macroeconomic framework had been drafted “in consultation with the IMF.” In fact, it was identical to that of the third annual program under the ESAF/PRGF (Appendix II, Table A10).

104. IMF staff were more removed from the PRSP preparation process. In particular, they did not participate in the government-led consultative process; staff saw this as essentially a domestic stakeholders’ affair. Thus, for example, there was no opportunity to engage a broad range of stakeholders on the key messages emerging from the staff’s own internal assessment of experience under the previous Tajikistan program (Box 6). However, the staff did discuss their findings with the authorities in an effort to ensure that the staff’s thinking about the central elements of a successor PRGF-supported program were consistent with policies and priorities in the evolving PRSP.

105. Like the I-PRSP, the PRSP acknowledged the influence of the IMF on its macroeconomic framework; for example, it indicated that monetary policy would be guided by the monetary targets in the PRGF-supported program (then under negotiation). The macroeconomic framework in that program turned out to be very similar to, but not exactly the same as that in the PRSP. The differences mainly reflected updates to 2002 projections to take account of developments in the months between completion of the PRSP and finalization of the request for the new arrangement.

### **Debate on macroeconomic policy issues**

106. The inclusion of “macroeconomic management” as one of the nine SWGs ensured that there was some discussion of macroeconomic issues in the PRSP consultation process. Beyond the government-led process, an NGO Poverty Assessment Report (reflecting the proceedings at several forums held across the country) provided input to the PRSP organized around the same nine “sectors” used for the SWGs.<sup>37</sup> A flavor of the proceedings in the macroeconomic management sessions is provided in Box 7. Broadly speaking, issues of governance, corruption, high tax burdens, and lack of transparency in the government budget process featured prominently in the discussion.

---

<sup>36</sup> The PFP was a requirements for submitting a request for an ESAF arrangement (including annual arrangements). It set out program objectives and the strategy for meeting them and also contained a comprehensive policy matrix that listed measures to be undertaken in all key sectors/areas and the timing envisaged for their implementation. The PFP was supposed to be produced jointly by the authorities and the staffs of the IMF and the World Bank, but tended to be drafted by IMF and World Bank staffs and discussed with the authorities.

<sup>37</sup> Counterpart Consortium Tajikistan (2001).

### **Box 7. Macroeconomic and Related Issues in “NGO Poverty Assessment Report”**

#### ***Corruption***

- Corruption and unjust bureaucratic practices of customs and tax administration agencies greatly hinder private entrepreneurial operations (and adversely affect growth). There is a need to strengthen national laws against corruption.

#### ***Transparency***

- Public opinion and input is either not sought or ignored in the formulation of public expenditure policies and budgets. Moreover, the public is not informed on budget allocations made for vital sectors such as social welfare/protection, education, and health.
- In order to improve the transparency of the budget process, a draft budget should be published for public discussion. Also, facilitate the economic education of the public through workshops, seminars, educational TV programs, etc.

#### ***Anti-inflation policy***

- Increase production, especially in agriculture, by encouraging domestic and foreign investment, including through the provision of tax incentives.
- Provide a network of government shops
- State monitoring of prices of basic consumer goods.
- Strict fiscal, financial and credit policy and oversight of banking activities

#### ***Preserving the value of the national currency***

- Regulate and strengthen monitoring of operations of exchange offices.
- Strengthen confidence in the banking system through effective oversight of banking institutions.
- Execute laws about circulation of single national currency.
- Educate the population on patriotism, trust, and confidence towards national currency
- Simplify procedures on export and import operations

#### ***Tax policy***

- Give tax privileges for first three years of operation to newly established enterprises.
- Exempt domestic producers from VAT for the first year of their work.
- Reduce VAT and income tax rates. Have a single income tax rate.

Source: Counterpart Consortium Tajikistan (2001).

107. Several of the policy recommendations indicate a state-interventionist rather than market-based approach to economic management (e.g., some elements of the anti-inflation policy package) but others emphasize the importance of strengthened institutions and greater transparency as essential elements of a sound macroeconomic framework. In any event, the issues raised in the forums demonstrate the potentially useful role IMF staff can play in raising broader awareness of macroeconomic issues, and in promoting broader participation in policy discussions.

108. In Tajikistan, IMF staff have on occasion participated in public discussions of economic policy issues at seminars and through articles in the press, but overall, there has been relatively little engagement of the staff in economic policy discussions outside government and donor circles. Given the limited IMF presence in the field and capacity weaknesses in the government, it makes sense for the Resident Representative to devote the bulk of his/her attention to providing policy advice to the government and to helping strengthen capacity in public institutions that are most important for the implementation of the IMF-supported program. However, to the extent that outreach is an important feature of



the PRSP/PRGF approach, there is scope for staff to broaden the range of national stakeholders with whom they have regular contact.

### **Technical assistance**

109. The IMF has been providing technical assistance in support of capacity building efforts in Tajikistan for many years, including through the posting of resident advisers in the country. In recent years, the areas covered by this assistance have included: bank restructuring, tax policy and administration, external debt management, monetary operations, macroeconomic statistics, and economic legislation (Appendix II, Table A11). Much of the technical assistance has been closely coordinated with program activities; for example, providing key elements of structural conditionality and/or aimed at meeting capacity gaps revealed by poor implementation of program commitments.

110. The links between IMF lending and technical assistance activities were also highlighted in the IMF staff's CSP which, consistent with the strategy and priorities it proposed under a prospective new PRGF arrangement, focused on the following areas for technical assistance:

- resident fiscal advisers in the areas of tax administration and treasury operations;
- resident adviser on external debt management;
- missions to assist the NBT, especially in the areas of monetary operations and banking supervision;
- missions to strengthen capacity to compile economic statistics (especially national accounts).

111. We found the IMF's technical assistance to be broadly consistent with priorities and objectives set out in the PRSP. Specific objectives and measures stipulated in the PRSP which are receiving IMF technical assistance include:

- improving tax collection by expanding the tax base and strengthening tax administration;
- improving the functioning of financial markets (including by tightening regulations governing the operations commercial banks); and
- establishment of a detailed inventory of all external debt of the government and state enterprises.

### C. Program Formulation Process

#### Participation and country ownership

112. Participation in the formulation of Tajikistan's IMF-supported programs has been limited to a relatively small circle of government and central bank officials. Successive country reports on Tajikistan by IMF staff have alluded to the shallowness of ownership of "reforms" and by implication, of the PRGF-supported program.<sup>38</sup> Typically, the discussions revolve around a draft "memorandum of economic and financial policies" (MEFP) prepared by IMF staff. In discussions with the evaluation team, IMF staff justified this IMF-led approach in terms of weak capacity in government for macroeconomic policy formulation and analysis. Although we recognize the capacity problem, in our view, the current approach is clearly not conducive to encouraging government ownership and runs the risk of perpetuating dependence on IMF staff for these functions. We recommend that the staff and the authorities establish a time table for turning over to the authorities increasing responsibility for the preparation of the first draft of the MEFP. If necessary, IMF technical assistance in the macro-fiscal area could be provided to help meet this goal.

113. The evaluation mission formed the view that the PRGF-supported program is playing a crucial role in maintaining a measure of discipline in Tajikistan's public finances. However, we also formed the strong impression that the authorities have gone along with important aspects of the PRGF-supported program that they do not fully agree with, mainly because they perceive that to do otherwise would reduce development assistance to the country. For example, we were struck by the extent and harshness of criticisms we heard from senior government officials on the program's limit on external borrowing for financing the public investment program (PIP). Most of these officials acknowledged debt sustainability concerns of IMF staff but argued that the limit—3 percent of GDP—was constraining the authorities' ability to contract concessional loans from multilateral development banks to undertake growth-promoting and poverty-alleviating public investment. They lamented that there was a high probability that some of the increased pledges the country received at the 2003 CG would fall victim to what they saw as an arbitrary limit. We return to the issue of external financing of the PIP in section D below. For now, we note that, to their credit, staff have endeavored to convey the differences they have with the authorities on this issue in their reports to the Executive Board.<sup>39</sup>

---

<sup>38</sup> For example, the staff report for the PRGF-supported program approved in December 2002 noted that the main risks to the program "stem from a combination of weak implementation capacity and the still comparatively narrow ownership."

<sup>39</sup> For example, a recent staff report—International Monetary Fund (2002)—contained the following passage:

(continued)

114. In a review of how staff have endeavored to ensure “ownership” in the context of a generally weak track record of implementation, we noted two main approaches: seeking commitment from senior political leadership (usually the Head of State) to implement measures, and a liberal use of “prior actions” as conditions for completing reviews or approving new arrangements—often, the “prior actions” involved measures previously committed to by the authorities but which had not yet been implemented. Adoption of the PRSP does not yet seem to have resulted in any fundamental change in approach. In our view, the effectiveness of these approaches can be enhanced by more involvement of implementing agencies at the program formulation stage. This is especially important for structural reforms in areas where IMF involvement partly reflects the absence, or limited presence, of other IFIs on macro-critical issues. The energy sector in Tajikistan is a case in point.<sup>40</sup>

### **Internal policy review process**

115. In order to assess the extent to which internal IMF processes have adapted to the PRSP and PRGF approach, we undertook a systematic review of a set of internal briefing papers and review department comments thereon. An illustrative example for Tajikistan comparing internal policy formulation based on the briefing paper process for the request for the second-year ESAF arrangement (April 1999)—when the staff were contemplating the switch to quarterly program reviews—and that for conducting discussions on a new PRGF arrangement (April and June 2002) is summarized in Appendix IV.<sup>41</sup> The specific questions

---

“The authorities favor higher levels of spending on the foreign-financed PIP. Earlier versions of the PRSP targeted foreign financing of US\$50-60 million annually. In particular, the authorities were concerned that reducing the PIP would compromise efforts to reduce poverty. Nonetheless, (they) acknowledged that the country’s absorptive capacity remains limited, the debt burden poses a constraint and ensuring adequate budget resources for operation and maintenance costs could be problematic. Further, they recognize the need to better prioritize their public sector investments. While reaching understandings on a 3 percent ceiling for the PIP during the program period, they hoped to revisit this issue in the light of improved administrative and revenue performance. The staff would be willing to reconsider this in the context of future PRSP progress reports.”

<sup>40</sup> Officials of the Ministry of Energy told the evaluation mission that they had not had any direct interactions with IMF staff on the energy sector policy issues covered by PRGF conditionality. IMF staff responded that the Ministry of Energy staff partake in general policy discussions, but that specific gas sector policy issues are discussed with Tajikgas, which has direct responsibility for the gas sector.

<sup>41</sup> Prior to every negotiating mission, the area department responsible for the country in question prepares an internal document (“briefing paper”) which is commented upon by other relevant departments in the IMF and eventually approved by management. The assessment of this process was made against a series of specific criteria derived from the objectives and key

(continued)

we posed in this exercise include some that are drawn from a “review checklist” contained in internal guidelines issued to IMF staff in October 2000 on how the internal review process would monitor implementation of the “key features” in the design of programs.

116. On the content of the briefs, the main questions we focused on were: (i) Is there room for considering alternative policy options for achieving major objectives? (ii) Are alternative macroeconomic frameworks and tradeoffs between them considered? (iii) Is there a discussion of how the program will protect key objectives in the event of unanticipated shocks? (iv) Does the brief allow for flexibility to use additional concessional external financing, if available? (v) Does the brief identify policy issues where poverty and social impact assessment (PSIA) inputs would be necessary or useful?

117. We found some progress in the extent to which briefs allowed room for alternative options for meeting program objectives, especially with respect to banking sector reform and the restructuring of external debt, but not with respect to fiscal consolidation. For example, on debt restructuring, the staff proposed restructuring through the Paris Club but indicated that they would go along with the bilateral-agreements route if that was the authorities’ preference (which it turned out to be).

118. With respect to alternative macroeconomic frameworks, we found virtually no discussion of this topic although one of the briefs for the 2002 PRGF did contain elements that could have been developed for such an analysis (e.g., fiscal and external debt sustainability issues were highlighted and potential trade-offs between several competing expenditure objectives were noted). We also found little discussion of how programs would protect key objectives in the event of unanticipated negative shocks. The ESAF brief was prepared at a time when Tajikistan was enduring the effects of external shocks (spill over effects from the 1998 Russian financial crisis and adverse terms of trade developments), and the brief proposed a tightening of fiscal and monetary policies in response to those shocks.

119. On PSIA inputs, the PRGF briefs included protection of low-income households from higher energy costs among the issues to be discussed with the authorities, but did not suggest that increases in energy tariffs wait for the outcome of a PSIA on the subject. We found it striking that internal review comments on all three briefs (including the one under the ESAF) raised the issue of ex ante assessments of possible adverse social consequences of measures under the program but that these did not lead to the production of PSIAs.

120. The main questions we sought to address in going through the comments of review departments were: (i) Is the need for more “policy space” for homegrown options recognized

---

features of the PRSP and PRGF. For each criteria, the processes were ranked according to a four-scale range (Highly inconsistent, Inconsistent, Consistent, Highly Consistent). A detailed description of the assessment criteria will be provided as an annex to the main IEO evaluation report.

or do review department comments push briefs in the direction of being overly prescriptive? (ii) Are poverty issues discussed or their absence highlighted? (iii) Are there pressures for more or less conditionality, and why? We found that the issue of giving the country more policy space was not raised in any of the briefs we examined, nor did any ask how program ownership might be strengthened (although the issue was discussed in the Country Strategy paper referred to earlier). Comments on all the briefs did a reasonably good job of highlighting social policy and poverty concerns. Comments on the PRGF briefs included references to recently issued guidelines on streamlining conditionality; this led to the dropping of conditionality on public enterprise restructuring and addition of some related to tax administration and fiscal transparency (areas that are clearly in the IMF's domain).

121. Overall, we found evidence that the internal policy formulation and review process has adapted to the PRSP/PRGF approach in some areas—such as allowing room for alternative options for meeting some program objectives and in paying attention to guidelines on streamlining structural conditionality. However in other areas, notably related to fiscal flexibility and to PSIA's, there was little evidence of movement towards a markedly “different way of doing business” suggested by the PRSP/PRGF approach.

#### **D. Policies and Performance vis-à-vis Program Projections**

122. Having already examined the “key feature” most closely linked to the process of program formulation (i.e., broad participation and greater country ownership), we now turn the spotlight on the program content “key features.” We start with the evolution of program objectives and strategies in order to gauge what is happening with respect to embedding programs in an overall strategy for growth and poverty reduction. We next consider the three key features related to the government budget and then proceed to consider briefly, structural conditionality and social impact assessments.

##### **Objectives and strategies**

123. Sustained growth and low inflation have been key objectives in all of Tajikistan's IMF-supported programs. The PRSP and the PRGF also emphasize macroeconomic stabilization as a key part of the strategy to reduce poverty and promote growth. However, growth is projected to fall from highs of 8-10 percent a year during 2000-02 to the 4-6 percent per annum range during 2003-05 (Appendix II, Table A10). In discussing IMF staff inputs to the PRSP process, we noted that the macroeconomic frameworks in the PRSP and the PRGF were similar. Although there are a few differences in emphasis—for example, in the prominence of public investment in discussion of objectives and strategies—we conclude that, on balance, the thrust of the strategy for growth and poverty reduction contained in the PRSP and in the PRGF are broadly similar. Nevertheless, the lack of prioritization in the PRSP's sectoral programs leaves open the question of the extent to which the priorities in the PRGF truly represents the priorities of the authorities.

## **Fiscal policies**

124. Three of the PRGF “key features” revolve around the government budget: pro-poor and pro-growth orientation of government budgets, fiscal flexibility, and attention to issues of public resource management and accountability. As discussed earlier, there has been a modest increase in government spending on social services in recent years and this trend is projected to continue under the current PRGF-supported program (Table 3). The program also provided for some compensation to low-income households to mitigate the impact of tariff increases in the energy sector, and has recently introduced a “floor” on government spending as part of conditionality under the program.

125. With respect to pro-growth orientation, the PRGF emphasizes governance measures—especially to stop public officials’ interference in the affairs of private enterprises—more than fiscal policy measures (e.g., tax policy, public investment, etc). Under earlier programs, the tax code was simplified, tax rates were lowered, and a liberal trade regime was instituted.

126. The key feature “appropriate fiscal flexibility” is intended to allow room for programs to be more accommodating of increased public spending (linked to poverty reduction goals) that can be financed in a non-inflationary way. This usually means allowing increased spending when appropriately concessional external financing is available. Under the PRGF, total net external financing is projected to increase from nearly 3 percent of GDP in 2002 to over 6 percent of GDP in 2004, while external borrowing to finance the PIP is projected to rise slightly in 2003 and to remain stable thereafter at 3 percent of GDP (Table 4).

127. It is noteworthy that concessional loans dominate grants as a source of financing for the budget, and that the program has no limit on the extent to which grants can be used to finance government spending. Although the program’s formal conditionality does not cover concessional borrowing, as indicated in earlier sections, there is an understanding that external borrowing to finance the PIP will be limited to no more than 3 percent of GDP.<sup>42</sup> IMF staff have justified this limit on grounds of debt and fiscal sustainability, and absorptive capacity constraints. In discussions with the evaluation team, staff also stressed that the limit was a mechanism for encouraging the authorities to prioritize their public investment program.

---

<sup>42</sup> The formal quantitative targets—performance criteria and indicative targets—on fiscal variables under the PRGF are limited to the budget deficit (defined to exclude externally financed PIP), and government revenue.

	2000	2001	2002	2003	2004	2005
Revenue and grants	13.6	15.2	16.7	17.9	18.7	19.1
of which: grants 2/		0.0	0.2	0.8	0.8	
Expenditures excluding PIP 3/	15.2	16.3	16.8	17.3	19.2	19.1
of which: interest payments due	1.3	1.5	1.9	2.0	1.7	1.5
Net arrears/rescheduling of interest	1.0	1.0	0.0	0.0	0.0	0.0
Fiscal balance excluding PIP 3/	-0.6	-0.1	-0.1	0.6	-0.5	0.0
PIP 3/	4.0	2.1	2.4	3.0	3.0	3.0
Fiscal balance including PIP 3/	-4.6	-2.2	-2.5	-2.4	-3.5	-3.0
Financing	4.6	2.2	2.5	2.4	3.5	3.0
Net external borrowing	6.5	3.0	2.6	3.1	5.5	2.3
Net domestic financing	-1.9	-0.8	-0.1	-0.8	-2.0	0.3
Financing gap	0.0	0.0	0.0	0.0	0.0	0.3
Memorandum items:						
Net external financing 4/	6.5	3.0	2.8	3.5	6.3	2.6
Source: IMF staff reports.						
1/ Extracted from the International Monetary Fund (2002a) and International Monetary Fund (2003).						
2/ Data for 2005 was not presented in the staff reports.						
3/ The PIP is the Public Investment Program, which is almost entirely externally-financed.						
4/ The sum of grants and net external borrowing. For 2005, includes the financing gap.						

128. While recognizing the importance of the staff's concern about sustainability, we believe the perception of arbitrariness associated with the 3 percent limit on external borrowing for the PIP undermines country ownership of the program. This perception problem can be addressed by going beyond general precepts and simple rules of thumb to reliance on more quantitative analytical work. In particular, discussions of the medium-term macroeconomic framework need to be more firmly grounded in growth analysis. There also needs to be more explicit consideration of quantified costs and benefits of alternative policies e.g., implicit costs and benefits of quasi-fiscal activities of state-owned energy enterprises vs. costs and benefits of eliminating these activities in conjunction with an explicit and more targeted program of assistance to the poor. We understand that, at the request of the authorities, the World Bank's ongoing public expenditure review (PER) work will include an analysis of the "appropriateness" of the level of the PIP implied by the current limit on external borrowing. IMF staff indicated to the evaluation team that they looked forward to receiving the World Bank's analysis.

129. What has actually happened to fiscal indicators over the period of interest? Figure 6 indicates that during 1998-1999, the actual fiscal deficit (including grants and externally financed PIP) broadly followed the path projected in the initial ESAF but that thereafter

(2000-01), the actual deficit substantially exceeded the projected path in the third year program under the ESAF.<sup>43</sup> Revenues and grants evolved broadly as projected (Figure 7) and the increase in the deficit reflected higher than envisaged external borrowing (especially in 2000). Looking ahead, the PRSP and the PRGF project a slight decline in the deficit, reflecting flat expenditures (Figure 8) and a slight improvement in revenue and grants.

130. Issues of public resource management and accountability have been a constant feature of Tajikistan's IMF-supported programs, and continue under the current PRGF. For example, ensuring the effective operation of a recently established State Audit Agency and support to improve the functioning of the treasury system are key objectives in the current program.

### **Structural conditionality**

131. In presenting the authorities' request for a third annual ESAF/PRGF arrangement to the Executive Board, staff noted that many elements of structural reforms that were critical to the success of the government's poverty reduction strategy lay outside the core competencies of the IMF, and that forthcoming operations by the World Bank and the AsDB were expected to address many of these. However, the staff argued that "until these [World Bank and AsDB] programs are in place, the Fund-supported program is the only vehicle for supporting such reforms." The accompanying memorandum of economic policies included a policy matrix that distinguished between "core" and "supportive" structural policy measures.<sup>44</sup>

---

<sup>43</sup> Because of the frequency of program interruptions followed by periods of establishment of a track record of performance, we do not ascribe these developments to the program. We merely examine the historical record and compare it to projections at particular points in the ESAF-supported program. ESAF P1 and ESAF P3 refer respectively to the first and third annual programs under the ESAF. PRGF P1 refers to the initial PRGF arrangement approved in December 2002.

<sup>44</sup> The "core" measures were to be subject to IMF conditionality. The "supportive" measures were deemed to be important for growth and for poverty reduction but would not be subject to IMF conditionality; they were expected to be covered by conditionality in forthcoming World Bank and AsDB operations. The "core" areas were: (i) tax policy; (ii) tax administration; (iii) governance reform; (iv) financial sector reform; (v) exchange and trade policies; (vi) legal reform; (vii) land reform; and (viii) privatization. The "supportive" areas covered: (a) social spending; (b) agriculture; (c) private sector development; and (d) energy.



Figure 6 Tajikistan: Fiscal Deficit Including Grants  
(Percent of GDP)

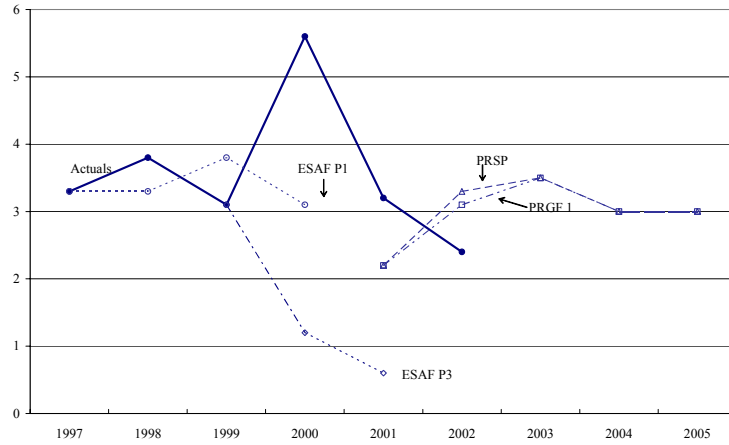


Figure 7. Tajikistan: Revenue & Grants  
(Percent of GDP)

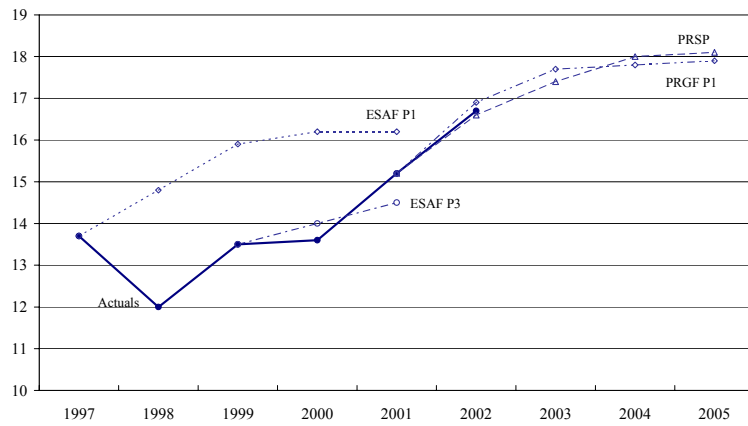
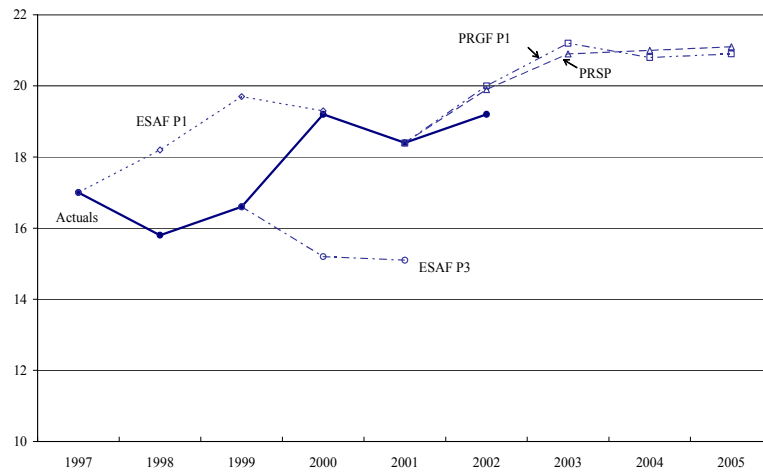


Figure 8. Tajikistan: Expenditure & Net Lending (% of GDP)



132. One of the main conclusions of the CSP was that, in retrospect, given the country's weak institutional capacity, the programs under the ESAF/PRGF had contained too much structural conditionality. This finding, together with the IMF-wide initiative on streamlining structural conditionality, influenced the design of the program supported under the new PRGF arrangement. In particular, conditionality related to privatization was dropped completely; it was expected to be covered under World Bank operations. If streamlining is intended to be a response to "weak institutional capacity," it surely must mean a reduction in the burden of aggregate conditionality, not a mere shuffling of responsibilities between the IFIs.<sup>45</sup>

133. What has happened to structural conditionality in reality? We found that the total number of structural conditions (i.e., prior actions, performance criteria, benchmarks) has fallen. However, the span of conditionality has not changed, although its composition has (Appendix II, Table A12).<sup>46</sup> In particular, public enterprise restructuring/privatization, which used to account for 30-40 percent of the conditionality in the early annual programs under the ESAF, has been dropped completely under the PRGF. In terms of types of structural conditionality, there is still a heavy dose of prior actions—36 percent of total conditions in the PRGF compared to 42 percent in the original ESAF. This partly reflects continuing problems with meeting program targets. The evidence also suggests proportionately more performance criteria than benchmarks in the PRGF compared to the ESAF. In this sense, the reliance on "strong" conditionality (prior actions and performance criteria) rather than more indicative benchmarks does not seem to have been affected by the PRSP process.

134. Streamlining has not meant complete disengagement of the IMF from sector issues, nor was it meant to lead to such a result. For example, the CSP pointed to growing quasi-fiscal deficits in the energy sector as a major (macro relevant) concern for the PRGF.<sup>47</sup> Ideally, energy sector measures in the PRGF should be in the context of a broader restructuring program for the sector. Since IMF staff do not have the expertise in restructuring the sector, some other organization (e.g., World Bank, AsDB) should take the lead. In this case, however, AsDB was involved in the electricity sub-sector and the World Bank had only a modest presence in the whole sector. Consequently, IMF staff decided to focus on the gas sub-sector and the PRGF contained conditionality requiring increases in

---

<sup>45</sup> For a discussion of the early record on streamlining structural conditionality under PRGF-supported programs and related issues of aggregate IMF-World Bank conditionality, see Killick (2002) and EURODAD (2003).

<sup>46</sup> Employing a simple count of conditions as a measure of the extent of structural conditionality is clearly an imperfect measure, given the heterogeneity of structural measures.

<sup>47</sup> See chapter on "Quasi-fiscal Activities in the Energy Sector" in International Monetary Fund (2002).

tariffs and collection rates. In effect, the extent of streamlining was affected by the degree of activity by other IFIs in the sector concerned.

135. In discussions with the evaluation mission, the authorities said they saw room for further streamlining of structural conditionality in their IMF-supported program; in particular, they thought the AsDB and the World Bank should take the lead in sectoral policy reforms and associated social safety nets. The staffs have explained to the evaluation team that the IMF team has relied on World Bank staff in the formulation of the conditionalities on tariff increases and related reforms in the gas sub-sector. We return to this issue under IMF-World Bank collaboration below.

### **Social impact analysis**

136. There has not yet been a PSIA on any aspect of Tajikistan's IMF-supported program, although the programs recognized that measures aimed at eliminating quasi-fiscal deficits in the energy sector would have severe adverse effects on the well-being of a large part of the population. IMF staff looked to the authorities to come up with mechanisms for mitigating the adverse impact of tariff increases on the poor. Some government officials interviewed by the evaluation mission expressed concern about the pace at which the tariff increases were implemented without preparation of an adequately considered safety net.

137. PSIAs can play a useful role in Tajikistan: in addition to helping define compensatory and complementary measures, they can inform decisions on the timing and sequencing of reforms (e.g., associated with removing quasi-fiscal deficits in the energy sector), as well as inform public debate on policy options and tradeoffs.<sup>48</sup>

## **VI. IMF-WORLD BANK COLLABORATION**

### **A. Role of the Joint Staff Assessment**

138. The main purpose of the JSA is to indicate to the Boards of the IMF and the World Bank whether and why a PRSP provides a suitable basis for the provision of concessional assistance by these institutions. In particular, the assessment is expected to highlight the strengths and weaknesses of the poverty reduction strategy and to provide constructive feedback to countries about how they might improve the strategy over time. Guidelines to staff identify four main elements of PRSPs on which the JSAs are to focus: description of the participatory process; poverty diagnosis; monitoring systems (including targets and other indicators); and priority public actions. The JSA is also intended to provide a useful common reference that national stakeholders and international development partners can draw on in making their own assessments of a country's poverty reduction efforts.

---

<sup>48</sup> On the potential role PSIAs can play in PRGF-supported programs and assessments of the early experience, see Inchauste (2002) and Robb (2003).

139. World Bank and IMF staffs assessed the preparation process of the PRSP to have been broad and participatory in nature. This is consistent with the findings of the evaluation mission but we also found that some participants in the process, especially NGOs, were critical of the depth of the participation and skeptical about the authorities' commitment to extend the process to the post-formulation stage. We also found the NGO Poverty Assessment Report prepared by Counterpart Consortium Tajikistan as input to the PRSP process to be quite insightful, with a lot of specific recommendations. The JSA did not comment on this report at all. Given that the JSA was issued to the Bank and Fund Boards some four months into implementation of the PRSP, this lacuna in NGO involvement could have been picked up by the JSA. Instead the JSA gives the impression that things were continuing to proceed well as regards NGO involvement.

140. We broadly concur with the JSA's assessment of the strengths of the PRSP, especially with respect to the multi-sectoral approach to reducing poverty. Although the early sections of the JSA mischaracterize the "initial steps for monitoring the implementation of the PRSP" as one of the strengths, the later discussion of "targets, indicators, and monitoring" makes clear the weaknesses and provides some general suggestions about how the system might be improved.

141. The JSA is candid in its assessment of the lack of prioritization in the PRSP. We found that the most focused parts of the PRSP—education, health, and social protection—broadly coincided with the areas where the World Bank's poverty assessment contained analytical chapters (except agriculture). The sectors where the poverty assessment did not provide any discussion at all (private sector development, infrastructure and energy) are the weakest parts of the PRSP. The JSA could have been more candid in acknowledging the dearth of sector analysis required for proper prioritization of expenditures. Only in the education and health sectors and to some extent in the agriculture sector and irrigation, did there exist sufficient sector analyses. There was a lack of sector work in energy, water supply/public utilities, transportation, private sector development, and privatization. Sporadic work was done in the context of project activities and for components under the SAC I. But these pieces of work did not provide a basis for the authorities to use in setting clear priorities in expenditure programs. Moreover, social protection analysis was not sufficiently developed to allow the authorities to conduct improved targeting.

142. We found the issues highlighted by the JSA as requiring attention in the first progress report—e.g., program costing, prioritization, resource availability, and the development of intermediate targets and indicators—to be appropriate. However, how effectively these issues can be tackled depends to a large extent on how quickly capacity weaknesses can be addressed in key areas (e.g., those related to budget formulation, implementation and monitoring).

## **B. Collaboration in Country Operations**

143. Staffs contacted by the evaluation team characterized collaboration between the two institutions as having been generally good, but variable across different areas (and over

time). Prior to the PRSP process, the staffs collaborated closely in early 1998 in the context of a medium-term economic program to be supported by the IMF under the ESAF (approved in June) and by the World Bank under a SAC (approved in August). Tajikistan was a pilot case for an “enhanced Bank-Fund collaboration” project that was initiated in late 1998. Key areas of focus agreed on by the staffs in consultation with the authorities were: (1) enterprise and financial sector reform; (2) medium-term public investment program; and (3) social safety nets. During 1999 through early 2000, manifestations of close collaboration included.<sup>49</sup>

- Coordination of work programs, including IMF staff participation in a Bank country team retreat
- Coordination of the timing of missions to ensure effective tripartite discussions; e.g., ESAF/PRGF review missions and SAC supervision missions overlapped or were held in parallel.
- Coordination of privatization targets under the ESAF and SAC to “reinforce implementation and ensure continued monitoring.” For example, under the ESAF second annual program, a number of privatization conditions of the SAC that had not been met were incorporated into the IMF-supported program as prior actions, structural performance criteria, and benchmarks.
- The staffs worked with the central bank on restructuring two banks identified to be of systemic significance and on restructuring strategies for other bank.
- A PIP was developed with technical assistance from the World Bank.
- Participation in a round table conference held in Dushanbe in March 1999 fostered a consensus on social safety net issues and highlighted the importance of a forthcoming poverty survey for assessments of the adverse social consequences of the authorities adjustment program being supported by the World Bank and the IMF.

144. With the advent of the PRSP process, the staffs have worked closely on PRSP-related issues and have also tried—not always successfully—to coordinate their work programs. Areas in which collaboration has been very effective include support to the government in ensuring that the priority status of the education sector in the PRSP is translated into appropriate budget allocations (based on World Bank analytical work). Collaboration has also been good on issues related to the agriculture sector and land reform, though the IMF has now pulled back from these areas. Collaboration on energy sector issues appears to have improved over time, but could be closer.

---

<sup>49</sup> This section is based on accounts in staff reports presented to the IMF’s Executive Board.

145. Areas in which collaboration has either not been effective or has been slow in producing results include PSIA's and expenditure policy issues. Regarding current issues that have an important bearing on poverty, IMF staff indicated that they looked forward to receiving the report on the Public Expenditure Review (PER) being undertaken by the World Bank staff. They had hoped to draw on it in their work during FY03 (the IMF depends on the sectoral analysis for a disaggregated view of the fiscal outlook). Also, the PSIA for energy was delayed, which meant that it will be undertaken after a number of important policy measures have been implemented, rather than before. The World Bank had hoped to launch these pieces of work in 2002 or the first half 2003, but that did not happen because of lack of budget funds and constraints in staff schedules with other work. In the case of the energy PSIA, the problem was lack of sufficient grant funding to undertake the work, which has now been solved through a grant being extended by the ESMAP Unit (the Bank's Global Energy and Environment Technical Assistance Facility).

### **C. Collaboration with Other International Partners**

146. The staffs of the IMF and the World Bank maintain contacts with staff of other international financial institutions, especially the AsDB which is a major source of concessional loans to Tajikistan. An economist from the AsDB routinely participates in IMF missions as an observer; both sides indicated to the evaluation team that this arrangement has proved to be mutually beneficial in keeping the respective country teams informed of each other's ongoing and prospective operations in the country. During the evaluation mission, we identified three areas in which we concluded that closer collaboration would enhance the effectiveness of assistance being provided to Tajikistan by the three institutions. The first is support for the development of a well functioning medium-term expenditure framework that integrates the PIP into the budget process. What is required is closer coordination of the various strands of the assistance that each institution is already providing to the budget process and/or the PIP. The second area is energy sector reforms. Here, AsDB has taken the lead in assisting the authorities but its operations and conditionalities have not addressed the issue of quasi-fiscal activities, which IMF and World Bank staffs have highlighted as significant problems. Finally, the area of PSIA's is another where the three institutions can collaborate in a manner that complements each other's operations.

147. The UNDP has been an important partner of the government and the IFIs in the PRSP process in Tajikistan. In discussions with the evaluation mission, representatives of the UN system welcomed recent increased contacts with the IMF and the World Bank and called for more participation of the two Bretton Woods Institutions (BWIs) in UN country team deliberations. They suggested that ongoing work on a Tajikistan CCA/UNDAF,<sup>50</sup> and an

---

<sup>50</sup> The Common Country Assessment (CCA) is supposed to provide an analytical backdrop to the UN Development Assistance Framework (UNDAF); the latter document lays out common goals and how the programs of the various UN agencies contribute towards meeting those common goals.

MDGs costing exercise that was about to begin, provided opportunities for collaboration between the UN system and the BWIs. They stressed that the PRSP and the MDGs were the basic reference documents being used for preparing the CCA.

## VII. MAIN CONCLUSIONS AND LESSONS

### General

148. The PRSP was prepared through a well-organized government-led process that involved the participation of line ministries, scholars, and representatives of civil society organizations (CSOs). The PRSP process opened up the policy making process to some extent, but we found little familiarity with the final version of the PRSP outside government circles, even among those who participated in the consultation process. Also, the role of non-government sectors in implementation and monitoring are not well defined.

149. The PRSP recognized the multi-dimensional nature of poverty and proposed to tackle it comprehensively through a cross-cutting inter-sectoral approach. However, there are a number of areas where greater coverage and more detailed discussion could have given the PRSP more cohesion—for example, constraints to private sector development and links between the formal and informal sectors.

150. The PRSP is insufficiently result-oriented, as the vast majority of indicators specified in it relate to processes and policy measures rather than to outcomes. Furthermore, public actions are not well prioritized and there is a disconnect between the PRSP and the government's PIP, with neither being well integrated into the government budget.

151. The Institutional arrangements for monitoring the implementation of the PRSP revolve around a PRSP Implementation Unit that become operational in the first half of 2003. The Unit, in conjunction with other agencies, is in the process of developing a more focused set of indicators, including for measuring intermediate outcomes.

152. The authorities view the PRSP mainly as an instrument for attracting development assistance to the country. The PRSP has provided a point of reference for donor interactions with the government, but it has not provided a basis for reconciling what appears to be a substantial difference between government preferences (top priority to infrastructure development) and what donors are willing to finance (spending on social sectors and on safety nets). There is some evidence of donors aligning their programs to PRSP objectives but with no clear links to the PRSP policy matrix. Coordination among donors is weak.

### Findings and lessons for the Bank

153. The findings of the evaluation mission regarding the Bank's support to the PRSP process in Tajikistan include:

*PRSP formulation.* There is awareness and appreciation of the Bank's role in support of PRSP formulation both within government and outside. Bank staff (including local office and

sectoral staff) provided useful comments on the draft PRSP document, they assisted the working groups in mounting the workshops and consultations with civil society, and they helped to familiarize key officials about best practices in tackling poverty, through the holding of a series of workshops in Moscow and Budapest.

Upfront analytical work in the form of the Poverty Assessment Report (FY2000) was key, providing the main analytic input to the PRSP exercise and the primary source of analysis of poverty data for the government and the donor community. The update of the Household Living Standards that is underway in the State Statistics Agency represents an important opportunity for the Bank to provide specific advice to the officials and data analysis so as to ensure that the Poverty Line benchmarks are brought up to date, and comprehensively.

*Alignment of Bank assistance to PRSP priorities.* In a departure from many CASs, the Tajikistan 2003 CAS formulated after the PRSP takes a medium term perspective of 5-6 years and, in that sense, represents a better fit with the long-term perspective of the PRSP. The guiding principles of the CAS are inline with the PRSP pillars, and this alignment is further reflected in the lending program areas of focus. The government noted its concern about the projected decline in IDA lending as the country moved from a post-conflict situation to a more stable situation.

A key element in the CAS revolves around the community-driven development (CDD) approach. CDD is a decentralized approach to designing and implementing projects, using local communities in a substantive manner. This is a high risk approach, as acknowledged by staff and discussed by Board members at the CAS presentation. Successful implementation of the approach in Tajikistan will require managing capacity constraints, close monitoring to ensure timely scaling up, and close coordination with NGOs, local government, and other donor assistance. In addition, government expressed some uncertainty regarding the interface of the CDD focus and the strategy and measures of the PRSP itself. Both Board members and government have stressed the importance of considering the broader growth agenda and sources of future growth.

The Bank is increasing its program of analytical work in Tajikistan, which has important potential to assisting on PRSP implementation aspects. All major non-lending products are associated with key focus areas of the PRSP, including the Business Environment and Investment Climate Review, PER, Living Standards and Measurement Survey and Poverty Update, Social Sector Expenditure Review, and Education Sector Review.

*Other issues.* Other priority areas for attention to ensure effective support of the PRSP process include: (i) creating closer partnerships with other donors on PRSP issues; (ii) monitoring the implementation of the PRSP and Bank effectiveness; (iii) sequencing the Bank's work on PSIAs; (i) designating a focal point on PRSP work in the Bank's program; and (ii) increasing the interactions with the hub setting.



## Findings and lessons for the IMF

154. The main findings and lessons for the IMF include:

*Internal review process.* We found evidence that the internal policy review process has adapted to the PRSP/PRGF approach in some areas such as allowing room for alternative options for meeting some program objectives and in paying attention to guidelines on streamlining structural conditionality. However in other areas, notably related to fiscal flexibility and to PSIAs, there was little evidence of movement towards the goals of the PRSP/PRGF approach.

*Broad participation and greater country ownership.* Participation in the formulation of Tajikistan's IMF-supported programs is limited to a relatively small circle of government and central bank officials and IMF staff. In order to foster ownership and contribute to building capacity for undertaking macroeconomic policy formulation and analysis, we recommend that the staff and the authorities establish a time table for turning over to the authorities increasing responsibility for the preparation of the first draft of the MEFP. We also recommend that participation in the formulation of the structural reform components of programs be broadened to include implementing agencies; this is especially important in areas where IMF involvement partly reflects the absence, or limited presence of other IFIs (especially the World Bank).

*Embedding the program in an overall strategy for growth and poverty reduction.* We found the PRGF's macroeconomic framework to be broadly consistent with the PRSP. However, the PRSP is not sufficiently prioritized to provide a basis for priority public actions under the PRGF. In this context, the staff's Country Strategy Paper provided useful lessons and suggested areas of focus for the PRGF.

*External financing and fiscal flexibility.* The PRGF-supported program is playing a critical role in maintaining a measure of fiscal discipline in Tajikistan. However, substantial differences of views between the authorities and the staff on aspects of external financing, is undermining ownership of the program. In particular, the limit of three percent of GDP set for external borrowing to finance the authorities' public investment program needs to be better justified, preferably in the context of a medium-term framework that is firmly grounded in growth analysis.

*Streamlining of structural conditionality.* The total number of structural conditions have fallen under the PRGF compared to the ESAF but the span of conditionality under IMF-supported programs has not changed, although its composition has. In particular public enterprise reform which featured prominently under the ESAF is completely absent from the PRGF; responsibility for reforms in this area are now left to the World Bank. Although the staff's CSP argued for streamlining partly on account of capacity constraints, in practice, staff have interpreted streamlining in terms of clearer division of labor between the IMF and the World Bank. The aggregate burden of IMF and World Bank structural conditionality does not seem to have decreased.

*Social impact assessments.* There has not yet been a PSIA on any aspect of Tajikistan's IMF-supported program, although the programs recognized that measures aimed at eliminating quasi-fiscal deficits in the energy sector would have severe adverse effects on the well-being of a large part of the population. This is an area in which there is great scope for more effective IMF-World Bank collaboration.

*Outreach and contribution to broadening participation in macroeconomic discourse.* We found very little awareness of IMF activities outside government and donor circles. Among officials who deal with the IMF, there was appreciation of the fiscal discipline role of Tajikistan's IMF-supported programs but several senior officials suggested that program targets were constraining growth-promoting public investments. The consultative process around the PRSP process, including the forums organized for the NGO Poverty Assessment Report demonstrated that there is scope to broaden participation in macroeconomic policy discourse in the country, and that the IMF can contribute to this process.

### Tajikistan: Summary Results of a Survey of Stakeholders

1. As part of the OED and IEO evaluations of the PRSP Process and the PRGF, a survey of PRSP stakeholders was administered in each of the ten countries where a case study was undertaken. The objective of the survey was to obtain perceptions of the PRSP process and the role of the World Bank and IMF in supporting the initiative.
2. A standard survey of 39 questions was administered in each country. The full questionnaire can be found on both of the evaluation websites [www.worldbank.org/oed/prsp](http://www.worldbank.org/oed/prsp) and <http://www.imf.org/external/np/ieo/2002/prsp/index.htm>. The survey consists of four main components: information on respondents; the PRSP process (covering ownership, results orientation, comprehensiveness, partnership-orientation and long term perspective); World Bank performance; and the role of the IMF. In most cases, respondents were asked to indicate the extent of their agreement with statements on a five point scale.<sup>51</sup> The survey was translated, into local languages, where necessary, and pre-tested. A local consultant with survey experience was engaged in each country to assist with administration of the survey. Survey results were coded by the local consultant and sent back to Washington and an outside contractor, Fusion Analytics, was hired to analyze the data.
3. The survey was targeted at key groups within the three main categories of PRSP stakeholders: Government, Civil Society, and International Partners.<sup>52</sup> Within each group, the survey sought to obtain an *institutional view* and was targeted at the most knowledgeable individuals. Respondents were asked to define the nature of their involvement in the PRSP process, and their level of familiarity with the PRSP document, the Bank, and the IMF. Given the targeted nature of the survey, respondents who were “Not Aware” of the PRSP process were excluded from the results. The specific samples were selected using three main inputs: information gained through the country case study mission; participants listed in the PRSP document; and input from the local consultant. In some cases, samples were circulated to obtain broader input on their composition. The study teams also identified a set of highly relevant respondents in each country for whom a survey response was required. These included core ministries and agencies (finance, economy, central bank...), key PRSP-related ministries (health, education, agriculture...), and major donors. Survey questionnaires were tracked in order to ensure responses were obtained from key groups, however, individual respondents could choose to remain anonymous.

---

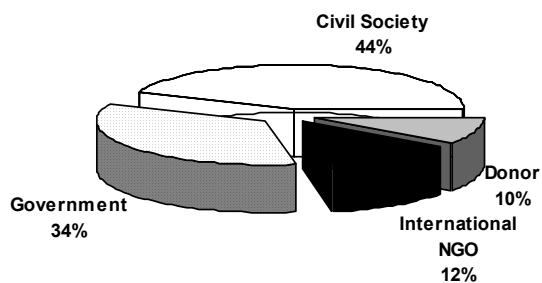
<sup>51</sup> The five point scales used in most questions offered a range from 1: Completely Disagree to 5: Completely Agree. Respondents could also mark 0 for Don't Know or Unsure.

<sup>52</sup> Fourteen stakeholder groups were identified: Government—central government, line ministries and sector agencies, local government, parliament—civil society—local NGOs, business sector, labor unions, academia, media, religious organization, political party, other—international partner—donor, international NGO. Results at the stakeholder group level will be presented in the aggregate analysis across all countries.

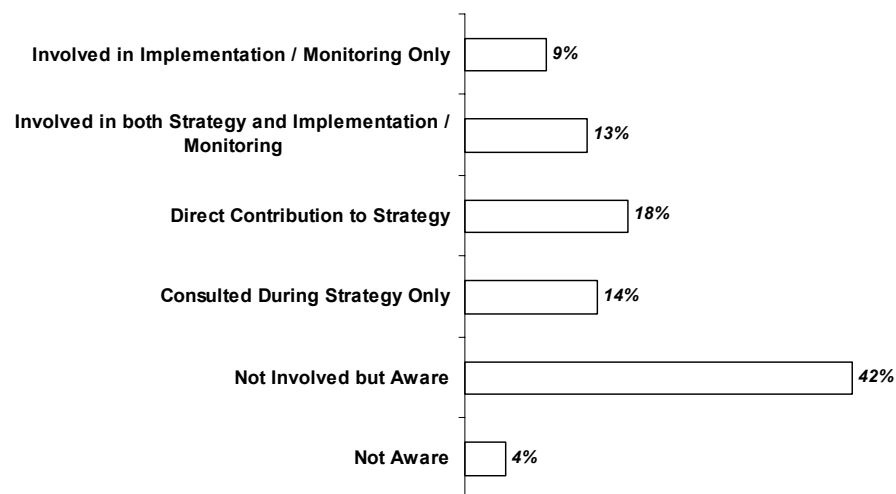
4. The following section presents findings from the survey applied in Tajikistan. Section A provides an overview of the survey respondents, including the nature of involvement and familiarity with the process. Section B provides an aggregated snapshot of stakeholder perceptions of the PRSP Process across each of five main sub-categories. Section C provides the mean results for all questions concerning the role and effectiveness of Bank and Fund support. Section D presents results for questions with the most positive and negative responses and questions where there was the greatest consensus or disagreement on issues.

## A. Respondent Information

### 1. Composition of respondents (n = 91)



### 2. Nature of involvement (%)



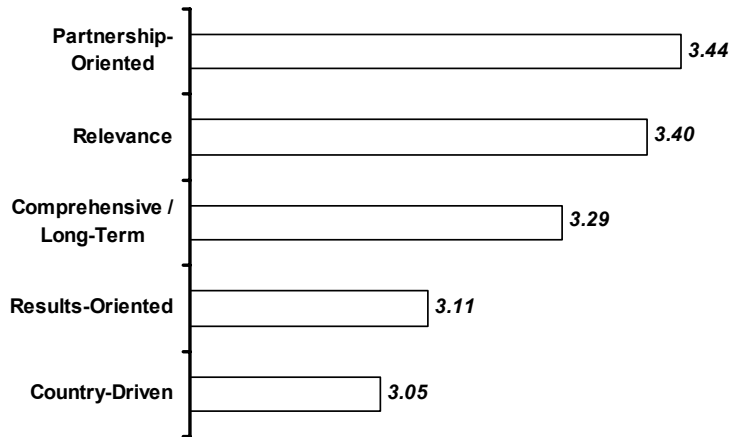
### 3. Level of Familiarity

PRSP document 56%

Bank 68%

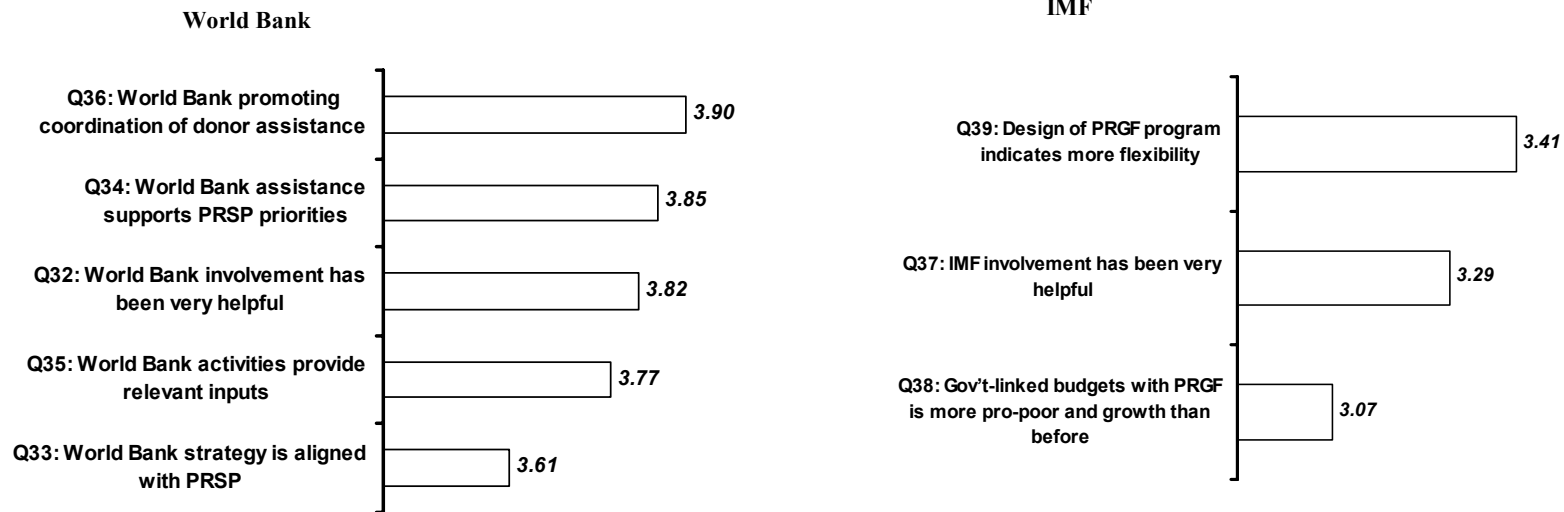
IMF 48%

## B. The PRSP Process



[Based on a five point scale, where 1: Completely Disagree to 5: Completely Agree. Respondents could also mark 0 for Don't Know or Unsure.]

## C. Bank and IMF



Based on a five point scale, where 1: Completely Disagree to 5: Completely Agree. Respondents could also mark 0 for Don't Know or Unsure.

## D. COMPOSITE RESULTS TABLE

Question	% Agree	% Disagree	Mean	Mean	% Unknown
<b>Most positive responses</b>					
Q26 - Partnership-oriented: Donors aligning assistance	54.9%				
Q16 - Results-oriented: Outcomes benefit poor	50.5%				
Q25 - Partnership-oriented: Donors supported formulation	50.5%				
Q8 - Relevance: PRSP is a good model	49.5%				
Q10 - Relevance: PRSP improves on past modalities	49.5%				
<b>Most negative responses</b>					
Q13 - Country-driven: Your stakeholders were consulted		33.0%			
Q15 - Country-driven: Gov't continues to engage stakeholders		31.9%			
Q11 - Relevance: PRSP benefits outweigh costs		28.6%			
Q14 - Country-driven: Final document was modified to accommodate viewpoints		28.6%			
Q18 - Results-oriented: Structure to monitor results		26.4%			
<b>Most polarized responses</b>					
Q30 - Partnership-oriented: Quality of Bank/Fund collaboration			3.34		
Q29 - Partnership-oriented: Coordination b/t World Bank and IMF improved			3.31		
Q27 - Partnership-oriented: Donor coordination improved			3.70		
Q22 - Comprehensive: Macroeconomic framework participatory			3.37		
Q21 - Comprehensive: Alternatives fully explored			3.27		
<b>Areas of greatest consensus</b>					
Q8 - Relevance: PRSP is a good model				3.58	
Q12 - Country-driven: PRSP driven by national stakeholders				3.35	
Q16 - Results-oriented: Outcomes benefit poor				3.56	
Q18 - Results-oriented: Structure to monitor results				2.75	
Q17 - Results-oriented: Realistic targets and plans				3.22	
<b>Most unfamiliar areas</b>					
Q30 - Partnership-oriented: Quality of Bank/Fund collaboration					54.9%
Q29 - Partnership-oriented: Coordination b/t World Bank and IMF improved					53.8%
Q21 - Comprehensive: Alternatives fully explored					35.2%
Q19 - Results-oriented: Results feed back					34.1%
Q22 - Comprehensive: Macroeconomic framework participatory					31.9%

Note: polarized and consensus question means are sorted by standard deviation. The standard deviation measures the dispersion of responses to a question. If the standard deviation is high then there is a low level of agreement among the sample (polarization). If the standard deviation is low then there is a high level of agreement among the sample (consensus).

## Selected Tables

Table A1. Poverty Indicators in Tajikistan

Measure	Percent of Population Classified as Poor
Minimum consumption basket 1998 (TR32,083)	95.7
\$2.15 PPP a day (poverty line = TR14,111)	65.4
\$1.075 PPP a day (poverty line = TR7,557)	16.9
State Statistical Agency (poverty line = TR20,000)	82.6
State Statistical Agency (poverty line = TR10,000)	32.8

Source: World Bank (2000).



Table A2. Tajikistan: Selected Economic Indicators

	1996	1997	1998	1999	2000	2001	2002
	(In percent per year)						
Real GDP growth	-4.4	1.7	5.3	3.7	8.3	10.2	9.1
CPI inflation (end of period)	40.5	163.6	2.7	30.1	60.6	12.5	14.5
	( In percent of GDP)						
<b>General government finances</b>							
Revenue and grant	13.2	13.7	12.0	13.5	13.6	15.2	16.7
Expenditures 1/ <i>of which:</i> interest payments	19.0	17.0	15.8	16.6	14.2	15.3	16.8
Fiscal balance	1.2	1.2	0.7	0.6	0.4	0.6	1.5
Financing	-5.8	-3.3	-3.8	-3.1	-0.6	-0.1	-0.1
External financing	5.8	3.3	3.8	3.1	0.6	0.1	0.1
Domestic financing	3.3	1.1	1.5	3.0	2.6	0.8	0.2
Privatization proceeds	2.3	1.6	1.8	-0.7	-2.9	-1.0	-1.0
External current account balance	0.2	0.6	0.5	0.8	1.0	0.3	0.9
External debt	-7.3	-5.2	-8.3	-3.4	-6.5	-7.1	-2.8
	84	108	90	118	128	98	82
	(In millions of US\$, unless otherwise indicated)						
External debt	867	1106	1179	1233	1226	1017	976
Exports	770	746	586	666	788	652	699
<i>of which:</i> Aluminum	263	252	234	284	424	398	399
Cotton	157	167	112	93	92	71	128
Imports	786	806	725	693	834	773	823
<i>of which:</i> Alumina	111	107	110	130	199	185	
Gross international reserves	14	30	65	58	87	96	96
Gross international reserves (in Months of imports) 2/	0.3	0.6	1.5	1.7	2.1	1.9	1.8
External debt service due (percent of exports)	31.1	10.5	8.5	5.4	17.5	25.6	23.5
External debt service due (percent of government revenue)							
Terms of trade (percent change)	-16	9	-7	-6	-4	-9	
<b>Memorandum item</b>							
Externally financed PIP (percent of GDP)					4.0	2.1	2.4

Source: IMF staff reports.

1/ Excluding externally financed PIP

2/ Imports of goods & services, excluding alumina and electricity which are traded on a barter basis.

Table A3. Chronology of Key Events Related to the PRSP Process

Date	Events	Results/Comments
March 2000	Presidential decree establishes the Presidential Working Group (PWG) for initial work on formulating a PRSP.	
June 2000	World Bank issues Poverty Assessment Report.	Report establishes poverty line benchmarks and provides analytical underpinning for understanding of dimension of poverty in the country.
October 2000	The PWG prepares an Interim PRSP.	Arrangements set in place for expanding the effort to a full PRSP. Nine working groups established (organized by economic sectors).
January-February 2001	NGO Poverty Assessment project organizes 20 forums across the country	Produced the NGO Poverty Assessment Report.
February 2001	Parallel World Bank and IMF missions review authorities progress in preparation of PRSP.	
March to June 2001	Steering Committee and the nine working groups organize 56 seminars and roundtable conferences to discuss Sector Notes.	Discussions involve about 2,000 participants from all parts of society.
May 2001	Consultative Group Meeting in Tokyo gives high marks to PRSP participatory process.	
July 2001 to June 2002	<ol style="list-style-type: none"> <li>1. Work in drafting the PRSP continues and intensifies.</li> <li>2. PRSP finalized by the working groups and approved by the Steering Committee.</li> <li>3. Parliament approves the PRSP on June 19, 2002.</li> </ol>	
September 2002	Government creates PRSP Monitoring Department under Presidential administration	Department meant to have key role in design of PRSP monitoring indicators, in collaboration with line ministries.
November 2002	Bank-Fund staff prepare Joint Staff Assessment (JSA)	JSA notes lack of prioritization in the PRSP, and lack of a MTEF.
May 2003	Consultative Group meeting held in Dushanbe	World Bank launches PER mission.

Sources: Government of Tajikistan (2002), and IMF and IDA (2002).

Table A4. Tajikistan: Resource Allocation in the PRSP and the Public Investment Program (PIP) 1/

Sector	PRSP		PIP	PIP
	Total	External 2/	2001-03	2004-06
	(In millions of US dollars)			
Education	62.9	43.3	11.5	22.0
Health	36.4	27.6	3.7	5.5
Social protection and social services	166.4	114.4		
Social security and labor			20.1	13.3
Privatization, labor, private sector development	17.0	14.9		
Private sector development			0.0	11.5
Agriculture	145.9	127.1	17.7	37.5
Irrigation and rural water supply			16.0	37.9
Water supply (and sewage)	44.3	40.1	5.4	23.9
Energy	79.3	61.5	41.1	108.4
Transport	104.0	83.0	38.7	54.6
Telecommunications/communications	24.2	23.0	5.1	14.7
Environment and tourism	3.5	3.4	0.0	1.3
Public administration	4.0	3.7		
Economic management			0.0	7.4
<b>Total</b>	<b>687.9</b>	<b>542.1</b>	<b>159.3</b>	<b>337.8</b>
	(Sectoral distribution, in percent)			
Education	9.1	8.0	7.2	6.5
Health	5.3	5.1	2.3	1.6
Social protection and social services	24.2	21.1		
Social security and labor			12.6	3.9
Privatization, labor, private sector development	2.5	2.7		
Private sector development			0.0	3.4
Agriculture	21.2	23.4	11.1	11.1
Irrigation and rural water supply			10.1	11.2
Water supply (and sewage)	6.4	7.4	3.4	7.1
Energy	11.5	11.3	25.8	32.1
Transport	15.1	15.3	24.3	16.2
Telecommunications/communications	3.5	4.3	3.2	4.3
Environment and tourism	0.5	0.6	0.0	0.4
Public administration	0.6	0.7		
Economic management			0.0	2.2
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<i>Memorandum items (Sectoral distribution)</i>				
Education, Health, Social Protection, Social Security	38.6	34.2	22.1	12.1
Energy, Transport	26.6	26.7	50.1	48.2

Source: Government of Tajikistan (2002) and Government of Tajikistan (2003).

1/ Summary of costs of financing PRSP Action Program, and costs of Public Investment Program.

2/ Portion to be financed externally.

Table A5. List of Ongoing Projects (as of November 2003)  
(US\$ millions)

Project ID	IDA Net Committed Amount	IDA Disbursements in FY03	Undisbursed Balance	Cancelations
Dushanbe Water Supply	17.0	0.3	18.7	0.0
Education Support	20.0	0.0	20.7	0.0
Education	5.0	0.6	0.1	0.0
Farm Privatization Support	23.1	4.2	9.9	0.0
Institution Building 2	6.7	1.1	2.5	0.0
Lake Sarez Risk Mitigation	0.5	0.1	0.4	0.0
Pamir Privatization Power	10.0	0.0	10.8	0.0
Poverty Alleviation 2	13.8	0.8	14.9	0.0
Primary Health Care	5.4	0.3	3.2	0.0
Rural Infr. Rehab.	20.0	1.4	18.7	0.0
Sac 2	50.0	0.0	26.5	0.0
Total	171.5	8.8	126.2	0.0

Source: World Bank.

Table A6. IDA Lending Program, FY03-05  
(in million US\$)

<b>Low Case</b>	<b>Base Case</b>	<b>High Case</b>
<i>FY03:</i> Education Support and Empowerment (20)	<i>FY03:</i> Education Support and Empowerment (20) Banking and Private Sector Support (10)	<i>FY03:</i> Education Support and Empowerment (20) Banking and Private Sector Support (10)
<i>FY04:</i> Community Agriculture and Watershed Management (10)	<i>FY04:</i> SAC 3 (10) Community Agriculture and Watershed Management (10)	<i>FY04:</i> SAC 3 (10) Community Agriculture and Watershed Management (10)
<i>FY05:</i> Community and Basic Health (10) Ferghana Valley Water (5)	<i>FY05:</i> Community and Basic Health (10) Ferghana Valley Water (5) Municipal Infrastructure (15)	<i>FY05:</i> PRSC (20) Community and Basic Health (10) Ferghana Valley Water (5) Municipal Infrastructure (15)
<i>Total</i> (45)	<i>Total</i> (80)	<i>Total</i> (100)

Source: CAS 2003, p. 21

Table A7. CAS Triggers, FY03-05

Outcomes	Monitoring indicators
<b>Base Case</b>	
Continued macroeconomic stability	<ul style="list-style-type: none"> <li>• Satisfactory macroeconomic performance as evidenced, for example, by the IMF PRGF on track.</li> <li>• Improved external debt management, including completion of debt inventory</li> </ul>
Satisfactory progress on PRSP implementation	<ul style="list-style-type: none"> <li>• Creation of an institutional mechanism for expenditure prioritization (Budget Commission)</li> <li>• Agreement on a plan to improve M&amp;E and its satisfactory implementation</li> </ul>
Improved governance and business environment	<ul style="list-style-type: none"> <li>• Regular annual budget audits by the State Audit Agency</li> <li>• Acceptable IAS audit of the largest public company, aluminum smelter TADAZ</li> <li>• Improved business environment as evidenced by reducing excessive business inspections and licensing (measured through firm surveys)</li> </ul>
Satisfactory portfolio performance	<ul style="list-style-type: none"> <li>• Adherence to CPPR action plans</li> </ul>
<b>High case</b>	<b>Base case triggers plus:</b>
Satisfactory macroeconomic performance	<ul style="list-style-type: none"> <li>• Same as Base Case</li> </ul>
Good progress in implementation of structural reforms	<ul style="list-style-type: none"> <li>• Good progress with land reform, as evidenced by the increased share of private land ownership from 30% to 40%</li> <li>• Further improvements in business environment by reducing business registration time and further reducing cost of doing business (measured through firm surveys)</li> <li>• Improved healthiness of the banking system by restructuring/closing at least two banks that do not satisfy prudential requirements</li> </ul>
Improved governance	<ul style="list-style-type: none"> <li>• Satisfactory progress in improving the fiduciary framework, including (i) carrying out regular audits of large public enterprises like Tajik Air and Tajik Gas and (ii) the revision of the procurement law in line with the CPAR recommendations</li> </ul>

Source: CAS 2003.

Table A8. Core CAS Monitoring Benchmarks in Relation to PRSP

Objective	PRSP Indicators by 2006	Intermediate CAS Output and Outcome Measures
Poverty Reduction (overall objective)	<ul style="list-style-type: none"> <li>• Reduce poverty headcount from 83 percent to 75 percent</li> </ul>	<ul style="list-style-type: none"> <li>• Steady progress in meeting the PRSP targets as evidenced by the Annual Progress Report</li> <li>• National Poverty statistics with reliable data baselines and disaggregated by gender in place</li> </ul>
Stimulating Growth	<ul style="list-style-type: none"> <li>• Increase share of private sector as percent of GDP from 30 percent to 40 percent</li> </ul>	<ul style="list-style-type: none"> <li>• Private land ownership increase from 30 percent to 50 percent as a share of total land ownership</li> <li>• Barriers to SME growth—including time and cost of business—reduced, to be verified by surveys</li> <li>• Regulation framework for microfinance adopted</li> </ul>
Improving Social Service Delivery	<ul style="list-style-type: none"> <li>• Increase primary education coverage from 77.7 percent to 82 percent</li> <li>• Reduce infant and maternal mortality**</li> <li>• Increase percentage of population with access to pure drinking water from 51.2 percent to 58 percent***</li> </ul>	<ul style="list-style-type: none"> <li>• Budget allocations to health and education increased by 0.2 percent annually</li> <li>• More cost effective health and education delivery systems by switching from norm- to activity-based costing</li> <li>• Increased community participation in service delivery, particularly through expanding water user associations</li> <li>• Strategy to contain spread of TB and HIV/AIDS in place</li> </ul>
Improving Governance*	<ul style="list-style-type: none"> <li>• Improve transparency in the accounts of key SOEs</li> <li>• Strengthen competition for government procurement and increase competition</li> <li>• Improve efficiency and transparency in public sector management</li> </ul>	<ul style="list-style-type: none"> <li>• Tax breaks and subsidies in key large SOEs eliminated, to be verified by IAS audits</li> <li>• Action plan to make the aluminum smelter TADAZ viable approved and implementation underway</li> <li>• Budget prepared based on a prioritized PIP</li> <li>• Quarterly reports on budget execution published regularly</li> <li>• Revised legal basis for a transparent and competitive public procurement system in place</li> </ul>

Source: CAS 2003.

Note: \*Governance indicators are proposed by the Bank staff.

\*\* Numerical targets are not provided because reliable data are not available (par. 84).

\*\* This government indicator is overoptimistic in the staff's view.

Table A9. Key Events in Relations with the IMF

Year and month	Event
<b>1993</b>	
April	Membership of IMF.
<b>1994</b>	
September	Conclusion of Article IV consultation.
<b>1995</b>	
September	Staff-monitored program.
November	Office of IMF Resident Representation established.
<b>1996</b>	
January	New staff-monitored program.
May	Approval of SBA (1st credit tranche) and conclusion of Article IV consultation.
<b>1997</b>	
December	Approval of Emergency Post-Conflict Assistance.
<b>1998</b>	
April	Approval of 2nd Emergency Post-Conflict Credit Assistance.
June	Approval of 3-year ESAF arrangement and 1st annual arrangement thereunder.
December	Conclusion of Article IV consultation and completion of midterm review under 1st annual ESAF arrangement.
<b>1999</b>	
July	Approval of 2nd annual ESAF arrangement; change from semi-annual to quarterly program reviews. Waiver granted for incident of misreporting to the IMF.
<b>2000</b>	
January	Completion of 1st & 2nd reviews under 2nd annual PRGF arrangement, and conclusion of Article IV consultation.
July-Sept	Track record period; required after noncompletion of 3rd and 4th reviews under 2nd annual ESAF arrangement.
October	Authorities submit I-PRSP to World Bank and IMF
October	Approval of 3rd annual PRGF arrangement, and endorsement of I-PRSP.
<b>2001</b>	
April	Completion of 1st review under 3rd annual PRGF arrangement, and conclusion of Article IV consultation.
July	Completion of 2nd review under 3rd annual PRGF arrangement. Waiver granted for second incident of misreporting to the IMF.
<b>2002</b>	
January-June	Staff-monitored program to establish track record; 3rd and 4th reviews under 3rd annual PRGF were not completed.
February	Executive Board discusses two new incidents of misreporting to the IMF and decides that Tajikistan repay three noncomplying disbursements in 4 quarterly installments.
June	Authorities submit PRSP to World Bank and IMF.
December	Approval of 3-Year PRGF arrangement, conclusion of Article IV consultation, and endorsement of PRSP. Back to semi-annual program reviews. Fifth case of misreporting to the IMF. Disbursements associated with this are already subject to early repayment; no further sanctions imposed.
<b>2003</b>	
July	Completion of 1st review under the PRGF arrangement. [Sixth case of misreporting to the IMF]

Source: IMF staff reports.



Table A10. Macroeconomic Frameworks 1/ 2/

	Approval or completion date	1997	1998	1999	2000	2001	2002	2003	2004	2005
<b>Real GDP growth (%)</b>		<b>1.7</b>	<b>5.3</b>	<b>3.7</b>	<b>8.3</b>	<b>10.2</b>	<b>9.1</b>			
ESAF P1	6/24/1998	1.7	3.4	4.0	4.0	4.5				
ESAF P2	7/2/1999		5.3	5.5	6.0	6.5				
I-PRSP	Oct-00			3.7	5.0	5.0				
ESAF P3	10/25/2000			3.7	5.0	5.0				
PRSP	Jun-02					10.2	7.0	6.0	4.0	4.0
PRGF P1	12/21/2002					10.2	7.5	6.0	4.0	4.0
<b>Inflation (% during the year)</b>		<b>164</b>	<b>2.7</b>	<b>30.1</b>	<b>60.6</b>	<b>12.5</b>	<b>14.5</b>			
ESAF P1	6/24/1998	164	16.8	12.5	10.0	8.0				
ESAF P2	7/2/1999		2.7	13.2	7.0	7.0				
I-PRSP	Oct-00			30.1	18.6	12.4				
ESAF P3	10/25/2000			31.3	19.0	12.4				
PRSP	Jun-02					12.5	9.5	7.0	5.0	5.0
PRGF P1	12/21/2002					12.5	13.0	7.0	5.0	5.0
<b>External current a/c balance (% of GDP)</b>		<b>-5.2</b>	<b>-8.3</b>	<b>-3.4</b>	<b>-6.5</b>	<b>-7.1</b>	<b>-2.8</b>			
ESAF P1	6/24/1998	-5.0	-5.0	-4.0	-4.0	-4.0				
ESAF P2	7/2/1999		-10.9	-4.9	-7.0	-6.1				
I-PRSP	Oct-00			-3.4	-5.7	-6.5				
ESAF P3	10/25/2000			-3.4	-5.7	-6.5				
PRSP	Jun-02					-7.2	-4.9	-4.8	-4.1	-3.9
PRGF P1	12/21/2002					-7.1	-4.2	-4.0	-3.9	-3.7
<b>Gross int'l reserves (months of imports)</b>		<b>0.6</b>	<b>1.5</b>	<b>1.7</b>	<b>2.1</b>	<b>1.9</b>	<b>1.8</b>			
ESAF P1	6/24/1998	0.6	1.9	2.5	3.0	3.0				
ESAF P2	7/2/1999		1.4	2.0	3.2	3.7				
I-PRSP	Oct-00									
ESAF P3	10/25/2000			1.7	1.9	2.7				
PRSP	Jun-02					1.9	2.3	2.7	3.0	3.2
PRGF P1	12/21/2002					1.9	2.3	2.8	3.3	3.3
<b>Fiscal deficit, incl grants (% of GDP)</b>		<b>3.3</b>	<b>3.8</b>	<b>3.1</b>	<b>5.6</b>	<b>3.2</b>	<b>2.4</b>			
ESAF P1	6/24/1998	3.3	3.3	3.8	3.1	3.3				
ESAF P2	7/2/1999		3.8	3.0	2.4	2.2				
I-PRSP	Oct-00			3.1	1.2	0.6				
ESAF P3	10/25/2000			3.1	1.2	0.6				
PRSP	Jun-02					2.2	3.3	3.5	3.0	3.0
PRGF P1	12/21/2002					2.2	3.1	3.5	3.0	3.0
<b>Revenue &amp; grants (% of GDP)</b>		<b>13.7</b>	<b>12.0</b>	<b>13.5</b>	<b>13.6</b>	<b>15.2</b>	<b>16.7</b>			
ESAF P1	6/24/1998	13.7	14.8	15.9	16.2	16.2				
ESAF P2	7/2/1999		12.0	12.8	13.5	13.8				
I-PRSP	Oct-00			13.5	14.0	14.5				
ESAF P3	10/25/2000			13.5	14.0	14.5				
PRSP	Jun-02					15.2	16.6	17.4	18.0	18.1
PRGF P1	12/21/2002					15.2	16.9	17.7	17.8	17.9
<b>Expenditure &amp; net lending (% of GDP)</b>		<b>17.0</b>	<b>15.8</b>	<b>16.6</b>	<b>19.2</b>	<b>18.4</b>	<b>19.2</b>			
ESAF P1	6/24/1998	17.0	18.2	19.7	19.3	19.5				
ESAF P2	7/2/1999		15.8	15.8	15.9	16.0				
I-PRSP	Oct-00									
ESAF P3	10/25/2000			16.6	15.2	15.1				
PRSP	Jun-02					18.4	19.9	20.9	21.0	21.1
PRGF P1	12/21/2002					18.4	20.0	21.2	20.8	20.9

Source: IMF staff reports.

1/ The following abbreviations have been used: ESAF P1, ESAF P2, and ESAF P3 refer to the first, second, and third annual arrangement under the 1998-2001 ESAF. I-PRSP refers to the Interim PRSP, and PRGF P1 refers to the new 3-year PRGF arrangement.

2/ Outturns only are presented in bold in the first row of each variable.

Table A11. IMF Technical Assistance, 1998-2003

Department/Date	Type	Area	Counterpart institution
<b>Fiscal Affairs</b>			
April 1998	Mission	Tax policy and administration	
June/July 1998	Mission	Implementation of tax identification numbers	
Aug 1998-April 2001	Resident advisor	Fiscal management	Ministry of Finance
Sept/Nov 1998	[ ]	Tax code assessment	
Sept 1999	3 Peripatetic advisors 1/	Tax administration project --general tax administration --VAT administration --computer systems	
Sept 1999	Mission	Foreign debt, govt guarantees, tax code	Ministry of Finance
April 2000-March 2001	Resident advisor	Treasury operations	Ministry of Finance
July 2001	Mission	Tax administration	
August 2002	Mission	Tax policy and administration	Ministry of Finance
May 2003-	Resident expert 1/	Debt management	Ministry of Finance
<b>Monetary and Financial Systems</b>			
Feb 1998	Mission	Multi-topic	National Bank of Tajikistan
April 1998	Mission	Treasury bill auctions, bank restructuring, and banking supervision.	National Bank of Tajikistan
August 1998	Mission	Multi-topic	National Bank of Tajikistan
April 1999	Mission	Multi-topic	National Bank of Tajikistan
April-July 1999		Monetary operations	National Bank of Tajikistan
March 2000	Mission	Multi-topic	National Bank of Tajikistan
August 2000	Mission	Bank restructuring	National Bank of Tajikistan
Jan/Feb 2001	Mission	Bank restructuring	National Bank of Tajikistan
August 2001	Mission	Multi-topic	National Bank of Tajikistan
July 2002	Mission	Multi-topic	National Bank of Tajikistan
2002	Peripatetic advisor	Bank restructuring	National Bank of Tajikistan
<b>Statistics</b>			
April 1998	Mission	Money and banking statistics	National Bank of Tajikistan
April 1999	Mission	Money and banking statistics	National Bank of Tajikistan
March 2002	Mission	Balance of payments statistics	National Bank of Tajikistan
Oct/Nov 2002	Mission	Money and banking statistics	National Bank of Tajikistan
January 2003	Mission	Balance of payments statistics	National Bank of Tajikistan
February 2003	Mission	Money and banking statistics	National Bank of Tajikistan
May 2003	Mission	Balance of payments statistics	National Bank of Tajikistan
<b>Finance</b>			
July 2001	Mission	Safeguards assessment	National Bank of Tajikistan
May 2003	Mission	Safeguards assessment	National Bank of Tajikistan
<b>Legal</b>			
April/May 2001	Mission	Legislation on State Audit Agency, the budget system, and taxation.	
March 2003	Mission	Tax legislation	

Source: IMF staff reports.

1/ Swiss-funded

Table A12. Structural Conditionality in IMF-Supported Programs 1/

	ESAF P1 2/				ESAF P2 3/				ESAF P3 4/				PRGF P1 5/			
	PA	PC	B	Total	PA	PC	B	Total	PA	PC	B	Total	PA	PC	B	Total
Exchange system			2	2	1			1					2			2
Trade regime 6/	1			1												
Pricing and marketing													2	1		3
Public enterprise reform or privatization 7/	3	1	2	6	3	1	4	8			2	2				
Agricultural reform 8/	1		1	2	1		2	3	2		2	4	1			1
Tax policy and administration	1			1	2		1	3								
Expenditure policy/PEM/SSN	1			1		1		1	1			1			1	1
Other fiscal									1		2	3	2			2
Civil service/Public Administration reform															1	1
Central bank	1	1	1	3	1	1		2	1	1		2		2	1	3
Financial sector			2	2	1			1							1	1
Transparency, legal and regulatory system							1	1			3	3				
Economic, social & demographic statistics																
Poverty assessment/Poverty reduction strategy																
<b>Total</b>	<b>8</b>	<b>2</b>	<b>8</b>	<b>18</b>	<b>9</b>	<b>3</b>	<b>8</b>	<b>20</b>	<b>5</b>	<b>1</b>	<b>9</b>	<b>15</b>	<b>5</b>	<b>4</b>	<b>5</b>	<b>14</b>
<i>Memorandum item</i>																
Number of areas covered				8				8				6				8
Of which: privatization (in percent of total)				33				40				13				0
Prior actions as share of total (percent)				44				45				33				36
Performance criteria as share of total (percent)				11				15				7				29
Benchmarks as share of total (percent)				44				40				60				36

1/ Covers prior actions (PA), performance criteria (PC) and benchmarks (B) in annual arrangements under the ESAF and the original PRGF arrangement. This is a partial counting of structural conditionality since new measures or actions were sometimes specified during program or as as new conditions for completing reviews.

2/ Original ESAF arrangement and first annual program; approved in June 1998.

3/ Second annual program under the ESAF; approved in July 1999.

4/ Third annual program under the ESAF/PRGF; approved in October 2000.

5/ New PRGF arrangement; approved in December 2002.

6/ Including tariff and customs reforms.

7/ Excluding financial and agriculture sectors.

8/ Farm privatization and land reform.

Tajikistan: Summary of Key PRSP Areas and Benchmarks

PRSP Objective and Diagnosis	Strategic Directions	Development Partners	Activities	PRSP Benchmarks
<b>1. Macroeconomic Management and Growth</b>				
<p>The PRSP recognizes that macro stability is key to economic growth and poverty reduction. Macro stability has improved, but the situation remains fragile, largely because of the narrow tax base and heavy debt burden.</p>	<p>Strengthen fiscal policy and budget management</p> <p>Improve external debt management</p>	<p>IDA IMF ADB</p>	<ul style="list-style-type: none"> <li>• Bank Public Expenditure Review (ongoing)</li> <li>• Bank Country Economic Memorandum (planned)</li> <li>• Consultative Group Meeting</li> <li>• CIS-7 Initiative</li> </ul>	<ul style="list-style-type: none"> <li>• Inflation maintained at a single-digit level</li> <li>• Improved fiscal sustainability by increasing tax collection (by strengthening tax and customs administration), reducing quasi-fiscal deficit (particularly in the energy sector) and maintaining tight expenditure control. Budget balance (excl. PIP) targeted at 0.7 percent of GDP by 2005.</li> <li>• Directed credit eliminated</li> <li>• Improved external debt management – elimination of debt arrears through rescheduling</li> </ul>
<b>BUILDING INSTITUTIONAL CAPACITY AND STRENGTHENING GOVERNANCE</b>				
<b>2. Public Administration</b>				
<p>Public administration performance is weak and in need of major restructuring. This would entail functional reviews and restructuring of ministries and public agencies as well as salary review. Budget planning, execution and expenditures tracking are also weak and could be made more transparent.</p>	<ul style="list-style-type: none"> <li>• Improve effectiveness and efficiency of public resources</li> <li>• Increased fiscal transparency and accountability</li> </ul> <p>Improve delivery of public services</p>	<p>IMF IDA ADB Switzerland</p>	<p><b>Bank:</b></p> <ul style="list-style-type: none"> <li>• PRSC (planned)</li> <li>• SAC3 (planned)</li> <li>• IBTA2 (ongoing)</li> </ul>	<ul style="list-style-type: none"> <li>• Functional reviews of central ministries and restructuring plans implemented</li> <li>• Civil service salary review carried out and a merit-based salary system introduced</li> <li>• Budget prepared based on a prioritized PIP</li> <li>• Quarterly reports on budget execution published regularly</li> <li>• Publish budget execution on a regular basis</li> <li>• Improved financial transparency and accountability of key SOEs (Barki-I Tajik, Tajiktelecom and Tajik Gas) through the elimination of tax offsets and directed credits</li> <li>• Annual IAS audits of key SOEs (Tadaz, Barki-I Tajik, Tajiktelecom and Tajik Gas) carried out</li> <li>• Action plan to make the aluminum smelter TADAZ viable approved and implementation underway</li> </ul>

Tajikistan: Summary of Key PRSP Areas and Benchmarks (continued)

PRSP Objective and Diagnosis	Strategic Directions	Development Partners	Activities	PRSP Benchmarks	
<b>3. Private Sector Development/Privatization</b>					
<p>The share of private sector in the economy is still small (about 45 percent in 2001), an indicator of the poor investment climate. While some progress has been made in reforming the legal and regulatory framework as well as tax policy, enforcement remains a major constraint.</p> <p>Limited progress has been made in the financial sector reform. The sector is far from playing its financial intermediation role.</p>	<ul style="list-style-type: none"> <li>• Develop a sound business and investment climate for SME sector</li> <li>• Improve governance</li> <li>• Improve access to micro-credit and credit to SMEs</li> <li>• Strengthen existing and create new banking institutions</li> <li>• Develop Leasing</li> <li>• Develop Micro-lending</li> </ul>	<p>IDA IFC EBRD Switzerland USAID IMF AKF</p>	<ul style="list-style-type: none"> <li>• SAC 3</li> <li>• Banking and Private Sector Support</li> </ul>	<ul style="list-style-type: none"> <li>• Regional Seminar on Micro-enterprise lending</li> <li>• Business Environment &amp; Investment Climate Review</li> <li>• Future directions in agriculture</li> </ul>	<ul style="list-style-type: none"> <li>• Barriers to SME growth – including time and cost of business – reduced, to be verified by surveys</li> <li>• Improved financial transparency and accountability of key SOEs (Barki-I Tajik, Tajiktelecom and Tajik Gas) through the elimination of tax offsets and directed credits</li> <li>• Annual IAS audits of key SOEs (Tadaz, Barki-I Tajik, Tajiktelecom and Tajik Gas) carried out</li> <li>• Full tax deductibility of loan loss provisions for banks</li> <li>• Restrict tax authorities access the accounts of individuals and firms only with a court order</li> <li>• Regulation framework for microfinance</li> </ul>
<b>4. Agriculture and Environment</b>					
<p>Growth in agriculture will be stimulated by privatization of collective and state farms and other reforms to boost sectoral productivity.</p> <p>Success of agricultural reforms will critically depend upon improving governance and eliminating interference by local administrations in the decision-making process of the farmers.</p>	<ul style="list-style-type: none"> <li>• Increase agricultural productivity</li> <li>• Conserve biodiversity and strengthen environmental protection</li> </ul>	<p>ADB IDA EU FAO UNDP WFP</p>	<ul style="list-style-type: none"> <li>• Community Agriculture and Watershed Management (planned)</li> <li>• Farm Privatization Support (ongoing)</li> <li>• Rural Infrastructure Rehabilitation Project (ongoing)</li> <li>• Ferghana Valley Water</li> </ul>	<ul style="list-style-type: none"> <li>• IFC: TA on SME development in rural areas</li> <li>• TA on the National Environmental Action Plan</li> <li>• Future directions in agriculture</li> <li>• Regional Ferghana Valley Water Management Initiative</li> </ul>	<ul style="list-style-type: none"> <li>• Private land ownership to increase from 30% to 50% as a share of total land ownership</li> <li>• Simplified tax system (a single tax) for private farms extended throughout the country</li> <li>• NEAP in place</li> </ul>

Tajikistan: Summary of Key PRSP Areas and Benchmarks (continued)

PRSP Objective and Diagnosis	Strategic Directions	Development Partners	Activities		PRSP Benchmarks
<b>5. Infrastructure</b>					
<p>Improve access to, and affordability of, basic infrastructure services to the poorest groups; and lay the foundation for ensuring the availability of adequate infrastructure as an essential element in achieving satisfactory economic growth, which in turn provides the means for reducing poverty.</p>	<ul style="list-style-type: none"> <li>Prevent collapse of basic infrastructure</li> <li>Enhance private sector participation in infrastructure provision with government playing a catalytic role</li> <li>Improve communal service delivery and management of urban infrastructure service through greater community participation</li> </ul>	<p>ADB IDA IDB EBRD Arab Fund OPEC Fund IFC AKFED</p>	<ul style="list-style-type: none"> <li>Government looking into completing major north-south road and tunnel.</li> <li>Develop and implement a program for rehabilitation of municipal infrastructure services at the sub-national government level</li> </ul>	<ul style="list-style-type: none"> <li>Energy Sector Note (Utility Reform Review)</li> <li>Social Dimension of Regional Differences</li> <li>Large Hydropower Projects Review</li> <li>Regional Study on Trade and Transport</li> <li>Regional studies on the water/energy nexus and energy markets</li> </ul>	<ul style="list-style-type: none"> <li>Implement an action plan to achieve full cost recovery in the electricity sector by rising industrial tariffs to US\$1.03 by 2003 and residential tariffs to US\$1.5 by 2005.</li> <li>Rehabilitate the power sector to meet existing domestic demand by (i) transferring the Gorno-Badakshan electricity network to private Concessionaire (Pamir Energy Corp.), and (ii) reducing electricity losses (technical and commercial).</li> <li>Improved safety, reliability and efficiency of water service provision in Dushanbe (detailed indicators are being developed as part of WB project)</li> <li>Strengthened institutional and financial capacity of Dushanbe Vodokanal</li> </ul>
IMPROVING DELIVERY OF SOCIAL SERVICES AND COMMUNITY DEVELOPMENT					
<b>6. HUMAN DEVELOPMENT (HEALTH, EDUCATION, AND SOCIAL PROTECTION)</b>					
<p>The delivery of basic social services, namely education and health, has nearly collapsed, though some progress has been made on a pilot basis. What is needed now is the scaling up of these achievements and the increased involvement of local communities in the delivery of social services.</p>	<ul style="list-style-type: none"> <li>Achieve the MDG targets indicated in the PRSP</li> <li>Allocate adequate resources to education and health and improve the delivery of their services</li> <li>Contain Tuberculosis and HIV/AIDS endemics</li> </ul>	<p>ADB IDA IDB UNICEF UNFPA UNDP WHO Switzerland USAID DFID JAPAN Germany</p>	<ul style="list-style-type: none"> <li>Education Sector Strategy Note (completed)</li> <li>Health Sector Note (planned)</li> </ul> <p>Carry out poverty impact assessments (PSIAs), Energy and Land Reform (ongoing)</p>	<ul style="list-style-type: none"> <li>Education Support and Empowerment</li> <li>Gender Assessment Study (planned)</li> <li>AIDS/TB Regional Review (planned)</li> <li>Community and Basic Health Project</li> <li>WBI programs on human development</li> </ul>	<ul style="list-style-type: none"> <li>Develop strategy to contain spread of TB and HIV/AIDS</li> <li>Immunization survey and a strategy for strengthening the immunization program completed*</li> <li>Preparation of the education and health budget based on activity/population costing</li> <li>Budget allocations to health and education to be increased by 0.2 percent of GDP annually</li> <li>Scaling-up the reformed cash compensation program for public servants</li> <li>Implement cost effective health and education delivery systems by switching from norm- to activity-based costing</li> </ul>

Tajikistan: Summary of Key PRSP Areas and Benchmarks (concluded)

PRSP Objective and Diagnosis	Strategic Directions	Development Partners	Activities	PRSP Benchmarks	
<b>7. STRENGTHENING CIVIL SOCIETY AND COMMUNITY INVOLVEMENT</b>					
Build the civil society's capacity to voice its concerns and become a more important partner in the country's development process.	<ul style="list-style-type: none"> <li>Government willing to embrace participation and inclusion as demonstrated by the PRSP Consultation process.</li> </ul>	IDA UNDP USAID Japan	<ul style="list-style-type: none"> <li>Education Support and Empowerment (FY03)</li> <li>Community and Basic Health (FY05)</li> <li>Municipal Infrastructure</li> <li>Community Agriculture and Watershed Management</li> </ul>	<ul style="list-style-type: none"> <li>Spell out role for CSO organizations</li> <li>Bank to hold Regional Innovation Day and follow-up activities</li> <li>Form Regional CDD Working Groups in Tajikistan countryside</li> </ul>	<ul style="list-style-type: none"> <li>Increased community participation in service delivery, particularly through expanding water user associations</li> <li>Increased delivery of services through NGOs</li> <li>Develop a knowledge sharing mechanism for Civil Society Organizations</li> <li>GDLN centers to be developed and made operational</li> </ul>

Note: This Matrix (four pages) has been adapted from the World Bank Country Assistance Strategy, Annex B9. The separate listings that appear in the PRSP for education, health care, and social protection (there were nine working groups) have been combined here under the section "Human Development" as indicated above. Environment has been grouped with Agriculture, whereas in the PRSP it is grouped with Tourism. Community Driven Development does not appear as a separate listing in the PRSP's nine working groups, but since the PRSP consultation process worked closely with the Civil Society Organizations in the formulation stage, Section 7 above shows this as a discrete section.

An Assessment of the Adaptation of the IMF's Internal Policy Process 1/

Assessment criteria	Comment on change in policy approach	Rankings (scale: 1 – 4) 2/	
		ESAF second annual arrangement (April, 1999 brief)	New PRGF arrangement (April 2002 and June 2002 briefs)
<i>A. Briefing Papers</i>			
1. Does the brief discuss links between the PRSP and the PRGF objectives?	The links discussed in the June 2002 brief are in terms of ensuring that the PRSP (which was in draft form at the time) was made consistent with the proposed PRGF-supported program rather than the program drawing from the PRSP.	N.A.	2
2. In resolving the key issues identified by the mission does the brief leave room for discussions of alternative policy options to achieve major objectives? (i) Fiscal consolidation (ii) Banking sector reform (iii) Liberal trade regime (iv) Restructuring external debt		2 2 2 --	2 3 -- 3
3. Are alternative macroeconomic frameworks and the tradeoffs between them considered?	No explicit discussion of alternative macroeconomic frameworks, but the June 2002 brief highlighted issues about fiscal and external sustainability and potential trade-offs between several competing objectives (e.g., higher public sector wages, increased public investment spending, and increased spending for social protection) but pushed for a particular mix.	1	2



An Assessment of the Adaptation of the IMF's Internal Policy Process (continued) 1/

Assessment criteria	Comment on change in policy approach	Rankings (scale: 1 – 4) 2/	
		ESAF second annual arrangement (April, 1999 brief)	New PRGF arrangement (April 2002 and June 2002 briefs)
4. Does the program discuss how it will protect key objectives in the event of unanticipated negative shocks?	No explicit discussion in the April 1999 brief, but a hint of a possible approach is provided by a statement (made in the context of a discussion of external financing) that the program would seek to strike a balance between accumulation of international reserves and tightening of financial policies.	2	1
5. Does the brief allow for flexibility to use additional concessional external financing if available?	No explicit discussion but the programs contained an adjustor which allowed the use of grants in excess of projected amounts, but not excess net external borrowing (concessional or not).	2	2
6. Is a participatory process in resolving key issues considered?		NA	1
7. Does the brief identify policy issues where poverty and social impact assessment (PSIA) inputs would be necessary/useful?	The April 1999 brief alludes to the results of an ongoing household survey, which it expected would help improve “joint Bank-Fund assessment of the economic program’s potential adverse social consequences.” But it does not identify any specific policy issues.  The briefs for the 2002 PRGF highlight the need to compensate low-income households for the effect of raising gas tariffs but do not propose a proper PSIA before implementation of the measure.	1	2

An Assessment of the Adaptation of the IMF's Internal Policy Process (concluded) 1/

Assessment criteria	Comment on change in policy approach	Rankings (scale: 1 – 4) 2/	
		ESAF second annual arrangement (April, 1999 brief)	New PRGF arrangement (April 2002 and June 2002 briefs)
<i>B. Review departments' comments</i>			
8. Is the need for more “policy space” for home grown options recognized in the review process?	Hardly any discussion of how to promote greater ownership of programs.	1	1
9. Are poverty issues discussed or their absence highlighted in review departments' comments?	Comments on the April 1999 brief included support for planned increases in social spending, and a question about progress in undertaking ex ante assessments and monitoring of adverse social consequences associated with measures in the program.  Comments on April 2002 brief pointed out need to discuss with the authorities, the social impact of macroeconomic and structural policies and identify possible adverse consequences for the poor as well as targeted compensatory measures include a discussion	3	3
10. Did review departments press for more or less conditionality (prior actions, PCs, structural benchmarks) in the policy areas specified by the mission?	Conditionality was expanded in response to comments on the April 1999 brief. Increased conditionality was expected to lead to improved performance against program targets.  Comments on April 2002 brief included reference to recent guidelines on streamlining conditionality and questioned the appropriateness of including conditions on public enterprise restructuring. Instead suggested that conditionality cover tax policy and administration and fiscal transparency.	2	3

1/ Based on Briefing Papers and Review Department comments associated with Tajikistan's ESAF (1998-01) and PRGF (2002-05) arrangements.

2/ The ranking scheme is based on the degree of consistency with the PRSP/PRGF approach: 1=Highly inconsistent; 2=Inconsistent; 3=Consistent; 4=Highly consistent

## **List of Interviewees**

### **Office of the President**

Mr. Faizullo Kholboboev, State Advisor to the President on Economic Policy  
Mr. N. Buriev, Head of Economic Reform and Investment Division  
Ms. Nozigul Khushvakhtova, Head of PRSP Monitoring Division  
Mr. Emin Sanginov, Director, Aid Coordination Unit  
Mr. I. Akhmedov, Economic Reform and Investment Division

### **Center of Strategic Studies (under the Office of the President)**

Dr. Komilov, Director  
Mr. Afzali Saidjafarov

### **Parliament**

Ms. Sanobar Khomidova, Chairperson, Economy and Budget Committee

### **Ministry of Finance**

Mr. Abibulloev, First Deputy Minister  
Mr. Muso Isomiddinov, Acting Head of Budget Department  
Ms. Rano Zabirova, Deputy Head of Budget Department  
Mr. Gordon Yurich, Bearing Point Group, Second Institution Building Credit

### **National Bank of Tajikistan**

Mr. Djuma Eshov, Deputy Chairman

### **Ministry of Revenues**

Mr. Gulom Babaev, Minister (and former Chairman of PRSP Steering Committee)  
Mr. Nuriddin Mahmudov, Head of Tax Policy Department

### **Ministry of Economy and Trade**

Mr. Maruf Safiev, Deputy Minister  
Mr. Amonjom Eshomkulov, Head, Macroeconomic Analysis  
Mr. M. Makhshulov

### **Ministry of Energy**

Mr. Abas Kasimov, First Deputy Minister  
Mr. U. Usmanov, Head of the Department on Energy Policy  
Mr. Nasreddinov, Head of the Planning Department  
Mr. R. Asoev, Head of the Privatization Department  
Mr. F. Shahidi, Head of the Department of International Relations

### **Ministry of Health**

Prof. Nusratullo Faizulloev, Minister of Health  
Mr. Mukhtar Khodjaev, Head of International Relations Department

### **Ministry of Education**

Mr. Khabibullo Babaev, First Deputy Minister  
Ms. G. Yevdokimenko  
Mr. Mullotshaer, Head of the International Relations Department

### **Ministry of Agriculture**

Mr. Ikhtiyor Ashurov, First Deputy Minister  
Ms. Oripova, Deputy Head of Economic Department

### **Ministry of Labor**

Mr. Kassymov, First Deputy Minister  
Mr. Jamshed Kuddusov

### **State Statistics Committee**

Mr. Djabarov, Chairman

### **Sogd Oblast**

Mr. Kasim Kasimov, Chairman  
Mr. Amalov (Nau district)  
Mr. Anvar Yakubov, Deputy Chairman of the Committee on Economic Affairs,

### **Academia**

Prof. Khurshed Karimov, Vice President of the Academy of Sciences  
Prof. Takhirov Fazil Takhirovich, Head of Social Sciences, Academy of Sciences  
Prof. Umarov Khojamakhmad, Economic Research Institute

### **Non-Governmental Organizations (Dushanbe)**

Mr. Khakim Feerasta, Aga Khan Development Network  
Mr. Rustam Babadjanov, Lake Sarez Risk Mitigation Project  
Ms. Saodat Kamalova, Odamiyat  
Mr. Alisher Rakhmonberdiyev, Information and Educational Center “Manizha”  
Ms. Muborak Sharipova, Open Asia  
Mr. Adam Vinaman Yao, German Agro-Action  
Mr. Zaidullo Junaidov, Mercy Corps International  
Mr. Nehmatullo Safarov, Biodiversity Convention  
Mr. Samad Goibov, CARE International  
Ms. Zilia Shomahmadova, Center for Social Technologies

Ms. Guldjahon Sanginova, Ilm va Khayo  
Ms. Samovbas Imomnazarova, Chashma  
Ms. Saodat Sharafova, Ganjina  
Ms. Guissou Jahangiri, Open Asia  
Mr. Bakhadur Zairov, Chamber of Commerce  
Mr. Anatoli Ischuk, Disaster Prevention, Mitigation and Preparedness (PMP) Int.  
Ms. Tursunov Isomiddinova, Nilufar  
Mr. Greg Gamble, Global Partners  
Mr. Julius Ziemak, HILFWERK  
Ms. Mika Shohrodaeva, HILFWERK  
Mr. Kironshoh Sharifzoda, Social Partnership

### **Non-Governmental Organizations (Khudjand)**

Mr. Farrukh Turiaev, Association of Scientific-Technical Intelligence  
Ms. M. Abdulloeva, Munisi Dil  
Ms. M. Kurbanova, Yosuman, Matcha district  
Ms. F. Madjidova, Fatkh  
Ms. L. Saifiddinova, Women's World  
Ms. M. Babakhanova, Women and Society  
Mr. N. Shevchenko, Development Fund  
Ms. Kh. Umarova, Nazira  
Mr. G. Urunov, Adolat  
Mr. A. Rakhimov, Progress  
Mr. Yusuf Kurbonkhodjaev, Ittifoq  
Mr. M. Akramov  
Ms. Negmatullaeva  
Mr. M. Yakubov, Yovar  
Ms. M. Sultanova, Saodat  
Ms. F. Abdullaeva, Association of consumers' rights

### **Trade Unions**

Mr. Karpo Karimov, Deputy Chairman of Federation of Trade Unions  
Ms. Vera Naimova, Educational Trade Union  
Mr. Badjab Ulmasov, Head of Health Care Trade Union  
Mr. Komidjon Kholov, Head of Agriculture Trade Union

### **Donor Agencies**

Mr. Frank Huddle, Ambassador, United States  
Mr. M. Smith, Ambassador, United Kingdom  
Mr. Francois-Vadim de Hartingh, Program Officer, European Union  
Mr. Takashi Kamada, First Secretary, Japan Embassy  
Mr. Vladimir Sotorov, Head of UN Peace-Building Office and Acting UN Resident Coordinator

Ms. Mia Seppo, Deputy Resident Representative, UNDP  
Ms. Nargiz Azizova, UNDP  
Mr. Daniel Zust, Agency for Development and Cooperation, Switzerland  
Ms. Johanna Boistel, Economist, Asian Development Bank

### **IMF**

Mr. Fritz Zurbrugg, Executive Director  
Mr. Robert Christiansen, Mission Chief  
Mr. Henri Lorie, Former IMF Senior Resident Representative  
Mr. Tapio Saavalainen, Former Mission Chief  
Mr. Robert Christopher York, Senior Economist  
Ms. Franziska Ohnsorge, Economist  
Mr. Roman Zyttek, Senior Economist  
Mr. Sarmad Khawaja, Resident Representative

### **World Bank**

Ms. Lilia Burunciuc, Country Program Coordinator, ECCU8  
Mr. Anthony Cholst, Senior Country Officer, ECCU8  
Mr. Cevdet Denizer, Country Manager, ECCTJ  
Mr. Radwan Shaban, Lead Economist (Poverty), ECSPE  
Mr. Christian Peterson, Lead Economist, ECSPE  
Mr. Jakob von Weizsaker, Economist, ECSPE  
Ms. Jariya Hoffman, Economist, ECSPE  
Mr. Mustapha Rouis, Former Resident Representative  
Mr. Michael Mills, Lead Economist, ECSDH  
Mr. Raghuvir Sharma, Lead Energy Specialist, ECSIE  
Mr. Gerhard Botha, Senior Financial Specialist, ECSPF  
Ms. Hermine De Soto, Consultant, ECSSD  
Mr. Moukin Temourov, Social Specialist, AFTH2  
Mr. Taies Nezam, Social Sector Specialist, ECSSD  
Mr. Richard Carroll, Consultant, ECSPE

## References

- Betley, Mary (2003), "Public Expenditure in the CIS-7." Paper presented at Lucerne Conference.
- Counterpart Consortium Tajikistan (2001), "NGO Poverty Assessment Report," (Dushanbe).
- De Soto, Hermine G. (2001), "Gender-Sensitive Participation Characterizes Tajikistan's PRSP," PRSP Newsletter No. 4, October, 2001.
- EURODAD (2003), "Streamlining of Structural Conditionalities—What has Happened?" <http://www.eurodad.org/articles/>.
- Government of the Republic of Tajikistan (2000), "Interim Poverty Reduction Strategy Paper" (Dushanbe)
- Government of the Republic of Tajikistan (2002), "Poverty Reduction Strategy Paper," June (Dushanbe)
- Government of the Republic of Tajikistan (2003), "Public Investment Programme and Technical Assistance Needs 2004-2006." (Dushanbe)
- Government of the Republic of Tajikistan and United Nations Development Program (2003), "Progress toward the Millennium Development Goals in the Republic of Tajikistan," April (Dushanbe).
- Inchauste, Gabriela (2002), "Poverty and Social Impact Analysis in PRGF-Supported Programs," IMF Policy Discussion Paper No. 02/11 (Washington: International Monetary Fund)..
- Independent Evaluation Office (2003), "Evaluation of Poverty Reduction Strategy Papers and the Poverty Reduction and Growth Facility: Issues Paper/Terms of Reference." (Washington: International Monetary Fund)
- International Monetary Fund (1998), "Republic of Tajikistan—Request for Arrangements Under the Enhanced Structural Adjustment Facility," June (Washington: International Monetary Fund).
- International Monetary Fund (1999), "Republic of Tajikistan—Request for Second Annual Arrangement Under the Enhanced Structural Adjustment Facility," June (Washington: International Monetary Fund)
- International Monetary Fund (2000), "Key Features of PRGF-Supported Programs," August (Washington: International Monetary Fund).

- International Monetary Fund (2000a), “Republic of Tajikistan—Request for Third Annual Arrangement Under the Poverty Reduction and Growth Facility and Request for Extension of Commitment Period,” October (Washington: International Monetary Fund)
- International Monetary Fund (2002), “Republic of Tajikistan—Selected Issues and Statistical Appendix,” November (Washington: International Monetary Fund).
- International Monetary Fund (2002a), “Republic of Tajikistan—Staff Report for the 2002 Article IV Consultation and Request for a Three-Year Arrangement Under the Poverty Reduction and Growth Facility,” November (Washington: International Monetary Fund).
- International Monetary Fund (2003), “Republic of Tajikistan—Second Review Under the Poverty Reduction and Growth Facility, and Request for a Waiver of Performance Criterion,” December (Washington: International Monetary Fund).
- International Monetary Fund and International Development Association (1999), “Poverty Reduction Strategy Papers—Operational Issues,” December (Washington)
- International Monetary Fund and International Development Association (2000), “The Republic of Tajikistan: Joint Staff Assessment of Interim Poverty Reduction Strategy Paper,” October (Washington).
- International Monetary Fund and International Development Association (2002), “The Republic of Tajikistan: Poverty Reduction Strategy Paper—Joint Staff Assessment,” November (Washington).
- Killick, Tony (2002), “The Streamlining of IMF Conditionality,” Report for UK Department for International Development, April (London: Overseas Development Institute).
- Kumar, Nalini (2003), “Community Driven Development: Lessons from the Sahel,” OED Working Paper (The World Bank).
- Overseas Development Institute (2003), “Experience with PRSPs in Transition Countries: PRSP Monitoring & Synthesis Project,” Synthesis note 6, February (London).
- OECD DAC (2003), “International Development Statistics.”
- Operations Evaluation Department (2003), “OED Review of the Poverty Reduction Paper Process: Approach Paper” (Washington: World Bank)



Robb, Caroline M. (2003), "Poverty and Social Impact Analysis—Linking macroeconomic policies to Poverty Outcomes: Summary of Early Evidence," IMF Working Paper No.WP/03/43.

United Nations Development Program (2003), "Human Development Report 2001 - 2002," March (Dushanbe)

UNHCR and Relief International (1996), "Women's Economic Survey of Tajikistan."

World Bank (2000), "Republic of Tajikistan: Poverty Assessment," June (Washington: World Bank).

World Bank (2001), "Republic of Tajikistan: Towards Accelerated Economic Growth (A Country Economic Memorandum)," January (Washington: World Bank).

World Bank (2003), "Country Assistance Strategy."