

NON-OFFICIAL TRANSLATION

Eurasian Fund for Stabilization and Development

The Eurasian Fund for Stabilization and Development Strategy for the Republic of Tajikistan 2022–2026

This document is an abstract of the 2022–2026 Country Strategy of the Eurasian Fund for Stabilization and Development for the Republic of Tajikistan



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List of Abbreviations

ADB	Asian Development Bank
CA	current account
CAREC	Central Asia Regional Economic Cooperation Programme
CASA-1000	Central Asia – South Asia Energy Project
CIS	Commonwealth of Independent States
EAEU	Eurasian Economic Union
EBRD	European Bank for Reconstruction and Development
EFSD	Eurasian Fund for Stabilization and Development
EU	European Union
FDIs	foreign direct investments
GDP	gross domestic product
GNI	gross national income
HPP	hydroelectric power plant
IFI	international financial institution
IMF	International Monetary Fund
NBT	National Bank of Tajikistan
OJSHC	open joint-stock holding company
PIP	Public Investment Programme
REFCA	Regional Economic Framework for Central Asia
SUE	state unitary enterprise
TRACECA	International Cooperation Programme between the EU and Partner Countries to Build the Transport Corridor Europe–Caucasus–Asia
UN	United Nations
WB	World Bank

Main Socio-Economic Indicators of the Republic of Tajikistan

Economic indicators	Latest available	Global ranking
GDP (2020, billion US \$)	8.2	145
GNI per capita (2020, Atlas method, US \$)	1,060	166
Logistics Performance Index (2018, 0 to 5)	2.34	134
Ease of Doing Business (2019, 0 to 100)	61.3	106
Social indicators		
Poverty rate (2019, national definition)	26.3	85
Human Development Index (2019, 0 to 1)	0.668	125
Inequality (2015, Gini coefficient)	34.0	n/a
Rural access to clean water (2019, % of total)	36	n/a
Population increase/decline (2020, %, average over the past 5 years)	2.4	39
Share of population under 30 (2020, % of total population)	63.1	50
Share of rural population (2020, % of total population)	72.5	170
Child mortality rate (2019, per 1,000 births)	29.6	138
Total fertility rate (2019, births per woman)	3.6	46
Life expectancy (2019, years)	71.1	127

Introduction

The Country Strategy of the Eurasian Fund for Stabilization and Development (hereinafter referred to as the Fund, the EFSD) for the Republic of Tajikistan complements the Fund's 2022–2026 Strategy. It reflects the Fund's strategic objectives within the framework of its core mandate aimed at supporting the macroeconomic and financial stability in its member countries. The Country Strategy also defines the priority areas of activity for 2022–2026 to assist the Republic of Tajikistan in implementing structural reforms in its economy and improving its key institutions, upgrading the basic (energy, agriculture, road, social) infrastructure, and developing the human capital to ensure sustainable economic growth and promote integration processes in the Eurasian region.

In order to determine the priority areas of cooperation between the EFSD and the Republic of Tajikistan within the framework of the Fund's mandate of promoting the macroeconomic and financial stability, the Fund ran diagnostics of the macroeconomic environment for the Strategy period, including debt sustainability analysis and stress tests. Taking into account the country's priorities enshrined in the national strategic and policy documents, as well as the results of its own diagnostics of structural and institutional constraints and working in close coordination with the key ministries and agencies of the Republic of Tajikistan, the EFSD identified the main areas of reforms, the implementation of which will be supported through budget financing and/or technical assistance provided to the authorities in 2022–2026. Again in close cooperation with the country's authorities, the Fund identified the priority areas for upgrading the basic and social infrastructure to be supported with targeted financing and grant programmes.

Since the EFSD resources are limited, the Fund determined the priority areas of its activity for 2022–2026 taking into account the priorities and objectives of the key development partners in the Republic of Tajikistan, with which bilateral consultations were held, as enshrined in their strategic documents. Such coordination will be instrumental in maximising synergies and, thus, will improve the efficiency of using the Fund's resources in assisting the Republic of Tajikistan in maintaining the macroeconomic stability, creating conditions for the country's sustainable development and improving the living standards of the population, including the achievement by the Republic of Tajikistan of a number of Sustainable Development Goals adopted at the UN Summit in September 2015:

Goal 1: no poverty.

Goal 2: zero hunger.

Goal 3: good health and well-being.

Goal 4: quality education.

Goal 6: clean water and sanitation.

Goal 7: affordable and clean energy.

Goal 8: decent work and economic growth.

Goal 9: industry, innovation and infrastructure.

Goal 10: reduce inequalities within and among countries.

Goal 16: peace, justice and strong institutions.

Goal 17: partnership for sustainable development.

1. Socio-Economic Environment and Challenges to Sustainable and Inclusive Economic Growth in the Republic of Tajikistan

Although the economic growth of the Republic of Tajikistan decelerated to 4.5% in 2020, its average rate during the past decade was about 6.8% (see Figure 1). However, the per capita income remains low, among other things due to high natural growth of the population. In 2020, the GNI per capita, calculated using the Atlas method (World Bank), was US \$1,060 in Tajikistan, which is the lowest level among the EFSD recipient countries. Although the share of the population with incomes below the subsistence level (based on the national definition) has declined over the past five years, it remains very high (26.3% in 2019) (see Figure 2).

It should be noted that the sustainability of the existing economic growth model is exposed to high risks. They are associated with strong dependence of the economic activity on external factors, including foreign investments (among other things those mobilised by the state) and remittances from labour migrants, working mainly in Russia.

Figure 1. Real GDP Growth, y-o-y, %

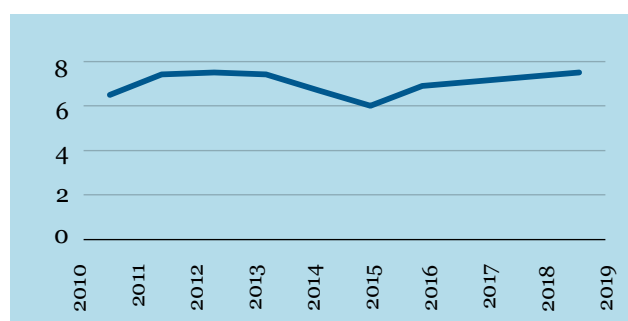


Figure 2. Poverty Rate, %

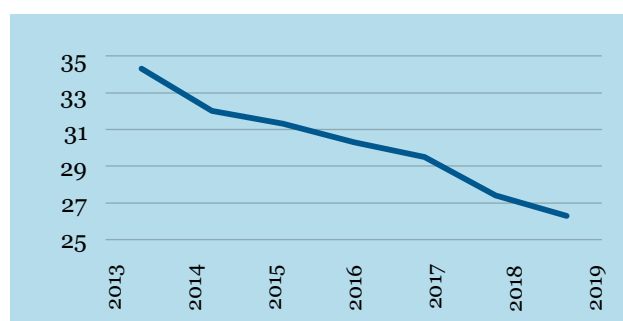


Figure 3. Fiscal Balance, % of GDP

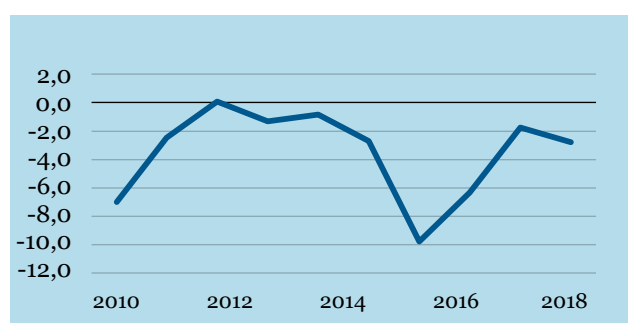
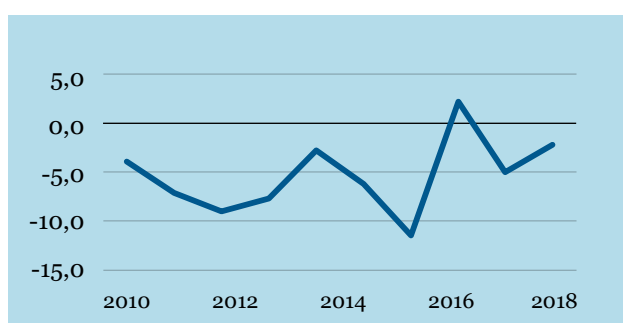


Figure 4. CA Balance, % of GDP



Source: official statistics of the Republic of Tajikistan, the World Bank, calculations of the EFSD Project Unit.

The strong fiscal stimulus for the economy observed over the past decade has led to the accumulation of imbalances that pose risks to the macroeconomic and financial stability. In 2010–2019, the country's budget was executed with a persistent deficit, averaging at 3.5% of GDP (see Figure 3), while the public debt level increased from 37.2% to 44.5% of GDP during that period. Excessive dependence on remittances, which averaged at 34.7% of GDP in 2010–2019, poses significant risks to the balance of payments, especially given the relatively low export diversification. The average annual current account (CA) deficit was 5.3% of GDP (see Figure 4) in 2010–2019, and the international reserves reached 5.2 months of imports as at end-2019.

Another source of risks in the economy is the low efficiency of the state-owned enterprise sector. They are present in 21 of 28 sectors of the economy, many of them occupy a dominant position, and in some sectors they are monopolies. However, an assessment of the performance of major state-owned enterprises shows that their cumulative losses exceeded 5% of GDP in some years, which boosts quasi-fiscal risks and may create an additional burden on the state budget. The main source of such risks is Barki Tojik, the national energy holding, whose total debt to creditors exceeded 30% of GDP in 2019.¹

Weak enabling environment for doing business and excessive state regulation, including non-transparent practices and lack of uniform criteria for granting tax and customs benefits, hinder the investment activity growth and the private sector development. In 2010–2019, the average level of private sector investment was about 16% of GDP (based on national estimates, including investments for the construction of the Rogun Hydroelectric Power Plant (HPP)). In recent years, there have been positive trends emerging in some sectors of the economy, which demonstrate output growth, including the production of cement, oil, poultry farming, etc. However, most small and medium-sized enterprises continue to face serious administrative barriers and an excessive tax burden. The country's authorities recognize this problem and, in 2021, developed a new Tax Code that sets out uniform principles for granting tax benefits in order to improve the practice of tax regulation.

Against the background of continuing strong restrictions on private sector development, the financial sector is at an early stage of its development. Due to a significant differential between the borrowing and the lending interest rates, there is a potential for banks to evolve as the main institution for the redistribution of financial flows and a potential source of domestic investment. As at end-2020, despite relatively rapid growth of lending during the year (+12%), the total loan portfolio of banks amounted to 12.9% of GDP, and lending to private individuals was only 2.2% of GDP.

The COVID-19 pandemic had a moderately negative impact on the economy, which was due to low spread of the virus in the country. A slowdown in global investment, migration, and trade flows explains a deceleration of Tajikistan's GDP growth to 4.5%. Despite additional Government spending on social assistance and antiviral measures, as well as a shortfall of tax revenues, the budget deficit remained at the same level as in the previous year (3%) due to cuts of low-priority expenditures and higher grant assistance. However, the international assistance provided in the form of loans led to a significant increase in the country's external debt – it grew by 7.4 p.p. reaching 43.2%. Expansionary monetary policies aimed at supporting domestic investments, combined with an adjustment of the exchange rate of the local

¹ Most of this is debt to the Ministry of Finance of the Republic of Tajikistan.

currency and growth of food prices, resulted in inflation accelerating from 8% up to 9.4%. Therefore, anti-inflationary measures will be essential in the coming years.

In the long term, the economy can develop in a sustainable way only if it addresses the challenges of upgrading and developing the basic infrastructure of the following sectors: energy, agriculture, and transport. Potential shortages of electricity in winter and the economy's dependence on subsidised electricity – the current electricity tariffs do not cover the costs of its generation, distribution, and transportation – pose grave risks to the competitiveness of the economy of Tajikistan if market principles are introduced for setting the tariffs, which would lead to pressures on the state budget and the social sphere. The challenge associated with outdated infrastructure is also relevant for the water sector, including drinking water supply and irrigation, which is critical for the development of agriculture and the food security of the country.

In the long term, the challenge related to the human capital will be getting increasingly more relevant for Tajikistan. Underdeveloped social infrastructure, especially in rural areas, limits access to education, healthcare, and social protection services for a large proportion of households, thus constraining the economic mobility of the population and creating prerequisites for inequality growth. Moreover, there are additional structural imbalances emerging in the labour market – the existing structure of the economy is not able to provide highly productive jobs for the growing young population of the country. Creating a favourable environment to adapt the economy to structural changes in the labour market is another long-term challenge for the economic policy of the Government. The development of targeted policies in this area would reduce the risks of growing unemployment and informal activities, higher outward migration of the most qualified labour and social instability.

2. Current Cooperation between the EFSD and the Republic of Tajikistan

2.1. Support to the Republic of Tajikistan in Ensuring Macroeconomic Stability and Implementing Structural and Institutional Reforms

The Republic of Tajikistan became the first country of operations of the Fund, receiving a financial credit in 2010. Over the past 10 years, the EFSD, in cooperation with other development partners and within the framework of its key mandate, has provided financial support to Tajikistan to ensure the macroeconomic and financial stability, as well as to develop the institutional capacity and the human capital.

Since the beginning of its work in the Republic of Tajikistan, the EFSD has provided about 22% of the total amount of stabilisation financing received by the country from all donors, in particular:

- In 2010, the EFSD disbursed a financial credit to the Republic of Tajikistan in the amount of US \$70 million. The credit was provided to support the state budget in the context of a significant increase in expenditures related to overcoming the consequences of natural disasters and a shortfall of budget revenues due to weaker foreign economic activity.
- In 2016, one tranche of a financial credit in the amount of US \$20 million² was provided to support the Reform Programme of the Government and the National Bank of the Republic of Tajikistan. The main goal of the Programme was to enhance the resilience of the economy to internal and external shocks through the implementation of more stringent monetary and fiscal policies and a number of structural measures aimed at strengthening and developing the financial, fiscal, and energy sectors.
- In 2020, the Republic of Tajikistan, in close coordination with key donors, received a financial credit in the amount of US \$50 million with minimum conditionality requirements. The goal of that credit was to support the budget in financing measures to mitigate the consequences of the COVID-19 pandemic to ensure a recovery of the economic growth and prevent a drop in the living standards of the population.

The implementation of the budget support programmes contributed to achieving progress in the following important areas of institutional and structural reforms:

- eliminating multiple exchange rates and improving the regulatory framework for foreign exchange regulation;

² The total amount of the credit was US \$40 million.

- introducing a new arrangement for budgeting salaries and wages for civil servants aimed at improving the transparency of the remuneration system;
- supporting reforms to ensure the financial recovery of the energy sector, including the preparation of an inventory of debts, the development of new tariff policies;
- carrying out activities aimed at making the financial sector more transparent, including disclosure of information about the main shareholders of commercial banks; and
- identifying constraints to the collection of primary information that impede the analysis of the effectiveness of the system of tax and customs benefits.

Regular missions of the EFSD Project Unit help maintain a dialogue with the authorities of the Republic of Tajikistan to effectively address the objectives of macroeconomic stabilisation and ongoing structural and institutional reforms. The EFSD also holds regular consultations with development partners on the macroeconomic situation and risks, as well as essential structural and institutional reforms. The key partners include the International Monetary Fund (IMF), the World Bank (WB), and the Asian Development Bank (ADB).

2.2. Support to the Republic of Tajikistan in Upgrading and Developing its Basic and Social Infrastructure

Assistance in energy sector modernisation

In 2013, the Fund launched consultations with the authorities of the Republic of Tajikistan and its development partners on the provision of investment financing using the EFSD resources to upgrade the energy sector, which is characterised by a high degree of asset concentration and a high share of the state (see Box 1). Until 2018, the tariff policy had been based on subsidised tariffs due to their high social significance. Taking into account the specifics of the energy sector development in Central Asia during the Soviet era, as well as the current high degree of depreciation of most of the energy generating facilities, the Republic of Tajikistan needs substantial financing to upgrade its key energy infrastructure facilities and, thus, ensure its energy security and energy independence. In particular, it is necessary to create sufficient energy generation capacities to ensure sustainable industrial growth, supply water to high-mountain agricultural areas, and meet the rapidly growing demand for energy on the part of households, especially in winter (an overview of the electric power sector is presented in Box 1).

Box 1. Overview of the Electric Power Sector of the Republic of Tajikistan

The energy sector of the Republic of Tajikistan is characterised by high concentration of assets and a large share of the state: more than 75% of the average annual power generation, as well as all

transmission and distribution networks are owned by the State National Energy Company Barki Tojik, Open Joint-Stock Holding Company (OJSHC). The activity of the energy holding is not aimed at making profits – the main goal is to supply electricity and heat to consumers of the Republic of Tajikistan. Therefore, the financial condition of the enterprise has deteriorated sharply: in 2014–2019, the average losses of the state-owned holding company amounted to 4% of GDP, and the stock of its debt reached more than 30% of GDP. This situation is complicated by the fact that Barki Tojik makes purchases from operating private enterprises at tariffs fixed in foreign currency. These enterprises include: Sangtuda HPP-1 Open Joint-Stock Company (OJSC), owned by Rosatom State Corporation (SC) (60.127%) and Inter RAO Public Joint-Stock Holding Company (PJSC) (14.872%); Sangtuda HPP-2 Joint Venture (JV), owned by an Iranian company Sangob until 2024; Pamir Energy Company OJSC, owned by the Aga Khan Fund for Economic Development (70%) and the International Finance Corporation (30%).

Taking into account its specific socially important role, the tariff policy had remained subsidised until 2018, when the Government of the Republic of Tajikistan, within the framework of the Energy Sector Financial Recovery Action Plan, decided to start rapid tariff increases by 15% per year through 2021 and then by 8% per year until 2025. The authorities also implement a programme of measures aimed at introducing best corporate governance practices at the state-owned holding company (introducing the institution of independent directors, streamlining the procurement policies), reducing its debt burden, and functional unbundling of the holding, with power transmission and distribution joint-stock companies created on the basis of Barki Tojik, but still subordinated to it.

Tajikistan has significant hydropower resources. The gross hydropower potential is 527 billion kWh, and the technical potential, which is taken as the economic one, exceeds 317 billion kWh.

The average long-term electricity generation in the energy system of Tajikistan is 18–19 billion kWh, with more than 95% of that generated at HPPs, including 94% generated at large and medium-sized ones.

Electricity generation at HPPs is seasonal and depends on the water flow in rivers. The lowest level of electricity generation is registered in the autumn and winter (October through April/May), when the demand for electricity is the highest. Electricity supply is the most reliable in summer, as at this time of the year, there is surplus electricity supply of 3–7 billion kWh. In the absence of domestic demand and opportunities to export electricity, the country has to make idle water discharges from reservoirs.

The main electricity user in the country is the utilities sector, consuming almost 47% of all electricity generated. The second largest consumer is industry (mainly TALCO State Unitary Enterprise (SUE)), accounting for 41%. Agriculture is the third largest consumer.

The largest HPPs in Tajikistan are: the Nurek HPP, located on the Vakhsh River, of a capacity of 3,000 MW (1972–1979) and the average annual electricity generation of more than 11.2 billion kWh; the Baipazinskaya HPP of a capacity of 600 MW (1988) and the annual electricity generation of 2.5 billion kWh; the Sangtuda HPP-1 (2009) of an installed capacity of 670 MW; and the Sangtuda

HPP-2 of an installed capacity of 220 MW (2014). In addition, the following facilities were built and are fully operational: the Vakhsh HPP Cascade on the Vakhsh River, including three HPPs of a total capacity of 285 MW (1962); the Varzob HPP Cascade on the Varzob River of a total capacity of 25 MW (1936–1949); the Kayrakkum HPP on the Syr Darya River of a capacity of 126 MW (1956); the Khorog HPP on the Gunt River (1971–1973) and the Pamir HPP-1 (1984–2005) of a total capacity of 37 MW in Pamirs. Tajikistan has a combined heat and power plant (CHP) of a total installed capacity of 718 MW as in 2017. As at 1 January 2018, the total installed capacity of power plants in the Republic of Tajikistan (including heat plants) was more than 5,757 MW.

In general, the existing capacities in the energy sector of Tajikistan are sufficient to meet the current demand in summer. Since 2009, the installed capacity of Tajikistan's power system has increased by 30% to 5,400 MW due to the launch of new power plants, including the Sangtuda HPP-1 (670 MW), the Sangtuda HPP-2 (220 MW), and the Dushanbe CHP-2 (400 MW). Peak loads have not increased in recent years, among other things due to energy saving measures, and are at the level of about 3.1 GW, which is 15% lower than the maximum value registered in 2008. After the launch in late 2016 of the second phase of the Dushanbe CHP-2 of a capacity of 300 MW, which, in addition to generating electricity, supplies the city of Dushanbe with thermal energy, the deficit of generation capacities was eliminated in Tajikistan even during the heating season: in the winter season of 2017–2018, the regulators decided not to impose limits on energy consumption for the first time in many years. In spring and summer, Tajikistan's energy system has historically had significant surplus electricity supply. However, the risks of seasonal electricity shortages may persist in the event of low-water periods, taking into account the specific share of electricity generated at HPPs, as well as due to the domestic energy consumption growing at a faster pace compared to the energy supply and depending on the pace of construction of the Rogun HPP and the filling of its reservoir.

On 22 May 2020, the Agreement on the Provision of an Investment Credit financed by the EFSD for the Nurek HPP Rehabilitation (Phase I) Project in the amount of US \$40 million came into force. The project is part of a comprehensive project for the Nurek HPP rehabilitation, which is financed jointly with the International Development Association and the Asian Infrastructure Investment Bank. It is expected that the recovery of the capacity of the Nurek HPP will lead to an increase in potential electricity generation by 6.6%. In the long term, successful implementation of the project, combined with the launch of the Rogun HPP at its full design capacity (3,600 MW), will result in a significant increase in the capacity of the energy system in Tajikistan, with electricity generation sufficient to cover the domestic demand and conditions put in place to expand the export potential.

Assistance in agriculture and water sector development

The share of agriculture in the GDP of the Republic of Tajikistan is about 20%, and 70% of the country's economically active labour force is employed in the agricultural sector. Irrigated agriculture is one of the sectors that are key to the sustainable development of agriculture. About 80% of agricultural products are produced by irrigated agriculture, and more than 90% of the total water withdrawal from natural sources is used for irrigated agriculture (an overview of agriculture and water sector is presented in Box 2).

Box 2. General Overview of the Situation in Agriculture and Water Sector in the Republic of Tajikistan

The reorganisation of agriculture, carried out since 1996, has led to a significant increase in the number of users of irrigation water, while the volume of water withdrawal for irrigation purposes remained unchanged. At present, there are more than 120,000 dekhkan (individual) farms, 600 cooperative farms, 700 dekhkan collective farms, 6 agricultural firms, and 119 associations of dekhkan farms. They have replaced 754 collective farms, state farms, and inter-farm enterprises, which operated in 1996, ensuring the country's food security and employment for the rural population. It has greatly complicated the activities of operating entities and worsened the condition of intra-farm irrigation and collector-and-drainage networks, despite the fact that 385 water user associations have been established in the country to maintain and operate intra-farm networks.

The water infrastructure of Tajikistan was mainly built in 1930–1980, about a third of the country's gravity irrigation network facilities are near their capacity and require urgent repair and recovery. Pumping stations are of particular concern, as 73% of 1,500 pumping power units were installed in 1946–1970 and 20% – in 1971–1986. The service life of pumping power units exceeds the standard by 3–4 times, which is the reason for unsustainable electricity consumption and weaker reliability of irrigation water supply. Due to the lack of financial resources, 56 pumping stations commissioned in the 1960s have failed and 13,400 hectares of irrigated land have been withdrawn from agriculture. About 50,000 hectares of irrigated land are in an unsatisfactory reclamation condition due to the poor performance of the collector-and-drainage network, which, in turn, is due to an increase in the level of groundwater and secondary salinisation. About 100,000 hectares of irrigated land require improved water availability, while the annual volume of work to clean and repair networks hardly covers half of the needs. These factors disable a qualitative change in the condition of irrigated lands.

In order to improve the situation in the water sector, the Decree of the President of the Republic of Tajikistan dated 19 November 2013 “On Improving the Composition of Executive Bodies of State Power of the Republic of Tajikistan” launched the process of reforms in the water sector of the country. Based on the Decree, the Ministry of Land Reclamation and Water Resources of the Republic of Tajikistan was eliminated, and the functions related to the water policy implementation were delegated to the newly created Ministry of Energy and Water Resources of the Republic of Tajikistan, while the functions related to land reclamation and irrigation were transferred to the newly created Agency for Land Reclamation and Irrigation under the Government of the Republic of Tajikistan. In addition, in order to implement water sector reforms, the Government of the Republic of Tajikistan adopted a Resolution dated 30 December 2015 approving the Water Sector Reform Programme of the Republic of Tajikistan for 2016–2025.

The water sector reforms entail important institutional changes, including the transition from administrative and territorial water management to basin management. This process is supported by the WB (the Kafirnigan River Basin), the ADB (the Pyanj River Basin and the Lower Vakhsh River Basin), the European Union (EU) (the Zarafshan River Basin), the Swiss Agency for Cooperation and Development (the Syr Darya River Basin), the Islamic Development Bank (partly – the Lower Vakhsh River Basin and the

Pyanj River basin), and other international organisations. Since 2015, the international organisations have launched and implemented projects in the field of agriculture, totalling US \$252.5 million.

In 2019, the EFSD Project Unit intensified the dialogue with the authorities of Tajikistan on potential support to national programmes for the development of agriculture and water sector. In November 2020, the EFSD Council approved the preliminary application of the Ministry of Finance of the Republic of Tajikistan for an EFSD-funded investment credit to finance the project “Support to Irrigated Agriculture Potential in the Republic of Tajikistan” in the amount of US \$30 million. The main goals of the project are to improve the efficiency of irrigation systems, expand the area of utilised agricultural land, develop the institutional capacity, and ensure the technological upgrading of the Agency for Land Reclamation and Irrigation under the Government of the Republic of Tajikistan. Within the framework of this project, fixed assets will be upgraded – mobile mechanical reclamation and irrigation divisions will be restored and equipped with the necessary modern machines and mechanisms, the cascade stations of Zafarabad district will be rehabilitated, and technical assistance will be provided in the selection and training of qualified personnel for equipment maintenance. As a result of the project implementation, the agricultural potential of Zafarabad district will be restored – agriculture is the main area of activity for more than 67,000 people living there.

Support of Government social sector programmes

Due to significant budget constraints, the key social sectors in the Republic of Tajikistan are persistently underfinanced that largely determines the unfavourable institutional environment and low level of development of the health and education infrastructure in the country. That, in turn, poses great risks to the human development and constrains the social and economic mobility of the population. Therefore, the priority area of the fiscal policy of the Republic of Tajikistan is to ensure the fulfilment of Government obligations to expand the access of the population to quality health and education services and generally improve the living standards of the population.

To support social sector development programmes in low-income countries, in 2015, the EFSD launched its grant programmes in social sectors. The Republic of Tajikistan has taken an active part in contests for grant programmes. At present, grant projects are implemented in two main areas: health and education sectors.

Health sector

The main document that defined the goals and priorities in the field of healthcare for the period of 2010–2020 was the National Health Strategy. The strategy was aimed at implementing important measures in health financing, including the nationwide rollout of per capita financing of primary healthcare and more than doubling government expenditures on healthcare in general. This strategy was also aimed at achieving the following results:

- strengthening maternal, new-born, child, and adolescent health;
- prevention and control of infectious diseases;

- decreasing the burden of non-communicable and chronic diseases; and
- health determinants and forming of a healthy lifestyle.

At present, a new National Health Strategy for the period up to 2030 is being developed. Building on the achievements of the previous National Health Strategy, the new strategy will focus on the following objectives:

- to address the main problems identified in the healthcare system by focusing on its structural elements: healthcare management, health financing, provision of medical services, and resources for healthcare;
- to improve the management of national health and welfare programmes;
- to develop the public healthcare system with an emphasis on integrated primary healthcare services; and
- to promote intersectoral collaboration on health-related issues within the framework of healthcare management in order to ensure the alignment of policies and promotion of health in general and the relevant sustainable development goals.

Certain goals and priorities in the field of healthcare for the period up to 2030 are also defined in the National Development Strategy of the Republic of Tajikistan. The main objectives defined in this strategy are to expand the provision of primary healthcare to the population; improve the quality of diagnostics and all types of healthcare; and shift the focus to preventive medicine. In accordance with the National Strategy, the priorities in the health sector are:

- systemic changes in healthcare (including the introduction of insurance-based health financing arrangements, the creation of a sustainable legal framework, and the development of public-private partnerships in the health sector);
- formation of a competitive environment in the medical services market;
- improved availability, quality, and efficiency of healthcare services;
- development of resources for healthcare; and
- implementation of healthy lifestyle models.

Box 3. General Overview of the Situation in the Health Sector of the Republic of Tajikistan

At present, there are about 12 national programmes in Tajikistan, including those on the fight against tuberculosis, diabetes mellitus, cancer, heart diseases, HIV, drug addiction, and many other diseases.

One important area of the health sector reform is to give priority to primary healthcare and family medicine, as well as maternal and child healthcare, which is considered one of the main tasks of healthcare.

Over the past 30 years, the number of hospitals has increased, the technical facilities of clinics have improved, and the number of medical personnel has grown. But despite all this, there are still problems to be addressed.

In the 1990s, there were about 2,500 health institutions in the Republic of Tajikistan. Since then, their number has almost doubled and reached approximately 4,300 in 2020. Additional 132 healthcare facilities are planned to be created in 2021. In addition, there are about 717 private clinics in the country. Over the past 14 years, more than a thousand new multidisciplinary health institutions have been opened throughout the country. In 2019–2020, more than 300 items of medical and pharmaceutical equipment and about 150 ambulances were purchased.

The largest facilities to be noted include the Dushanbe health complex “Istiklol”, the national medical centre “Shifobakhsh”, city medical centre No. 1, as well as oblast clinical hospitals in Khorog, Khujand, Kulob, Bokhtar, and Dangar.

Per capita financing has been introduced in all first aid institutions. In 2020, it was raised to TJS 59 for urban institutions and TJS 48 for rural areas.

Within the framework of grant programmes, the EFSD supports the Republic of Tajikistan in improving its healthcare system. The EFSD grant project “Caravan of Health (Republic of Tajikistan)” is under implementation. The main goal of the project is to improve prevention and detection of diseases in rural and hard-to-reach areas. Within the framework of the project, two road trains were delivered to the Republic of Tajikistan and handed over to the Sughd and Khatlon oblast hospitals. Each road train consists of three mobile medical complexes and a crew vehicle. In addition, the project covers the development of organisational and methodological documentation and outreach materials for the road trains to hold events related to preventive examinations, primary disease prevention, and health education of the population in rural and hard-to-reach areas of the country, as well as to train the health and technical staff of the beneficiaries involved in the implementation of the project. The main phase of the project implementation started in Q2 2021.

Education sector

One of the main documents that defined the goals and priorities in the field of education was the 2012–2020 National Strategy for the Development of Education of the Republic of Tajikistan. The strategy was aimed at: developing the physical capacity; introducing new education technologies; strengthening the human capital; modernising education system management; implementing new financing arrangements; and establishing social partnerships in the field of education. In addition, reforms were carried out to improve the efficiency and transparency of the sector. For instance, in 2005–2010, per capita financing of general education institutions was introduced. It proved to be a good practice and served as a basis

for the introduction of per capita financing of pre-school education institutions, launched in 2014. The introduction of this practice is also planned in the field of higher education in the near future. It should also be noted that, since 2007, a medium-term public expenditure framework has been developed and implemented, and since 2010, programme budgeting has been gradually introduced in the education sector. Nevertheless, the relatively low share of budget expenditures on education in the context of a decrease in the average age of the population suggests that the goals of the 2012–2020 National Education Strategy remain relevant.

The goals and priorities in the field of education for the period up to 2030 are also defined in the National Development Strategy of the Republic of Tajikistan. The key objectives, according to the strategy, are to expand access to quality school education, which is seen as the basis of human capital, as well as to improve the quality of education and the scientific performance. The following priorities are identified:

- ensuring the equality and the accessibility of education (including the development of a set of measures for the construction and recovery of state institutions of preschool and school education in cities and rural areas; the development of appropriate infrastructure);
- improving the quality of education at all levels;
- improving the financial sustainability and efficiency in the education sector;
- developing national research and development centres; and
- building the country’s scientific capacity and successfully realising it.

Since 2020, the EFSD has supported the implementation of the project of the Russian Federation and the Republic of Tajikistan “Construction and Material and Technical Support of Five General Education Institutions” (for 1,200 children each) in the cities of Dushanbe, Kulob, Khujand, Bokhtar, and Tursunzade. In its capacity of a channel of official assistance from one of the main sovereign donors of the region, the EFSD contributes to strengthening integration in the CIS and ensuring universal access of the population of the Republic of Tajikistan to education in the context of the current demographic trends – the share of the child population is growing owing to a high birth rate. In November 2020, specialists from the Project Implementation Unit started their work. In Q2 2021, the preparation of the tender documentation was completed, and a tender was held for design, survey, and construction work under the project. The selected contractor started its work in early Q3 2021.

3. EFSD Strategic Objectives for 2022–2026

3.1. Defining EFSD Strategic Objectives for 2022–2026

Taking into account the main challenges to long-term sustainable economic growth of the Republic of Tajikistan, as well as the strategic priorities of the country's development and improvement of the living standards of the population (see Box 4), the EFSD, in its capacity of a regional financing and development arrangement, identifies the following long-term priorities for cooperation between the EFSD and the Republic of Tajikistan:

- to enhance the macroeconomic and financial stability;
- to reduce structural constraints in the economy;
- to improve the performance of state-owned enterprises;
- to support the private sector development;
- to upgrade the basic infrastructure in the energy, transport, and agricultural sectors;
- to develop the human capital; and
- to implement climate actions.

Box 4. Overview of Strategic Priorities of the Republic of Tajikistan

The main document regulating the strategic priorities of the Government of the Republic of Tajikistan is the National Development Strategy of the Republic of Tajikistan for the period up to 2030. The main goal of the strategy is the transition from the current agro-industrial economic model to an industrial (ideally – post-industrial) growth model. The three main areas of reforms are:

- to strengthen the country's institutional capacity;
- to develop the human capital; and
- to improve the efficiency of the real sector of the economy and ensure high-quality economic growth.

As part of strengthening the country's institutional capacity, it is planned to make the activities of state bodies more transparent; introduce elements of e-government; and develop the strategic planning system and project management methods at the state level. It is planned to develop the

system of local government, delegating more powers and funding to local authorities. Another important priority in this area is the fight against corruption. To this end, procedures for regular audit of state projects will be introduced, wages in the public administration sector will be reformed, and the system for declaring incomes and expenses of civil servants will be improved.

The human capital development implies an improvement in the living standards of the population and the labour force quality. The main areas of reforms in this field are: to reform the education and science system to improve the accessibility and the quality of education; to develop the healthcare system; to strengthen the social protection of the population; to develop cultural values and norms through the modernisation of the system of state support for culture and art; to form a favourable environment by making housing more affordable and developing the system of utility services; and to reduce social inequalities, among other things by managing gender imbalances.

Qualitative economic growth is to be achieved through reforms in four main areas:

The first area is changing the structure of the real sector of the economy by expanding the share of industry, especially manufacturing, ensuring the country's energy independence and developing the export potential of the energy sector, strengthening the integration potential of the Republic of Tajikistan through investments in the transport infrastructure.

The second area is reforming the labour market by creating high productivity jobs, diversifying migration flows, and reducing the share of the informal sector of the economy.

The third area is developing the financial sector of the Republic of Tajikistan through the development of the banking system, harmonisation of the national financial legislation with that of the Eurasian Economic Union (EAEU) countries, improvement of the financial literacy of the population, and development of a framework for derivatives.

The fourth area is improving the investment climate through active coordination with the World Trade Organisation, reforming the tax legislation, developing small businesses in regions, and implementing international standards for product quality and safety.

In order to clarify the goals of the EFSD in the Republic of Tajikistan during the Strategy implementation period, four strategic objectives have been identified to focus the Fund's efforts in 2022–2026. Several key factors, including the macroeconomic conditions and risks, long-term priorities of the Republic of Tajikistan, and challenges to its sustainable growth, as well as the availability of the necessary competencies, expertise, and adequate resources of the Fund (see Figure 5), were taken into account in determining the priorities of cooperation within the framework of these strategic objectives and the mandate of the Fund.

Figure 5. Defining EFSD Strategic Objectives in the Republic of Tajikistan for 2022–2026



Source: EFSD Project Unit.

3.1.1. Objective 1. Promote Macroeconomic and Financial Stability

Since the economy of Tajikistan remains highly vulnerable to external shocks, during the Strategy implementation period, the EFSD, in its capacity of a regional financing arrangement, will assist the country's authorities in maintaining the macroeconomic and financial stability, including prompt support to the budget and/or balance of payments in the event of crises. To achieve this key objective, the EFSD will focus its efforts in 2022–2026 on the following priority activities:

- regular macroeconomic monitoring and forecasting, including updated forecasts of key macroeconomic indicators, fiscal and balance of payments gap assessment, debt sustainability analysis, and stress tests;
- continued close consultations with the national authorities on the need for financing to maintain the macroeconomic stability, including the sustainability of the budget and the balance of payments;
- continued close dialogue with key development partners (IMF, WB, ADB, EU agencies) concerning the macroeconomic and social environment, as well as additional financing needs, in the event of worsening of the fiscal and/or balance of payments crisis;
- provision of timely updates to the shareholders on the macroeconomic situation in the Republic of Tajikistan, as well as on emerging financing gaps and other risks; and
- provision of emergency financing in case the shocks that contribute to the formation of financing gaps materialise.

3.1.2. Objective 2. Support Structural and Institutional Reforms

During the Strategy implementation period, the EFSD will contribute to the creation of conditions to enhance the sustainable economic growth potential in the Republic of Tajikistan through support of efforts of the Government and the National Bank of Tajikistan (NBT) in implementing structural and institutional reforms. The main tool of cooperation will be EFSD financial credits to support the budget, subject to submission of an application by the authorities. Taking into account the long-term challenges to sustainable economic development of the Republic of Tajikistan, as well as the identified strategic priorities of the country, the EFSD sees the following priority areas of reforms for 2022–2026, in which the Government and the NBT could be assisted under potential budget support programmes:

- to enhance the budget sustainability;
- to enhance the efficiency of granting tax and customs benefits;
- to improve the quality of economic policy;
- to improve the performance of the energy sector;
- to enhance the social protection mechanisms.

Quasi-fiscal risks may be mitigated through stronger oversight of individual state-owned enterprises and improvement of the overall monitoring framework. Stronger oversight involves the development of financial monitoring of certain large state-owned enterprises (implementation of independent audit, including the publication of relevant audit reports). The monitoring system could be improved by updating the methodology for assessing quasi-fiscal risks on the basis of this information (approval of a new methodology of fiscal risk assessment and preparation of regular assessment reports).

Enhanced efficiency and transparency of the system of granting tax and customs benefits could significantly improve the business climate in the country and generate additional budget revenues. The tax and customs policies can be made more effective by eliminating the practice of granting individual benefits, as well as by introducing a methodology for assessing the effectiveness of new types of benefits and estimating budget revenue shortfalls due to existing benefits on a regular basis. The goals can be achieved if appropriate amendments are made to the tax and budget legislation of the Republic of Tajikistan. If implemented, this package of measures would help create a level playing field and significantly improve the business climate in the country, while increasing the revenues of the state budget.

To improve the quality of economic policy, it is necessary *to enhance the relevance and transparency of economic information*. The problem can be addressed through transition to modern international methodologies in the publication of monetary and fiscal statistics and an expansion of the list of analysed and published statistical data (quarterly national accounts, statistics of foreign exchange interventions, key indicators of the energy sector performance, reports on banks' compliance with macroprudential ratios).

Improved transparency in the following two areas will contribute *to enhanced performance of the energy sector*: 1) expanding the list of published data (by posting the key performance indicators of Barki Tojik OJSHC on its website); and 2) maintaining the formats for financial data dissemination that existed before the functional unbundling.

Enhanced social protection mechanisms will contribute to further poverty reduction. At the same time, there are good reasons to consider the option of raising social benefits for the poor at a faster pace than has been done in recent years, as their levels are extremely low – about TJS 460 or US \$41 per year as at end-2020. The enhancement of the social protection should include combating energy poverty, taking into account the potential impact of higher energy tariffs on real incomes of vulnerable groups of the population, as well as expanding the coverage and improving the targeting of social protection mechanisms – adjustments to the methodology for providing targeted social assistance, taking into account the number of household members receiving benefits, expanding the list of categories of citizens entitled to social assistance.

3.1.3. Objective 3. Assist in Upgrading the Basic Infrastructure

Transport infrastructure

Transport infrastructure is of particular importance for the Republic of Tajikistan, given its geographical location. In 2020, the total length of roads of international, national, and local importance was 14,000 km, the length of public railways was 680 km. There are four civil aviation airports in the country, offering flights to 20 destinations in 11 countries around the world. The contribution of transport to the country's GDP is about 8%.

The network is underdeveloped in the Republic of Tajikistan, and many roads are in a poor technical condition, which is a result of insufficient funding for this sector in the 1990s and 2000s and an obstacle to improving the efficiency of the economy and expanding the country's engagement in international trade and integration processes in the region. An important objective is also to upgrade and develop the railway transport, where it is possible to realise significant international transit potential along the North–South and East–West routes.

In accordance with the National Development Strategy of the Republic of Tajikistan for the period up to 2030, the following main areas are suggested for the country to focus its efforts on: creation of transit transport corridors; development of transport support for industrial zones within the framework of projects of national importance; development of new mineral deposits; reduction of transportation costs; enhancement of road safety; and others. It is planned to finance projects for the development of the country's transport infrastructure mainly with funds provided by international donors and development partners.

According to the Central Asia Regional Economic Cooperation Programme (CAREC) Transport Strategy 2030, approved in January 2020, four out of six planned CAREC multimodal transport corridors pass through the territory of the Republic of Tajikistan, which emphasises the country's central position in the system of transport links in the region.³ Under the CAREC Transport Strategy 2030, ten priority

³ In order to expand the engagement of the Republic of Tajikistan in the international economic cooperation and unleash the country's transit potential, back in 1993, the Republic of Tajikistan decided to participate in the Transport Corridor Europe–Caucasus–Asia (TRACECA) Project, and in 1998, a decision was made to participate in the CAREC programme, within the framework of which the interaction between regional partner countries and the IFIs is particularly active.

investment projects for the construction and rehabilitation of roads, totalling US \$1.1 billion, and a project for the construction of Tajikistan–Afghanistan–Turkmenistan railway, with financing of US \$238 million, are to be implemented in the Republic of Tajikistan. Tajikistan participates in the CAREC and TRACECA multilateral initiatives that creates more favourable conditions for the country to mobilise funding from the leading IFIs, such as the WB, the EBRD, the ADB, and some others.

During the Strategy implementation, it is planned to intensify the dialogue with the Ministry of Transport of the Republic of Tajikistan on the option of mobilising EFSD funds to finance potential infrastructure projects, primarily for the construction and rehabilitation of roads of great socio-economic importance for the country as part of the transport corridor development under the CAREC programme. It is also planned to hold preliminary consultations to identify the interest of the country's authorities in mobilising EFSD funds to finance projects in the area of railway transport. The implementation of such interstate projects will open new transport corridors and contribute to greater integration of countries of the region in value chains in the context of globalisation of the world economy. These consultations are to be held in close cooperation with other donors, including the ADB, which is the coordinator of the CAREC programme and acts as its secretariat. There will also be further consultations with the WB, which is launching its Regional Economic Framework for Central Asia (REFCA).

Agriculture and water supply

The National Development Strategy of the Republic of Tajikistan for the period up to 2030 defines the main actions to achieve the strategic goals defined for agriculture, including the food security and access of the population to quality food, as well as the expansion of productive employment in the country.

During the Strategy implementation, work in this area will be focused on supporting the potential of irrigated agriculture, in particular to expand and/or supplement projects financed by other IFIs. Starting in 2022, it is planned to launch the implementation of the project “Supporting the Potential of Irrigated Agriculture in the Republic of Tajikistan”.

Energy sector

The National Development Strategy of the Republic of Tajikistan for the period up to 2030 defines the development of the energy sector as a priority strategic objective and provides for an increase in electricity generation by HPPs from 16.8 billion kWh in 2015 to 37.6–41.6 billion kWh in 2030. The achievement of the objective will contribute to improving the energy security and independence of the Republic of Tajikistan, help increase the volume of electricity generated, reduce the likelihood of electricity shortages in winter, recover and increase the capacity of HPPs, and reduce their operation and repair costs. In addition, after the launch of the CASA-1000 project (tentatively in 2023) and the connection of the Nurek HPP to it, the supplies of surplus electricity generated in summer to Afghanistan and to Pakistan via Afghanistan are more likely to increase. Moreover, the National Strategy identifies the main indicators – 10/10/10/10-500, which means an increase in the installed generation capacity to 10 GW; a decrease in network technical and commercial losses to 10%; an increase in electricity exports to 10 billion kWh per year; diversification of generation sources by 10% with more than 500 million kWh per year additionally generated using renewable sources energy and energy efficient technologies.

In support of the objectives outlined in the National Development Strategy of the Republic of Tajikistan, the EFSD will continue to actively implement the Nurek HPP Rehabilitation Project, including the purchase and installation of autotransformers and auxiliary equipment. In parallel, within the framework of supporting institutional reforms, consultations will continue on approaches to raising tariffs and improving the efficiency of the national energy holding Barki Tojik (see Box 5). It is planned to begin negotiations with the authorities on the participation of the Fund in financing the second phase of the Nurek HPP rehabilitation, as well as projects to improve the efficiency of electricity supply to settlements and electricity metering as part of a comprehensive reform of the country's energy sector.

Box 5. Measures to Improve the Efficiency of the National Energy Holding

The Action Plan of the Government of the Republic of Tajikistan for the Financial Recovery of the National Energy Holding Barki Tojik⁴ (hereinafter referred to as BT), dated 15 April 2019, is aimed at enhancing the sustainability of the energy sector, while mitigating quasi-fiscal risks for the budget. This Plan included a package of measures in the following areas: raising electricity tariffs (to cover justified economic costs); introducing measures to improve debt collection; restructuring BT's debt (revision of sub-loan agreements between the Ministry of Finance of the Republic of Tajikistan and BT; writing off bad receivables of BT; mutual settlements between the Ministry of Finance, BT, and the Agency for Land Reclamation and Irrigation; repayment of the debt of TALCO SUE to BT; quarterly debt monitoring); and introducing the best corporate practices (completion of the functional unbundling of BT with joint-stock companies created; development of market mechanisms in the energy sector; establishment of a regulator; introduction of new billing systems).

3.1.4. Objective 4. Promote the Development of Social Sectors

In 2022, the Fund will actively assist the Ministry of Health of the Republic of Tajikistan in completing the second (final) phase “Organisation and Implementation of Preventive Examinations, Monitoring, and Evaluation” of the Caravan of Health (Republic of Tajikistan) Project. It is planned to complete procurement procedures under the project in the first half of 2022. The EFSD-supported COVID-19 Mobile Diagnostic Project (Republic of Tajikistan), which is currently prepared for implementation, is to be developed, with procurement completed in the second half of 2022. It is also planned to complete the active phase of construction of secondary schools in 2022.

It is planned to further expand the grant portfolio in the Republic of Tajikistan in the social sectors of the economy and public administration through EFSD grant contests held to finance social projects in the member states of the Fund, as well as by working on potential joint projects with other international donors operating in the country (and/or supplementing their projects with those funded by the EFSD) in the area under consideration. The largest donors include the ADB and the WB (see Section 5).

⁴ The Action Plan builds on its earlier version dated 5 April 2017 and its predecessor – Resolution of the Government of the Republic of Tajikistan No. 302 dated 3 May 2014 “On State Support and Rehabilitation of Barki Tojik OJSHC”. The Action Plan is implemented within the framework of the current National Development Strategy of the Republic of Tajikistan for the period until 2030.

4. Coordination of Support with Development Partners

The EFSD pays special attention to the coordination of its planned support with key development partners in the Republic of Tajikistan, including the IMF, the WB, and the ADB. Given the limited resources of development partners and the EFSD, as well as the complexity of the structural and institutional reforms to be implemented, and the vast financing needs for basic and social infrastructure modernisation and development, such close coordination will enhance the effectiveness of support in certain areas of cooperation and achieve maximum synergies in helping the Republic of Tajikistan create the conditions for sustainable, inclusive, and catch-up development. The following main areas of support by key development partners in the Republic of Tajikistan were taken into account when developing the Fund's priorities outlined in the Strategy.

Support to structural and institutional reforms

The ADB Country Operations Business Plan 2021–2023 includes six main areas of support: transport infrastructure; energy sector; public administration sector; healthcare and education; agriculture and improving the quality of life in rural areas; and water supply to urban areas. It is also planned to develop the financial sector and improve the public finance system. A number of these areas overlap with the priority areas of the Fund's activities, and cooperation will be aimed at implementing comprehensive reforms in the energy sector, improving the public finance system and budget support during the period of the economic recovery following the crisis caused by the COVID-19 pandemic.

The WB Country Partnership Framework 2019–2023 for the Republic of Tajikistan covers seven main areas of reforms to be supported: development of the education sector; improvement of the quality of health services; improvement of the quality of life in rural areas; enhancement of the financial sustainability of the energy and water sectors; enhancement of the performance of the tax and statistical services; improvement of the business environment and the export potential; and infrastructure development. Financial credits will be provided to ensure the financial recovery of the energy sector in accordance with the WB Programme, also supported by the ADB and the EBRD. In addition, within the framework of improving the quality of life of the population in rural areas and combating poverty, the EFSD, in coordination with the WB, plans to assist in developing a system of targeted social assistance.

Regular consultations between the EFSD Project Unit and the IMF team, together with IMF press releases following missions to the country, provide an opportunity to outline the IMF's main recommendations for improving the quality of macroeconomic policy, including greater exchange rate flexibility, reforming the tax legislation, enhancing the stability of the banking sector, and reducing quasi-fiscal risks.

Energy sector reform

Reforms in the energy sector are supported by the WB, the ADB, the EBRD, and, recently, the IMF (if the programme is launched). Key support in this area is provided by the WB within the framework of the ongoing programme in the energy sector of the Republic of Tajikistan.⁵ That programme (US \$479 million) supports important government measures: a plan to raise tariffs for end users (by 15% per year through 2021 and by 8% over 2022–2025; development and implementation of a floating tariff methodology); successful solution of some debt collection problems (the target is 95% collection of amounts billed for electricity by 2024, full payment of debts by TALCO SUE, operational settlements between budget energy consumers and BT, reduction of accounts receivable); and reduction of the debt burden (the harmonisation of the terms and conditions of sub-loan agreements between the energy holding, the Ministry of Finance, and donors in terms of grant funds was successfully completed in 2019, and in terms of borrowed funds, it is expected to be completed in 2021; streamlining BT's procurement policy).

The goals of projects implemented by the ADB largely overlap with those of the WB, but there are a number of areas specific to this organisation: for example, the ADB sees expansion of the energy infrastructure in rural areas as one of the ways to reduce the energy poverty, while its projects to reform the legislation on state-owned enterprises, to introduce corporate governance elements (independent directors) at those enterprises, and implement escrow account systems and new billing systems should reduce quasi-fiscal risks faced by the Government of the Republic of Tajikistan.

The work of the EBRD in the area of energy sector reforms is similarly aligned with the WB and covers support of the legislative reforms carried out by the WB in the sector (support to the functional unbundling of BT in 2018–2020, support to the Government's Action Plans of 2017 and 2019) and support to the financial and operational stability of municipal infrastructure operators, as well as measures of the Government of the Republic of Tajikistan to reform related sectors (new tariff methodology for the water sector in 2017).

During the Strategy implementation period, the EFSD will continue to closely coordinate its work with the key donors to support reforms and projects aimed at developing the energy sector.

Assistance in upgrading the basic infrastructure

The key donors, including the ADB and the WB, plan to provide comprehensive support for the development of agriculture in accordance with the goals of the National Development Strategy of the Republic of Tajikistan, ensuring its resilience to risks and product diversification. For example, the ADB and the WB will support the upgrading of irrigation systems. In addition, the two institutions are going to implement projects to enhance resistance to natural hazards associated with river flooding. In addition, the ADB plans to implement a previously postponed project for the development of animal husbandry.

The EFSD, together with the ADB and the WB, will finance the development of irrigation systems, which, combined with the reforms supported by the partners in other areas, will ensure comprehensive support to the sector.

⁵ The WB Power Utility Financial Recovery Programme for Results Project in the Republic of Tajikistan.

Support to social sectors

Since 2018, the ADB has implemented a grant programme in the amount of about US \$32 million to assist the Republic of Tajikistan in improving its healthcare services in three districts of the country. Within the framework of the project, it is planned to upgrade the infrastructure and equipment in central district hospitals and rural health centres and improve the public awareness of health issues. The project will also support the country's efforts to establish a national medical equipment management system. The project is expected to be completed in 2025. In addition, in accordance with the ADB Country Operations Business Plan 2021–2023, it is planned to allocate about US \$40 million (ADFgrant) and US \$15 million (as co-financing) for the rehabilitation and reform of the healthcare system.

Since May 2014, the World Bank has implemented a project in the Republic of Tajikistan to improve healthcare services. The initial amount of the project financing was about US \$20 million. It was supposed to be implemented within five years in seven districts, covering a total of 1.86 million people in eight districts of Khatlon and Sughd oblasts, or about 25% of the population. In June 2016, the World Bank allocated additional financing in the amount of US \$10 million to continue the implementation of the project, and in December 2019, another US \$10 million was allocated.

During the Strategy implementation period, the EFSD will continue its close dialogue with the key development partners in the Republic of Tajikistan regarding the implementation of grant programmes in the social sectors, including health and education, as well as public administration.

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