

DRAFT

REPUBLIC OF TAJIKISTAN



**NATIONAL DEVELOPMENT STRATEGY
OF THE REPUBLIC OF TAJIKISTAN
FOR THE PERIOD TO 2015**

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Table of Acronyms

CSIP	Centralized State Investment Programme
FDI	Foreign direct investment
GBAO	Gorno-Badakhshan Autonomous Region
GDP	Gross Domestic Product
HIV	Human Immunodeficiency Virus
HPP	Hydropower plant
MTBF	Medium-Term Budget Framework
MDGs	Millennium Development Goals
NDS	National Development Strategy
NGO	Non-governmental organization
PHC	Primary health care
PIP	Public Investment Programme
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
RRS	Region of republican subordination
SMEs	Small and medium-sized enterprises
WTO	World Trade Organization

1. INTRODUCTION

Tajikistan has entered a new phase in its development. With a view to establishing a platform for the country's further development, in 2005 the President of the Republic of Tajikistan initiated the drafting of this National Development Strategy (NDS), which is intended to provide for an orderly long-term development process in accordance with the Millennium Development Goals (MDGs).

As Tajikistan's principal strategic document, the National Development Strategy defines the priorities and general thrust of government policy, which is focused on achieving sustainable economic growth, expanding the public's access to basic social services and reducing poverty.

The NDS represents a fundamentally new approach to promoting development, which takes into account experience gained elsewhere in the world in the drafting and implementation of similar strategic documents, lessons learned and conclusions drawn from the country's earlier phases of development, as well as the realities and prospects for development on the ground.

All of the state, sectoral and regional conceptual frameworks, strategies, programmes and plans for the country's development currently in place and under development, as well as the activities of all government agencies, are based on the National Development Strategy.

The National Development Strategy serves as a tool for engaging in a dialogue with the business community and non-governmental organizations.

It is envisaged that the development of technical and financial assistance programmes for Tajikistan will be based on the National Development Strategy.

2. PHASES AND PRINCIPAL CHALLENGES OF TAJIKISTAN'S ECONOMIC DEVELOPMENT

The country faced serious economic difficulties in the early 1990s arising from the collapse of the USSR and the transitional period: the end of budget subsidies from the Soviet Union; aggravation of the socio-political situation and civil war, which cost the country's economy more than 7 billion USD; a steep decline in production; macroeconomic instability; and rapid impoverishment of the population, among other things.

The focus of the **initial phase** of post-Soviet development covering the years 1992-1997 was to achieve political stability and create basic market mechanisms. In 1992-1996 Tajikistan's gross domestic product (GDP) shrunk by a factor of more than 3, performance indicators of sectors in the real economy fell by a factor of 2-10 and inflation rose to several thousand percent. Even essential items were unavailable and poverty assumed threatening proportions.

In spite of the difficulties, a targeted economic policy was pursued which consisted primarily of the development of new market-based economic relations. The main emphasis was on large-scale multi-vector economic reforms.

As a result, the downward spiral of the country's economic crisis was halted, the foundations were laid for development of the economy, and in 1997 economic growth, albeit slight, was achieved for the first time.

Stabilisation of the socio-political situation created a conducive environment for post-conflict recovery, expansion of economic reforms, full-scale implementation of economic programmes and the performance of ambitious measures as part of the **second phase** of development. The country's economic development followed an upward trajectory in 1997-1999.

The steady deepening of economic reforms, the involvement of new spheres of the economy in these reforms, the achievement of strategic and programme goals and the implementation of measures to promote macroeconomic stability enabled the country to post strong economic growth indicators starting in 2000: annual growth in GDP was 9.3% in 2000-2005; inflation fell to 6-7%; and external debt, which was equal to 108% of GDP in 2000, dropped to 39% of GDP.

The strong growth and macroeconomic stabilisation over the past five years also contributed to a drop in the country's poverty rate, from 81% in 1999 to 64% in 2003. The size of interregional differences in the poverty rate also declined, since the poorest regions reported the most significant reductions in poverty. The difference in poverty rates among the regions remains high, however, with a figure of 84% in Gorno-Badakhshan Autonomous Region (GBAO) and 45% in regions of republican subordination (RRS).

All of this has laid a solid foundation for further economic growth, for increasing the quantity and quality of basic social services and reducing poverty in the **new phase of development**. Tajikistan has a strong commitment to achieve further market development and the MDGs.

Many of the problems of the transitional period were dealt with in the previous development phases, although there are still quite a few tasks associated with Tajikistan's market transformation that need to be addressed. These involve, above all, the creation of an institutional and functional environment for national development, as well as a physical environment for economic development and expanded access to basic social services. Achievement of the MDGs is another key task. Further development of the rule of law and the formation of a modern civil society have an important role to play in the new phase of the country's development. This means that these tasks can and must be addressed by taking a comprehensive (block-based) approach to the current phase of development.

Tajikistan has at its disposal real opportunities to accomplish this, and taking advantage of these opportunities in an effective way can lay a solid foundation for economic and social development. It has: (1) large potentials of hydropower resources and fresh water; (2) diverse mineral resources; (3) Strong potential for the development of tourism; (4) availability of agricultural raw materials for industrial processing; (5) relatively large areas of undeveloped land suitable for agricultural use; (6) favourable conditions for the cultivation of environmentally sound food products; (7) advantageous strategic geographical position to leverage potentials as a transit country in future regional transport and communication; and (8) availability of a comparatively inexpensive labour force.

It should be noted that the country's economic development is influenced by a number of objective factors: (1) it is landlocked; (2) it is far away from developed world economic centres; (3) it has a shortage of accessible oil and gas deposits; (4) it is fragmented into regions because of its natural and geographical features; (5) it has a small domestic market; (6) there is political instability in the surrounding region; and (7) there are high transaction costs associated with natural disaster recovery efforts and combating drug trafficking and terrorism.

In addition, there are some serious challenges to stable and long-term economic growth and to poverty reduction efforts in Tajikistan. The country will have to come up with responses to these challenges over the long term.

Ineffective public administration. The most important institutions – the government administration and the judicial and law enforcement systems – are not performing effectively enough. There is still too much interference by government authorities at all levels, including law enforcement agencies, in the operations of economic entities. The decision-making mechanism employed by government authorities remains complicated and is not transparent as far as the public is concerned. Effective mechanisms for civil monitoring of government agencies have not been developed and the low wages earned by employees in the public sector encourage corruption.

Weak investment climate. Tajikistan's inability to obtain large levels of investment can be explained to some extent by unfavourable economic conditions and its geographical location. At the same time, the main reasons for this situation are excessive administrative barriers, corruption, insufficient development of the public and private infrastructure and weaknesses in addressing key economic problems (low labour productivity, insufficient competition, low investment and underdevelopment of the private sector).

Inadequate competition. In certain regions artificial restrictions are often imposed on competition, which has a serious impact on the motivation of economic entities and decision-making. The majority of sectors of the economy are characterised by a low level of competition and there is still poor transparency in most enterprises which operate, in essence, as monopolies. State-owned enterprises operating in the market environment often receive overt or hidden privileges. Restructured agricultural enterprises are *de jure* considered independent market entities, however *de facto* they are hindered by interference on the part of government authorities.

Infrastructure limits on growth. Economic development is complicated by problems related to development of both the public infrastructure (transportation, power, telecommunications and other communication facilities, water supply and sanitation) and the private infrastructure (banking and insurance, the securities market, leasing, information technology). The measures that are being undertaken to draw investment into these sectors are insufficient. This is the result, to some extent, of deficiencies in the institutional environment. What is needed is an environment that will ensure transparent decision-making about the targeting of investments. There also needs to be close monitoring of spending outcomes and support for the development of public-private partnerships.

Sharp decline in human capital. Delays in legislating minimum state social standards, the slow pace of reform in social sectors and the low rate of return on funds that are spent mean that people are being denied access to education and medical and social

services and that the quality of these services is poor. Coupled with a decline in personal income, this is contributing to a drop in the level of human development in the country, inadequate receptivity of the public to the latest progressive management techniques and entrepreneurial experience, and relatively low income among labour migrants. This complicates progress in the area of human rights, legislation and social justice.

Problems in the management of external migration. The high rate of population growth (2.2% per year), in spite of continued family planning efforts, is aggravating the problem of a labour surplus in Tajikistan. The acute nature of external labour migration problems caused by high unemployment within the country means that the creation of new jobs and the upgrading of existing jobs, the preparation of migrants for work abroad and providing protection for the rights and interests of labour migrants in other countries have top priority.

Inadequate implementation of reforms at the local level. The centralisation of government revenues and insufficient clarity with regard to the rights, powers and accountability of local governments and local self-government authorities mean that they are not actively involved in the implementation of reforms at the local level. This leads to the continuation of existing problems and it reduces incentives for regions to seek out effective ways to enhance their own competitiveness, improve their attractiveness from an investment standpoint and define their place in the division of labour within the country.

Limited results from international cooperation. Tajikistan's participation in the international economy is characterised by a low level of diversification of production and exports and poor use of competitive advantages in the export market. The limited extent of cross-border cooperation reduces opportunities for transit, technology exchange, and dynamic development of the country's own production facilities, and it exposes the economy to external shocks caused by fluctuations in demand and prices in international markets.

Inefficient structure of the national economy. Consequences of the inefficient structure of the national economy can be seen in the declining contribution of the real sector to GDP and the country's limited export opportunities. Other telltale signs include the vulnerability of key macroeconomic indicators to changes in external trade conditions, poor results from privatisation, the negligible contribution made by micro-, small, and medium-sized enterprises to the country's economy and the scarcity of innovation activity. A large proportion of small business remains "in the shadows", without being registered and without paying taxes.

Inadequate enforcement of laws, protection of human rights and development of civil society. The country's development cannot be achieved without ensuring the supremacy of laws and human rights and freedoms that have been enshrined in law, without harmonisation of the country's legislation with international laws, and also without a developed civil society. The majority of problems in this sphere arise from the weakness of the judicial system and poor development of legislation, which has inadequate enforcement mechanisms.

All of these challenges create a set of risks, and the extent to which they are addressed through the deepening of the appropriate reforms will determine the country's further development. To this end, all measures that are being planned and undertaken should meet the following criteria:

One. They should stimulate economic growth in accordance with the following conditions: 1) medium- and long-term economic growth will proceed at a rapid pace and will be sustainable; 2) growth will be accompanied by progressive structural shifts and broader participation by the private sector, it will provide for diversification and enhance the country's competitiveness.

Two. Reforms that go beyond the economic sphere will be of key importance for economic growth. The creation of an effective management system, both at the central government level and at the local level, will ensure stable functioning of the economy. A fair judiciary and a law enforcement system that operates with integrity are vital components as well.

Three. The reform of sectors associated with the development of human potential, in particular education, health care and social welfare, is a long-term priority, along with the development of social partnerships based on this process and the promotion of human rights.

Four. The implementation of any measures for the country's social and economic development should not undermine the level of macroeconomic stability that has been achieved. The key factors in ensuring macroeconomic stability at this time are the Government's commitment to a balanced fiscal policy, maintaining the stability of the exchange rate of the national currency and a steady decline in inflation.

Five. Fundamental improvement of the institutional system is a realistic way to achieve the goals that have been set. The development of clearly defined and comprehensible "rules of the game" and the consistent orientation of national legislation toward common goals and its harmonisation with international standards provide a common foundation for achieving socio-economic development goals based on democratic principles and the requirements of a market economy. The creation of public-private and social partnerships and the promotion of basic democratic human rights are also vital steps in this process.

3. THE NDS IN THE NATIONAL DEVELOPMENT SYSTEM

The National Development System and the NDS. The administrative system currently in place does not comply with the standard requirements for management of the national development process. The country's goals, tasks, programme documents and plans are not interconnected or vertically integrated. Potential partners in the management of development (the private sector and civil society) are not sufficiently involved in this process. The system of government agencies and the human resources within this system do not meet the demands of a market economy. Furthermore, the allocation of limited financial resources frequently is not consistent with the priorities set forth in national strategic documents, and this makes what is already a complicated system even more problematic.

In connection with this, there are plans to create a National Development System within the framework of the NDS. It will have a clearly defined and vertically organised superstructure of strategic documents, programmes and plans (programme goals and tasks, planning and plan implementation, quality oversight and performance monitoring) on the one hand, and corresponding administrative structures for the management of this process – both vertically and horizontally, on the other hand.

With a view to providing for a systematic national development process and ensuring that this process is comprehensive and consistent, all national, sectoral and regional strategies and programmes need to be reviewed and brought into conformity with the requirements of the National Development System and the NDS priorities.

The organisational system for management of the development process, which consists of administrative bodies, their functions and tasks, need to be revised. The principal approaches to the establishment of this system are outlined in the Government Reform Strategy, which was approved by Decree No. 1713 of the President of the Republic of Tajikistan of 15 March 2006. Implementation of this Strategy will be an important step toward improving the administration of the development process and ensuring that the proper systematic approach is taken to the organization of management.

The NDS is a strategic and basic document of the state that defines the country's long-range development goals and tasks. All of Tajikistan's development partners (the business community, civil society, donor countries and international organizations) should focus their programmes and plans on these priorities within the context of effective public-private and social partnerships. (The process for participation in drafting the NDS is outlined in Appendix 1.)

All tactical documents should also proceed from the priorities and key elements of the NDS. This means that the goals and tasks set forth in the NDS should serve as the basis for other documents dealing with development issues as well.

Successful implementation of the NDS requires the identification of measures aimed at achieving specific goals and carrying out assigned tasks. It also depends on the consistent performance of these measures, and the powers and effective operation of those structures responsible for its implementation.

Interconnection between the NDS and the Poverty Reduction Strategy. Measures to implement the NDS over the medium term should be reflected in various programmes and plans, such as the Government's medium-term programme, the Poverty Reduction Strategy (PRS), which is integrated with the Medium-Term Budget Framework (MTBF), the Public Investment Programme (PIP) and medium-term foreign aid programmes of donor organizations.

The NDS and PRS comprise a single package of documents for the country's development. The NDS is intended to define the priorities and directions for the long-range strategic outlook within this framework, while the PRS is an action plan that outlines the implementation of the NDS over a three-year period.

A list of current Government actions is approved annually by the Government in accordance with the PRS and sectoral and regional programmes and plans.

NDS blocks. The structure of the National Development Strategy is determined by the content of its sectoral sections. The sectoral sections of the NDS are organised into three blocks, which in turn are defined by their role and place in the achievement of strategic goals:

(a) the Functional Block, which provides for the appropriate institutional and functional environment for development and encompasses the following sectors: public

administration reform; macroeconomic development; improvement of the investment climate; development of the private sector and entrepreneurship; regional cooperation and integration into the global economy;

(b) the Production Block, which is responsible for the physical environment to support economic growth and brings together the following sectors: food security and development of the agro-industrial complex, and the development of infrastructure, communications, energy, and industry;

(c) the Social Block, which provides for expansion of access to basic social services and the resolution of social development issues. It is comprised of the following sectors: development of the health care system; development of the education system and science; expansion of access to water supply, sanitation and housing and municipal services; improvement of social welfare; promotion of gender equality; and environmental sustainability.

4. GOALS, PRIORITIES AND PRINCIPLES

Proceeding from the country's development phases, the challenges and conditions of economic growth, as well as the experience of post-Soviet reform, a vision, national goals, principles and priorities of Tajikistan's development have been elaborated.

Vision statement. The people of Tajikistan seek to create a prosperous state in which all members of society will have equal opportunity to enjoy the fruits of political, social and economic development. This entails a comprehensive approach to the renewal and development of political institutions, social benefits and economic potential. Public administration will be reformed to ensure that it operates efficiently based on the supremacy of democratic principles and the rule of law.

At the same time, the aim of public policy will be to improve the quality of life for the country's people, reduce poverty, provide social protection for vulnerable segments of the population and ensure the healthy development and education of children. Young people need to be given the opportunity to develop their potential. All able-bodied women and men should have the ability to realise their goals in life, provided that they are not in conflict with the law. These efforts will be based on all-round social and economic development that has the capacity to satisfy the material and spiritual needs of the people for the sake of the country's future development. Tajikistan will take its proper place in the global community.

The National Development Strategy of the Republic of Tajikistan for the period up to 2015 is intended to bring this vision to life.

National goals and priorities. The following national goal has been set on the basis of the vision statement for the country's long-term development: *to strengthen social and political stability and to achieve the economic prosperity and social well-being of the people of Tajikistan in an environment shaped by the supremacy of the principles of a market economy, freedom, human dignity and equal opportunities for each person to realise his or her potential.*

Effective and transparent government, a just society that provides for protection and human development, and sustainable economic growth are key components of the overall goal.

The following **national priorities** have been identified as part of the NDS for successful achievement of the overarching goal:

1. Reform of public administration with a view to creating a national development system in the country, the principal features of which are transparency, accountability and a focus on combating corruption;

2. Development of the private sector and attraction of investments, based on the expansion of economic freedoms, strengthening property rights and the rule of law, and development of public-private partnerships;

3. Development of human potential aimed primarily at increasing the quantity and quality of social services for the poor and achieving the MDGs, expanding public participation in the development process and strengthening social partnerships.

Principles. It takes time to bring about the reform and development of a country's economy, as a rule, and the individual characteristics of the given country need to be taken into account: the level of its economic development; the specific features of its political system; its history and traditions; its geography, including the peculiar aspects of its administrative-territorial divisions; and the pace and consistency of reforms during the transitional period.

In light of this, the following general NDS principles have been established:

- utilisation of the goals, priorities and key directions of NDS activities as a basis for other social and economic policy documents, and also as benchmarks for the country's aid programmes;
- alignment of sectoral and regional policies, and all programmes and plans that have been adopted and are under development, with the NDS;
- improvement of the status, functions and potential of central and local government authorities and civil society institutions with a view to creating a national development system;
- promotion of human rights and human development; support for transparency and openness in government institutions; involvement of civil society in the policy development process and in the assessment of policy results at the national and local levels; establishment of democratic control over government administration;
- the pursuit of a predominantly intensive path of economic development and effective utilisation of available resources, including foreign aid;
- coordination of the activities of all the development partners.

Target indicators. Quantitative economic and social target indicators have been selected to measure progress in the implementation of the NDS. The target indicators for the social sector are based on the MDGs. (Both sets of indicators are provided in Appendix 2.)

Three different scenarios served as the basis for the target macroeconomic indicators. Varying assumptions regarding the effectiveness of the reform process, external market conditions, the political situation in the region, the volume of foreign and domestic investment and the type and amount of foreign aid provided to Tajikistan define the three scenarios. Section 5.5 of this document contains a description of the development scenarios.

5. CREATION OF THE INSTITUTIONAL ENVIRONMENT FOR DEVELOPMENT (FUNCTIONAL BLOCK)

The role of the functional block of NDS sectoral sections (public administration reform, macroeconomic development, improvement of the investment climate, development of the private sector and entrepreneurship, regional cooperation and integration into the global economy) is to create an institutional and functional environment that will promote the country's development.

Joint planning of sectoral priorities and actions within the context of a unified block makes it possible to raise the level of collaboration among various agencies and to strengthen the effectiveness, coordination and targeting of planned actions.

5.1. Core Problems

In spite of the gains that have been made and the immense efforts undertaken by the state in the area of institutional and economic reforms, these reforms are still not keeping pace with the rapidly changing economic situation. Because fundamental social reforms are lagging behind, the quantity and quality of social services remain low. There has been negligible improvement in the estimated real unemployment rate and the private sector and entrepreneurship are not playing a significant role in providing employment for the redundant population. In the macroeconomic sphere this is linked to deficiencies in public administration, macroeconomic policy, the entrepreneurial and investment climate and foreign economic policy.

The system of public administration currently in place still retains features of the previous directive-based system. It is cumbersome and ineffective and it shows signs of redundancy and excessive administrative control. The state continues to play too large a role in economic activity. Its regulatory functions are not suited to the developing market relations and indirect regulation is being introduced too slowly, which is leading to increased corruption.

The civil service system is faced with the problem of finding qualified personnel to fill its ranks because it is not viewed as an attractive employer in the labour market. Government agencies do not have clearly defined criteria for the hiring and placement of personnel and there is no human resources management system in place.

The distribution of functions and authorities among central and local governments and local self-government bodies is not adequately defined. This impairs the effectiveness of work done by government authorities at the local level. The absence of a clearly defined

assignment of functions related to providing services to the public contributes to a dissipation of limited resources and their inefficient use. Local governments do not have sufficient authorities to address local problems and as a result these problems are dealt with by central government bodies or they are not dealt with at all.

Local self-government bodies cannot ensure public access to effective and high-quality services. The operations of *jamoat* administrations, the level of government closest to the population, need to be improved to fully comply with the principles of local self-governance.

The institutional and functional structure of judicial and law enforcement authorities do not meet the requirements of a market economy and democratic principles.

The status of human and physical capital is deteriorating rapidly, which in turn is leading to a decline in the country's potential. The low level of diversification of the economy and undeveloped export potential make the country more vulnerable to exogenous factors. Mechanisms for market-based regulation of the economy are poorly developed, including instruments based on macroeconomic regulation. The sectoral policy that is being pursued gives short shrift to national priorities and actions.

Insufficient potential among entities in the economic block with regard to the development of economic, monetary and fiscal forecasts means that any efforts to improve government macroeconomic policy fall short. This sector is also hampered by insufficient cooperation at the institutional level. The principal mechanisms for the distribution of resources, such as the budget, the PIP and the CSIP, have still not been integrated and consolidated into a single process. Furthermore, they are poorly coordinated with sectoral and regional programmes and plans, development priorities and aid programmes.

There is limited potential for the financial assessment of measures that are being planned, and there are no mechanisms for identifying the most important measures. Little attention is given to the economic acceptability of the public debt burden and its connection to poverty reduction. Not enough consideration is given to the impact of monopolies and monopsonies at the sectoral and intersectoral level in the drafting of the country's economic policy.

Tax (customs) and monetary policies are poorly coordinated with development priorities. The development of small and medium-sized enterprises is hampered significantly by high lending rates charged by banks. A securities market that provides for the free flow of capital has not yet been created.

Growth in the agricultural sector is being slowed down by a number of problems arising from the fact that the land reform process has not been completed. Unresolved problems involving actual land purchase and sale practices also have a detrimental effect, and are coupled with the inefficiency of the cotton sector, a decline in the motivation for cultivating this crop, continuing government regulation and difficulties in obtaining financial resources. The situation in the sector is aggravated by a significant debt burden among owner-operated cotton farms and low crop yields.

The entrepreneurial and investment climate in the country is limited by the legislative framework, which is spotty, incomplete and overly complicated. There are other problems

associated with the execution of contracts, corporate governance, inadequate protection for property rights and excessive administrative barriers.

There is no legislation addressing organizational forms and methods for the regulation of small and medium-sized businesses. Monitoring procedures are not transparent and they are too burdensome for businesses. This gives rise to more unwarranted audits and under-the-counter payments. The monitoring procedures do not provide effective protections for the rights of the businesses being regulated. Complicated and costly procedures related to verifying that domestically produced goods and imported products are in compliance with established standards are a significant barrier for entrepreneurs, and the list of products subject to mandatory certification is quite long.

Difficult border-crossing procedures create significant obstacles for importers and exporters in Tajikistan. The import-export process is very complicated, which leads to high costs and corruption. Factors that have an adverse effect on the business climate in the country include excessive and complicated visa requirements and the poor quality of rail and air transport services.

The development of entrepreneurial activity is also hampered by the fact that privatisation processes have not been completed and privatisation has not been sufficiently targeted in key areas. Poor management of state-owned enterprises leads to low labour productivity, underutilisation of available capacities and an inadequate sophistication in the technologies employed.

Entrepreneurial activity is also limited by weaknesses in the public infrastructure (power supply, transportation) and private infrastructure (the credit and insurance system). Accounting practices do not include depreciation.

Government support for entrepreneurship is not organised in a systematic way and does not take into account budget losses from existing concessions. Not enough support is given to sectors in which the country specialises, such as light industry and the food industry. Entrepreneurial statistics are incomplete and surveys of this sector are conducted irregularly. The infrastructure to support small businesses is poorly developed and entrepreneurial and investment risks remain very high.

Poor regional cooperation, in particular in trade and transit, also hinders access to foreign markets. An underdeveloped transportation and transit system and the absence of healthy competition in the transportation services market create additional difficulties for entrepreneurs. Complicated trade procedures and obstacles to border trade and movement of the labour force also have an adverse effect, along with the lack of a common customs system and energy system with neighbouring countries. The agreements that are being signed offer little support for addressing these problems and their resolution depends to a large extent on the policies of neighbouring countries.

Economic policy does not do enough in terms of support for and development of the country's export potential, including the export of highly processed products and educational, medical and other services. Little attention is given to the political and economic opportunities that could be opened up through cooperation with neighbouring Afghanistan.

The resolution of foreign economic problems is hampered by the lack of a transparent and effective mechanism for border and customs controls on the movement of goods, work, services and capital. Complications associated with the temporary entry and residence of foreign nationals, visa problems, and unresolved issues involving labour migration are other important concerns. Policies pertaining to tourism are inadequate.

A great deal of work remains to be done for accession to the World Trade Organization (WTO), which will require a change in trading conditions in Tajikistan. Domestic producers are not prepared to function under the conditions required by the WTO, and a special package of measures to prepare them for operating in the new environment has not been developed. Not enough is being done to take advantage of the opportunities offered by the global partnership for development called for in Goal 8 of the MDGs.

5.2. Development Priorities

The main priorities with regard to improving the *public administration system and macroeconomic development* are:

1. Creation of an effective national development system in accordance with the requirements of a market economy:
 - i. Improvement of the public administration system in accordance with the principles of a market economy;
 - ii. Creation of a modern, professional civil service;
2. Full-scale development of market regulatory mechanisms, including indirect regulatory methods:
 - i. More effective management of government finances and improvement of tax administration;
 - ii. Improvement of the macroeconomic planning, forecasting and statistics system;
 - iii. Improvement of monetary policy and the financial sector.
3. Development of administrative-territorial governance and formation of a full-fledged local self-government;
4. Reform of the judicial and law enforcement systems in accordance with democratic principles;
5. Diversification of the economy and enhancement of export potential.

The priorities for *improvement of the investment climate and development of the private sector and entrepreneurship* are:

6. Reinforcement of legislation to improve the investment and entrepreneurial climate;
7. Better organization of procedures for regulating the activities of economic entities under all forms of ownership;
8. Expansion of support for business.

The NDS priorities with regard to *regional cooperation and integration into the global economy* are:

9. Further development of regional cooperation;
10. Integration into the global partnership system.

5.3. Key Areas of Activity

The key areas of sectoral activities within the framework of the NDS up to 2015 with regard to public administration reform, development of the private sector, integration into the global economy and regional cooperation will be:

1. Creation of an effective national development system in accordance with the requirements of a market economy

i. Improvement of the public administration system in accordance with the principles of a market economy

- Measures will be undertaken to introduce uniform methods for the systematic organization of national development goals and priorities, programmes and plans. National, sectoral and regional plans and programmes will be developed and implemented. The potential for the monitoring of these activities will be reinforced. Expanding the role of civil society in decision-making and in the implementation of decisions will be the focus of special attention.

- Steps will be taken to limit government control over economic activity and to eliminate interference by government agencies in business through the reorganization and reassignment of functions. At the same time, improvements will be made in government regulatory systems, including indirect regulatory, monitoring and supervision systems. The transparency and responsibility of government agencies will be increased.

ii. Creation of a modern, professional civil service

- Measures will be directed at improving the quality of professional training for civil service employees at all levels of government, at upgrading the system of employee compensation for civil service employees, as well as modernising the human resource management system, based on increasing incentives and eliminating corruption. Action will be taken to expand women's access to and participation in the decision-making process.

2. Full-scale development of market regulatory mechanisms, including indirect regulatory methods

i. More effective management of government finances and improvement of tax administration (fiscal policy)

- Measures will be aimed at further simplification of the tax system and improvements in granting preferences and customs concessions for foreign trade, with a view to promoting development of the private sector. A state-wide taxpayer registration system will be created that provides for the accurate enrolment, registration and ongoing monitoring of taxpayers. Access will also be provided to an information referral system for tax questions, which will allow for the transition to a computer-based system for the filing of returns and for making tax payments. With a view to modernising customs administration, customs tariffs will be optimised, the proper legal framework will be put into place, customs procedures will be simplified and new information technologies for customs processing and customs control will be introduced. There are plans to build additional customs infrastructure facilities, particularly on the border.

- Special action will be taken to make budget spending more efficient, including improvement of the budget process and a clear definition of the roles of all agencies involved in the process. The MTBF will be introduced in stages, the budget commission will exercise greater authority and the budget will be linked more closely to national priorities. Coupled with the introduction of the MTBF, improvements will be made in macroeconomic forecasting techniques and in the methods for determining the funding package. The PIP and CSIP will be coordinated with the tasks of the PRS and other programmes.

- With a view to improving spending efficiency, measures will be undertaken to increase responsibility and transparency in the management of government finances and to strengthen the potential for the development and execution of the republican and local budgets. An effective government procurement mechanism will be introduced and the government financial control system will be improved. Measures will also be undertaken to reform the salary system for civil service employees and persons employed in the public sector and to improve financing in the social sphere.

ii. Improvement of the macroeconomic planning, forecasting and statistics system

- Macroeconomic forecasting will be improved by boosting the potential of government authorities and by making direct use of forecasts in the preparation of draft state budgets and key budget indicators. The use of contemporary forecasting models and a better statistical base will enhance the quality of sectoral and regional forecasting. Improvements in macroeconomic planning will be achieved by taking into account the country's national priorities, sectoral measures and priorities, budget capacities and foreign aid.

- As far as improvements in statistics are concerned, there are plans to upgrade the institutional and legislative framework. This will promote the development of the national statistics system based on changes in the relevant legal documents and a revamping of the existing organizational structure. Reconsideration of the role currently assigned to statistics and improvement of technical coordination among compilers, including ministries, will also play a part. Measures will be aimed at improving the system of indicators for forecasting development in various sectors of the economy and the methodology for calculating key macroeconomic indicators. In addition, steps will be taken to upgrade the qualifications of specialists working within economic and statistical agencies to ensure that they are trained in the latest forecasting techniques. A system for statistical monitoring and assessment of the poverty rate will be developed and introduced.

iii. Improvement of monetary policy and the financial sector

- Monetary policy will focus on achieving moderately low inflation, which will encourage the economic growth that the country needs. Regulation of one of the money supply aggregates, changes in which will be adjusted in line with certain production growth rates, will be the basis for implementing monetary policy. Exchange rate policy will be based on a free-floating regime;

- Measures will be undertaken to bolster public confidence in the banking system by encouraging foreign financial institutions to enter Tajikistan's market and offering incentives for commercial banks to develop financial instruments that will make it easier for customers to take advantage of banking services. Efforts will also be directed at developing micro-

financial initiatives, and also at providing support for lower interest rates on long-term credits. Steps will be taken to develop noncash settlements (plastic cards), support will be provided for the foreign exchange market to shore up the methodological and technical framework, and an automated electronic trading system for foreign currency trading and electronic trading in goods, work and services will be introduced.

3. Development of administrative-territorial governance and formation of full-fledged local self-government

- The plan calls for measures to align administrative-territorial divisions with a redistribution of functions and to define the criteria for administrative-territorial divisions and the relationship among different levels of government and local self-government.

- With the aim of enhancing the effectiveness of local government bodies and local self-government, there are plans to reassign the functions and authorities of these bodies. Property will be allocated to them and they will gain financial autonomy. Local government bodies and local self-government will have greater authority to address issues of local importance.

4. Reform of the judicial and law enforcement systems in accordance with democratic principles

- The functions and tasks assigned to the judicial system, prosecutor's offices and law enforcement authorities will be aligned with democratic principles and the requirements of a market economy. To this end, a conceptual plan for reform of the judicial system, prosecutor's offices and law enforcement authorities will be drafted and implemented, among other things.

5. Diversification of the economy and enhancement of export potential

- With the aim of enhancing the country's export potential, a series of measures will be undertaken to increase the effectiveness of existing production operations focused on the export market. These efforts will be directed, in particular, at raising the profitability of the Tajik Aluminium Plant and the energy sector. Infrastructure, export-oriented and tourism investment projects, as well as projects with an emphasis on import substitution, will also play an important role in this process. Steps will be taken to settle debts in the cotton industry and to promote sustainable development of this sector.

- To meet the goal of diversifying exports, actions will be taken to encourage capital investment in the downstream processing of primary aluminium, in the textile industry and in the development of the mining industry.

6. Reinforcement of legislation to improve the investment and entrepreneurial climate

- With a view to promoting development of the private sector and attracting foreign direct investment (FDI), there are plans to establish a stronger regulatory and legal framework, including better tax and customs legislation. There will be more effective legal protection for the rights of investors and entrepreneurs. Measures will also be aimed at improving the legislation as it applies to investment, property rights and concessions. An

investment code that defines the legislative and organizational principles governing the formation, functioning and liquidation of corporations and small and medium-sized enterprises (SMEs) may be drafted. Other steps will be directed at according equal rights to domestic and foreign investors and establishing a single agency to promote investment. Micro-, small and medium-sized enterprises will be established as proper organizational and legal forms, and this will be combined with a detailed formal definition of their relationships with all government and administrative authorities. Tax policies that encourage legitimate business operations and hiring of employees will be put into place.

7. Better organization of procedures for regulating the activities of economic entities under all forms of ownership

- Steps will be taken to bring about the planned and orderly lifting of administrative barriers, including barriers that hinder access to public services and to the physical and private infrastructure. Equitable “rules of the game” will be established for public and private enterprises, and the possibility of introducing a “one-stop shop” business registration process will be studied.

Product certification procedures will be simplified to the maximum extent possible, the mandatory certification list will be shortened and action will be considered to recognize basic international standards and certificates of developed countries and regional partners, including recognition on a unilateral basis;

- Significant improvements will be made in the privatisation process, such as conducting a preliminary study of the market of potential investors before the privatisation process begins, requiring greater transparency of the auctions themselves and ensuring compliance with the conditions of privatisation. A programme to provide support for the privatisation and post-privatisation processes, based on the recruitment of consulting firms, investment companies and commercial banks to serve as intermediaries, will be developed and put into place.

- Measures will be undertaken to make border-crossing procedures more straightforward for importers and exporters, and customs and border clearance processes will also be simplified. Customs facilities and border crossings will be modernised. Computer systems will be installed at these sites, and the major border and customs posts will be open around the clock.

- In terms of air and rail shipments, action will be taken to liberalise the market and an environment will be created to attract new shippers. This will mean a substantial reduction in transportation costs for potential foreign investors and labour migrants from Tajikistan.

8. Expansion of support for business

- There are plans to involve civil society in efforts aimed at the implementation and monitoring of transparent and effective measures to provide state support for micro-, small and medium-sized business. These will include information support, training and development of the micro-financial services market to promote private entrepreneurship, particularly among rural women. The Government will help members of the business community set up various business associations. The establishment of a Presidential Investment Council comprised of representatives of SMEs, big business and the Government,

supported by a permanent technical staff, will also be considered. Efforts are planned to involve non-governmental organizations (NGOs), the business community and international organizations in the drafting and implementation of regulatory acts. Measures will be undertaken to establish a constructive dialogue between businesses and the state.

9. Further development of regional cooperation

- Steps will be taken to lower political and institutional barriers to regional cooperation. They will be aimed at expanding and deepening cooperation in trade and investment (for the free movement of goods, work, services and capital), transportation, communications and environmentally sustainable use of transboundary natural resources.

Expanding cooperation with Afghanistan, which will include providing support for entrepreneurs through public-private partnerships (information support, training, marketing services and export support) will be the focus of special attention. Steps will also be taken to set up systems for the effective use of hydropower potential and hydrocarbon reserves and to establish a united energy system;

- There are plans to develop a common strategy for economic cooperation and for the creation of a single economic space. This will entail the establishment of common customs tariffs and the elimination of customs control along internal borders. The existence of a common mechanism for the regulation of the economy and trade within the Eurasian Economic Community is also envisaged.

- Particular attention will be devoted to the establishment and smooth functioning of institutions for the effective implementation of bilateral and multilateral regional cooperation programmes and projects. Comprehensive measures aimed at the diversification and enhancement of export potential and the expansion of exports, including services, will be implemented.

10. Integration into the global partnership system

- The intention is to bring domestic legislation into conformity with the standards and rules of the multilateral trade system and to improve the mechanism for the practical enforcement of laws. Action will also be taken to promote Tajikistan's proper participation in global economic relations through intensification of the WTO accession process and preparing domestic producers for functioning in an open market environment;

- There are plans to eliminate discriminatory requirements that restrict the participation of foreign suppliers in Tajikistan's market by upgrading mechanisms for the internal regulation of businesses in the service sector;

- Steps will be taken to improve policies aimed at creating the necessary infrastructure and expanding the potential for the development and promotion of tourism, particularly ecotourism. These efforts will include enhancement of the legislative framework, training personnel and increasing the overall potential of human resources, and raising the quality of service and competitiveness in the tourism sector. At the same time, steps will be taken to preserve and restore valuable cultural and historical assets.

5.4. Anticipated Results

The expectation is that implementation of the measures being planned under the NDS to create the institutional and functional environment for development could produce the following results, taking external factors into account:

- An effective national development system will be created in Tajikistan, one that is based on clearly defined procedures for the adoption and implementation of regulatory decisions and that is consistent with the hierarchy of the country's government authorities. There will be significant progress in the development of other branches of central and local government, and in involving civil society in the adoption and implementation of government decisions;

- A uniform macroeconomic policy will be implemented that is aimed at achieving the goals and priorities of the NDS. Enhanced statistical resources will provide a more solid foundation for the decision-making process. Monetary, fiscal and other government policies will be aimed at achieving macroeconomic goals. The programmes and plans being implemented will be consistent with the national policies and will be backed up by all the resources required.

- Improved legislation and regulation with regard to investment and entrepreneurial activity will make it possible to achieve a reasonable level of domestic employment and an increase in the professional level and personal income of labour migrants. This in turn will make Tajikistan more attractive and accessible to domestic and foreign investors. The investment policy agency will have the potential and capacity to provide full information support to prospective investors and to promote key investment projects.

- Tajikistan's participation as a full-fledged member of the global partnership system will broaden opportunities for the country's businesses to deepen ties in every direction. The approach to developing tourism will help to mitigate adverse economic, social and environmental impacts associated with tourism. Exports from the country will grow and there will be a qualitative change in the structure of exports associated with their overall diversification. The process of entering and leaving the country will be eased considerably. Tajikistan will be integrated into global economic relations through its accession to the WTO.

- At the same time, it is anticipated that Tajikistan will receive support from the international community within the framework of Goal 8 of the MDGs: (a) in the further development of an open, rule-based, non-discriminatory trade and financial system; (b) in addressing the special needs of the least developed countries (an increase in foreign aid); (c) in addressing the special needs of a landlocked country (lifting of quotas, support for the development of trade potential); (d) in dealing with foreign debt problems; (e) in developing strategies for decent and productive work for youth, in providing access to affordable drugs and in making new technologies available.

On the whole, it is anticipated that the most effective macroeconomic scenario for Tajikistan's long-term development will be implemented as a result of a consistent and pragmatic policy to create the institutional and functional environment for development and poverty reduction, accompanied by targeted cooperation with all of the country's development partners.

5.5. Macroeconomic Scenarios for the Country's Development

Assuming the adoption of the provisions and measures outlined above, **three basic scenarios** for long-term development of the national economy are envisaged.

The scenarios describing the main socio-economic development parameters were outlined on the basis of different assumptions regarding changes in external and internal conditions and economic development factors.

The **first scenario** is characterised by development driven by the implementation of current infrastructure projects or those that have already been launched, as well as an increase in the load on existing capacities. Average annual growth in GDP under this scenario declines from 10.6% in 2004 to 5% over the course of the forecast period. Real growth over the two five-year periods is set at 27.63%, with the figure for the ten-year period reaching 62.89%.

This scenario assumes the continuation of reforms in various sectors of the economy and in public administration and the creation of an environment conducive to fair competition. Other assumptions include the elimination of excessive barriers to development of the private sector and entrepreneurial activity, reinforcement of and full protection for property rights, implementation of current high-priority projects, strengthening the rights of labour migrants and continued remittances from them.

The sluggish growth anticipated under this scenario is attributable to unfavourable external factors, such as the negative impact on Tajikistan's economy of the political situation in neighbouring countries and low prices for aluminium and cotton. Other adverse factors include substantial increases in energy prices, stiff competition in the external textile market, difficulties in attracting investment, and complications with the construction of hydropower plants (HPPs) and power lines for exporting electricity. The development of small and medium-sized business, a key factor in economic growth, will be unstable and slow as a result of the continued effect of administrative barriers. It is also assumed that the planned reforms will not enjoy a great deal of success at the initial stages. Reform in agriculture, which is a key sector, will proceed slowly, and this includes the settlement of cotton debts.

The results expected under this scenario will be modest, since GDP per capita will be in the neighbourhood of 421.1 USD in 2010 and 533.7 USD in 2015, compared to 337 USD in 2005.

This scenario is clearly viewed as the "scenario of diminished expectations" in light of the Government's firm resolve to pursue more ambitious reforms. Furthermore, it does not reflect the fundamentally different internal and external economic situation that has emerged and the totally new psychology that has taken hold among the country's population. It also fails to account adequately for the fact that people have embraced the reforms and the course that has been undertaken to reform the national economy is now irreversible.

The **second scenario** calls for economic growth of up to 7% during the entire forecast period. Real growth over the two five-year periods is projected at 40.3%, with the figure for the ten-year period reaching 96.7%. This scenario assumes not only the successful implementation of existing projects and the pursuit of reforms referred to in the first scenario, but also construction of facilities planned in the energy sector: Rogun and Sangtuda HPPs 1

and 2 and high-voltage electric power lines. It also assumes the completion of projects in the industrial sector, primarily in nonferrous metallurgy, such as the modernisation of the Tajik Aluminium Plant and construction of a new aluminium smelter and a cement plant in Khatlon Region. A public-private partnership will be established, which will foster an environment for the successful performance of NDS tasks by the private sector.

This scenario also takes into account key factors such as improvement of investment flows, more active development of entrepreneurship and commercial activity and more effective involvement in foreign trade activity.

The reforms that are being implemented in public administration, as well as those aimed at creating an environment for development of the private sector and entrepreneurship and providing protection for property rights, will meet with great success. The judicial system, which is in the process of reforms, will be consistent with the requirements of a market economy. The agricultural sector will experience dynamic development and cotton debts will be settled.

But, as under the first scenario, external factors such as the political situation in neighbouring countries, regional cooperation and prices for cotton and aluminium, will not always be favourable for Tajikistan. Under this scenario GDP per capita will reach 472.6 USD in 2010, and 806.2 USD in 2015, compared to 337 USD in 2005.

The **third scenario**, like the second scenario, anticipates accelerated growth based on an improvement not only in market factors, but a strengthening of the entrepreneurial, investment and innovation components of development as well. The assumption is that the reforms outlined under the second scenario will also meet with success under the third scenario. This scenario calls for growth in GDP of at least 9% per year, an increase in real GDP by a factor of more than 2.3 over the ten-year period and growth in domestic investment in fixed capital as a percentage of GDP to 11–12%, compared to 8.6% in 2005.

The main factors contributing to this strong growth will be diversification of the economy, sustained rapid growth in the contribution of small and medium-sized businesses to GDP and the implementation of fundamental and decisive reforms in social sectors, such as education and health care in particular. Completion of major projects planned in the energy sector, industry and transportation will also play a key role. In addition, cotton and aluminium will continue to command high prices in the external market, and this will be accompanied by the settlement of cotton debts and a lowering of trade barriers in the region. The construction of important new energy projects will be launched (the Dashtidzhum HPP on a parity basis with Afghanistan, among others), and hydropower and other consortiums will be established. Exports of electricity and other industrial products will grow and there will be a sharp rise in the contribution of tourism to GDP. Domestic enterprises will process a significant proportion of the country's cotton and aluminium output, and raw materials exports will not account for more than 50% of total exports.

Greater regional cooperation in trade and transit will have a significant impact on efforts to overcome Tajikistan's geographical isolation and will contribute to its economic diversification. The conditions will be created for the transit of goods through Tajikistan to neighbouring countries.

Real growth in GDP will reach 53.9% in the first five-year period and 50.4% in the second, while GDP will increase by a factor of 2.3 in real terms for the ten-year period as a whole.

GDP per capita will be equal to 565 USD in 2010, and 948.1 USD in 2015. It will increase by a factor of 1.7 over the last five-year period.

All of the forecast scenarios for Tajikistan's socio-economic development assume an **improvement in the quality of economic growth**, due in large part to growth in investment and exports.

The most likely (baseline) scenario for the country's development is the second scenario, under which average annual economic growth will be around 7% throughout the entire period up to 2015. The baseline scenario figures may be changed in the PRS (the three-year breakdown of the NDS), taking into account the economic situation that has evolved and the specific policies that are being pursued.

6. PROMOTION OF ECONOMIC GROWTH (PRODUCTION BLOCK)

Development of the Block of sectors responsible for driving Tajikistan's economic growth (the agro-industrial complex, industry, energy and infrastructure) will make it possible, with the aid of public-private partnerships and the attraction of private investment, to lay the physical foundations for sustained strong economic growth and thereby to bring about a reduction in the poverty rate (Goal 1 of the MDGs). At the same time, development of the agro-industrial complex, industry, energy and infrastructure will create opportunities for higher domestic employment and diversification of exports. It will also allow for greater access to better social services, both those provided locally and by outside agencies (such as water supply, sanitation, health care, social welfare and environmental protection). These efforts are crucial elements in the successful fulfilment of all MDG targets in Tajikistan.

6.1. Core Problems

The Production Block is going through a challenging period in its development. This is due to the after-effects of the systemic crisis and the civil war, the country's distance from shipping routes and the international market and the limited scope of the domestic market. The block is also suffering from a shortage of experience in market management, a breakdown of former production ties, higher prices and the accumulation of intractable sectoral problems.

Public policy deficiencies in this area give rise to slow and ineffective economic and institutional reforms, poor development of mechanisms for attracting investment and making practical use of innovations, a decline in the level of production and human potential and a deterioration in the quality of public infrastructure services (such as transportation and gas and electric power supply).

The large number of internal and external administrative barriers and the significant tax burden, combined with other problems, are limiting entrepreneurial activity in the production sphere. With the exception of certain areas in which foreign investors have shown

an interest (the production of aluminium and electricity, the cultivation and primary processing of cotton), the utilisation of production capacities is limited.

Although wages in the Production Block remain low, insufficient experience in market management, the undiversified structure of production and the significant aging of fixed capital, coupled with the high capital costs involved in the updating of production facilities or the construction of new facilities, are contributing to low labour productivity and profitability in industrial and agricultural production. Without reforms, the profitability of businesses in the Production Block could decline in the future as a result of the anticipated rise in rates for electricity and water.

Production problems are aggravated by a shortage of public and private infrastructure services and the poor quality of these services, and in particular by the limits on electricity, gas and heating supplies. The sector also experiences high energy losses and there is insufficient development of micro- and small businesses focused on production. Seasonal reductions in electricity and gas supplies have led to seasonal fluctuations in output at all types of production facilities.

Delays in privatisation or restructuring, the inadequacy of methods being used for the privatisation of large state-owned industrial and agricultural enterprises and the absence of post-privatisation monitoring and support for enterprises have contributed to a decline in the country's production potential. With regard to land distribution, this is also linked to a shortage of funds for appraisal operations (for the establishment of an up-to-date land registry, soil studies and improvement of land maps). Poor utilisation of available capacities and growth in stocks of goods on hand are a consequence of the inefficient management of state-owned industrial enterprises. Production output has dropped at mining enterprises as a result of the poor investment climate.

Inadequate indirect government incentives and stiff competition in sectors of the international market in which Tajikistan has traditionally specialised (light and food industry, and also possibly mining and the pharmaceutical industry) have contributed to a slump in production and a situation in which more than 60% of domestic demand is being met by imports. Growth in remittances by labour migrants over recent years, however, has helped spur the output of certain types of products.

At the same time, political stabilisation in neighbouring Afghanistan and the opportunities afforded by the Afghan market have done little to stimulate production activity among Tajikistan's enterprises.

Furthermore, the limited opportunities open to agriculture due to the high cost of transportation and irrigation and poor development of service structures contribute to the continuing serious problems with food security and the availability and affordability of high-quality foodstuffs. Other significant factors include unresolved problems in the financing of public transportation and irrigation systems, poor performance by state-owned seed and pedigreed livestock farms and a high incidence of disease and death among livestock and poultry. All of these circumstances make it difficult to reduce malnutrition and to ensure that certain vulnerable segments of the population are able to maintain a diet that provides sufficient micronutrients and vitamins.

Serious problems have emerged in cotton production, an area in which the country has traditionally specialised. These problems are linked to an extremely inefficient mechanism for the financing and sale of cotton, which has led to an increase in debt among cotton farms. The situation is also aggravated by excessive regulation of production and sales, deficiencies in the production financing methods that are employed, too much interference by government authorities and poor protections for the owners, as well as the low yield of raw cotton and inefficient cotton ginning operations.

Electricity shortages and restrictions on consumption (particularly during the winter months) are the result of the limited hydropower resources in the Nurek reservoir, low rates and losses due to the aging of equipment. The shortages are also tied to the limited use of other energy resources, the energy-intensiveness of manufacturing processes, excessive household energy consumption, high production costs associated with the delivery of fuel for heat-generating plants and continuing problems with exporting surplus electricity during the summer months.

The emergence of an electricity shortage in Tajikistan in the post-Soviet period is tied to the country's strained financial resources and the capital-intensiveness of measures involving the modernisation and construction of large HPPs. The high costs associated with the development and extraction of natural gas, coal and oil deposits, the production of alternative energy sources and the construction of electric power lines, including those for exporting electricity, also have a serious impact. An incremental rise in rates from \$0.005/kwh to \$0.021/kwh between now and 2015, which will require support for vulnerable segments of the population, is one of the measures being planned to address these problems.

Tajikistan's vast hydropower potential will allow it to increase energy exports in the future and to create major hydropower and industrial-energy complexes (clusters).

Infrastructure sectors in the country are characterised by poor profitability among state unitary transportation enterprises (Tajikistan Railway and Tochikiston State Unitary Aviation Enterprise), bad management and lack of transparency. They also suffer from low consumer service standards, the absence of a clearly defined state policy and a poor rate of return on funds invested in infrastructure. The postal service operates at a loss.

Further development of transportation systems and roads is hindered by continuing problems associated with transit through Central Asian countries, inadequate attention to transit opportunities through Tajikistan to other countries and limited possibilities for involving the private sector in this process.

6.2. Development Priorities for the Block Responsible for Driving Economic Growth

The following have been identified as **general priorities** for the block:

1. Development of the production block as an integrated system: reorientation of sectoral policy toward achieving national goals and priorities; diversification and modernisation of production; increasing export potential; ensuring food security; development of competition; lifting of excessive administrative barriers; protection of the rights of consumers and environmental protection;

2. More efficient use of available resources, including water, electricity, land, minerals, fixed production capital and infrastructure; raising the overall level of labour productivity; fostering an environment conducive to the development of micro-, small and medium-sized business;
3. Promotion of the most important investment projects, predominantly as part of private-sector initiatives.

The following have been identified as **specific priorities** for the block:

1. Expansion of the country's energy potential, which should include covering the existing electricity shortage and increasing electricity exports;
2. Raising the productivity of agricultural operations, to include strengthening the private sector in rural areas by: (a) improving the efficiency of cotton production and resolving the problem of cotton debts; (b) developing entrepreneurial activity in agriculture and ensuring equal rights and guarantees for land use; (c) rebuilding and developing irrigation systems;
3. Special support for the private sector and investment, including micro- and small business, in selected industrial clusters by: creating favourable conditions for the downstream processing of goods produced; supporting industrial exports to Afghanistan; improving the legislation and simplifying licensing procedures, to include mining and the telecommunications sector; easing access to data bases in the "electronic government" system.

6.3. Key Areas of Activity

The following general areas of activity have been identified within the NDS for fulfilment of the long-term priorities of the Production Block:

1. Development of the Production Block as an integrated system.
 - Measures will be aimed at improving the legislation to create conditions conducive to production activity, including laws on competition, property ownership, auditing, corporations, licensing and foreign trade regulation, among others. Steps will be taken to upgrade sectoral management bodies and to improve sectoral policy and intersectoral coordination. The potential of government agencies will be enhanced so that they have a greater capacity to attract investment and encourage innovations, and to draft and implement development programmes and monitor their progress. National priorities and long-term sectoral policy will be taken into account in the privatisation process. Economic reforms in production sectors will become more effective with a view to boosting productivity.
 - Excessive administrative barriers will be specifically identified and eliminated on a regular basis (at least once a year) with the aim of facilitating production activity. An incentive system will be employed to support the modernisation of fixed capital and the downstream processing of raw materials (of industrial and agricultural origin) and to expand the range (diversification) of goods produced, particularly those destined for export. Efforts will be undertaken to broaden trade and economic ties with other countries. Issues related to

protecting consumers' rights and environmental protection will continue to be a constant focus of attention, without exceeding the requirements of other states;

- A food security strategy will be drafted and implemented, which provides for, among other things: (a) greater purchasing power by the public, growth in the consumption of food and improvement in dietary habits; (b) an increase in domestic consumption and production of certain types of agricultural products, raw materials, foodstuffs and animal products; (c) exports of food and sufficient growth in food production to allow for a reduction in imports. Measures related to the planning of food reserves and to ensuring easier access to food will be improved. Standards for the fortification of flour and the production of iodised salt will be strengthened. Efforts to reduce malnutrition, particularly among children, will be supported.

2. More efficient use of available resources

- Ongoing support will be provided for efforts to increase labour productivity through the intensification of production operations. Action will be taken to restore and develop transportation facilities and electrical power grids with a view providing better access to the country's regions and lowering production costs (public budget funds will be used for this purpose as well). Measures will be undertaken to reduce energy losses, and commercial losses in particular. Support will be provided for micro-, small and medium-sized businesses, which have strong development potential, in order to meet more of the domestic market's demand for goods and services and to increase employment. Policies will be adjusted as needed to make more efficient use of available resources. This applies to the efficient use of electricity that is being generated, as well as policies concerning the privatisation of state property, agricultural reform and resource conservation.

- Actions aimed at incremental and justified increases in rates for electricity, heat, natural gas and water and a rise in regulated transport rates will make these sectors of production more attractive from an investment standpoint. Implementation of a programme to convert motor vehicles to run on alternative fuels and energy conservation efforts will make transportation operations less dependent on imported fuel and fuel prices. Simultaneous efforts will be undertaken to reduce the tax burden on consumers of these services, and funding will be sought to provide assistance to socially vulnerable segments of the population;

- The land reform process will be completed. With a view to promoting better management of land resources, among other things, funding will be sought for aerial land surveys (revision of land maps, conversion to digital mapping), for the uniform registration of land users' rights, large-scale soil surveys, geo-botanical operations and redistribution of grazing land.

3. Promotion of the most important investment projects, predominantly as part of private-sector initiatives

- Ongoing support will be provided for efforts to promote the most important infrastructure, energy and industrial investment projects, taking into account the financial resources available. Special methods will be devised to select the top-priority projects. Sectoral government agencies will be granted the authority to provide support for domestic and foreign investment and for micro-, small and medium-sized business in the relevant

sector, including information support. Investment projects involving the restructuring and efficient operation of existing large enterprises and natural monopolies will be the focus of special attention.

- With a view to long-term development prospects, incentives will be provided for the construction of Rogun and Sangtuda HPPs 1 and 2, the South-North electric power lines and other power lines for exporting electricity. At the same time, other countries will be involved in efforts to promote promising new projects, including the production of alternative energy sources (bio-gas facilities and solar and wind power plants) to provide power to remote parts of the country.
- In parallel with the other priorities, investment projects will be carried out in the transportation sector with the aim of improving the quality of internal and external transportation links. These include the construction of the Shakhristan and Shar-Shar tunnels, a highway from Dushanbe to the Kyrgyzstan border, the Dushanbe-Aini-Khudzhand highway running to the Uzbekistan border, the Shogun-Zigar highway and a highway to Afghanistan to gain access to Iran and Pakistan. There are plans to complete the modernisation of the Tajik Railway, the airline and the telecommunications network.
- As part of a public-private partnership arrangement a package of organizational measures will be carried out to expand industrial exports to Afghanistan based on the country's capacities and support for exports (training, marketing services, investment assistance and so on).

The following areas of emphasis are planned for the implementation of specific priorities in the Production Block:

a. Expansion of the country's energy potential

- Steps will be taken to raise electricity rates, which will allow for a reduction in the quasi-fiscal deficit, more attractive investment projects in the energy sector and higher state budget revenues. An effective social policy will provide protections for vulnerable segments of the population. An intensive dialogue will be initiated with potential electricity importers in order to develop the electricity export market, and negotiations with neighbouring countries regarding the sharing of water in the Amu Darya River basin will be continued as well. Measures will also be aimed at achieving more effective management and greater transparency in the energy sector through the further restructuring of the Barki Tochik energy company and spinning off generating plants, including electric power lines over 110 kV, into a separate company. Three distribution companies will be set up, with the possible attraction of private investment and the creation of an independent regulator to manage rates. There are plans to devise incentives to increase the production of other energy sources, including prospecting for and production of natural gas, the mining and transport of coal for consumer use and the rebuilding of heating plants. A long-term development programme for the energy sector to 2025 will be drafted and aligned with NDS and PRS priorities;

b. Raising the productivity of agricultural operations

- (i.) improving the efficiency of cotton production and resolving the problem of cotton debts;

- As far as cotton production is concerned, a strategy will be implemented to address farmers' debts and to reform the sector. Measures will be aimed at determining the amount of debt owed by each cotton farm, enhancing property rights and improving the management of owner-operated farms. Other important goals include providing free access to markets, eliminating excessive interference by local authorities in the process of deciding which crops to grow, introducing transparent lending methods, increasing competition among suppliers of factors of production, and raising the level of competition among cotton-ginning plants. Public-private partnerships will provide support for services related to cotton production and sales. Measures will be implemented to streamline export and price-setting procedures for cotton fibre, with special attention given to reform of the commodities and raw materials exchange. Universal standards for cotton grading will be introduced.

(ii) developing entrepreneurial activity in agriculture and ensuring equal rights and guarantees for land use;

- Steps will be taken to improve the Land Code, with a view to ensuring equal land use rights. Measures will also be directed at establishing transparent and simplified land registration and taxation procedures. The responsibilities of executive government authorities will be clearly defined. Enhancements will be made in the functions of these authorities so as to ensure that every farmer has access to information about applications for land use rights and procedures for obtaining rights to *dekhan* farms (private subsidiary farming plots). Support will be provided for efforts to create associations (for the use of water, equipment, etc.) and entities that provide services to farmers, including those intended to protect farmers' rights. The establishment of organizations for the production and sale of goods will also receive support. A gradual easing of state control over production and sales is planned. There will be continued analysis and monitoring of the situation involving equitable and transparent access to land and financial resources (credits), including access for women. The public will be provided with more information about their land rights, progress in land reform and access to resources;

- Farmers will gain easier access to information, technologies, market research, training and credit resources (micro-lending). Programmes to raise the competitiveness of agricultural production will be implemented. A mechanism involving the use of a land mortgage certificate will be employed to ensure access to bank credits. There are plans to streamline procedures for the sale, export and import of products.

- Steps will be taken to provide for a safe epizootic environment and to ensure that reasonable and effective public health and phytosanitary controls are in place. With the help of the private sector, there are plans to provide support for the development of other sectors of agriculture, including animal husbandry, and to improve the quality of veterinary, selective breeding and seed production services. Additional concessions will be granted to industrial producers that supply goods to the domestic market. Micro- and small agricultural enterprises involved in the processing of domestic raw materials, along with leasing and other service organizations working in the agricultural sector, will receive special support.

(iii) rebuilding and developing irrigation systems

- Methods will be sought to provide for the financing of irrigation systems and for the restoration and development of neglected transportation and social infrastructure facilities,

which will make it possible to ease the non-productive burden on farms. Support for the formation of water users' associations is planned.

c. Special support for the private sector and investment in selected industrial clusters

- The overall thrust of these efforts will be to set up a public-private partnership to restore and develop existing large-scale production facilities, or to establish joint ventures and major regional industrial and industrial-energy complexes (clusters) on the basis of these facilities (assuming the construction of new HPPs). To achieve this, action will be taken to stimulate the flow of FDI for the downstream processing of raw materials (cotton and other agricultural products, aluminium, precious metals and precious stones);

- With the aim of making more effective use of the existing potential of the Tajik Aluminium Plant, efforts will be continued to improve the transparency and management of the plant in accordance with the action plan that is in place. Steps will be taken to resolve the current dispute over transportation costs with transit countries in order to reduce aluminium shipping expenses. Measures will be devised to encourage capital investment in the downstream processing of primary aluminium in order to diversify the country's exports.

- Incentives will be provided for development of the food industry and light industry, as well as small-scale pharmaceutical production to the extent possible. In addition to the measures in the cotton sector outlined above, prices for cotton consumed in the domestic market will be liberalised, hedging instruments will be developed, tax policy in the textile industry will undergo a thorough review, and the tariff policy concerning imported factors of production for textile and clothing enterprises will be revised, among other things. Measures will also be taken to reduce the number of unnecessary bureaucratic requirements for product exports: dual certification, the large number of unwarranted inspections, dictating to private companies where they are supposed to buy their cotton, and so on. A public-private partnership in this sector will provide support for the creation of a textile industry business association.

- There are plans for active efforts to attract private investment for development of the mining industry. A strategy for the sector will be drafted that defines the role of the government agency responsible for regulation, control and promoting the development of this sector, leaving it to the private sector to perform the actual development of mineral resources and mining. The regulatory legal framework will be enhanced and a mining code, based on international experience, will be drafted, among other things. There are plans to set up a uniform information registry system with data on the opportunities for the development of mineral deposits, as well as a uniform geological data base to provide basic and reliable information on mineral deposits to potential investors.

6.4. Anticipated Results

It is expected that implementation of the actions planned under the NDS for sectors in the Production Block will produce the following results with the help of an effective public-private partnership:

In industry:

- An increase in the number of additional industrial jobs generated from processing at least 50% of the domestically produced cotton, tobacco and other agricultural goods into final products, processing at least 10% of the aluminium and precious metals and stones mined in the country into goods, and the restoration and development of the building materials industry.

- The establishment of at least 8–10 private and public-private regional industrial-production and industrial-energy complexes (clusters) based on existing production facilities, and the creation of incentives for growth in the number of micro- and small industrial enterprises to meet the needs of the domestic market and to promote the incorporation of innovations into production.

- Diversification of industrial production through the development of small and medium-sized business, a real improvement in the investment climate, a reduction in the regulatory role of the state and the implementation of urgent reforms in certain sectors of the economy, such as the mining industry and the processing of minerals.

In agriculture:

- Sustained strong growth in agricultural output and a stronger financial and economic position for producers. This will be achieved through the completion of agricultural and land reform and the resolution of cotton debt problems. Other positive factors will include expanded land-use rights and better protection for ownership rights to goods produced. Producers will enjoy broader access to markets, accompanied by a reduction in excessive administrative barriers. The investment climate for agricultural production will be enhanced and technologies will be updated. All of these efforts will make it possible to cut the rural poverty rate by at least half.

- Those areas of agriculture with the correspondingly favourable conditions will undergo further development. A voluntary pooling of land shares is expected, which will promote the development of cotton production and make it possible to achieve a significant increase in the yields, productivity and profitability of this sector. The production of other agricultural crops that are in demand in the domestic and foreign markets will be revived and developed. The animal husbandry sector will be developed to take account of demand. The country could do a great deal to increase its capacity to meet its own food needs through domestic production.

In the energy sector:

- Until new HPPs are built, the utilisation of existing electricity and other power generating capacities will be improved by reducing industrial and commercial energy losses, raising rates and improving energy conservation. Other steps will entail bringing micro- and small HPPs online, developing the country's own natural gas fields, expanding the use of natural gas as a motor fuel and increasing the use of other energy sources, including their use among the general public.

- The technical condition of fixed capital will be upgraded and electricity production will be increased to 20.5–21.0 billion kwh per year by 2009. This will be achieved by reducing industrial and commercial energy losses, modernising existing HPPs and bringing Sangtuda HPP-1 and one unit of Sangtuda HPP-2 on line, among other things.

Construction of the first phase of the Rogun HPP is expected to be completed by 2012, and Sangtuda HPP-2 and four HPPs on the Zarafshon River are scheduled to be fully operational by 2012 as well. This will bring electricity-generating capacities up to 35 billion kwh per year.

- The development of coal deposits will make it possible to set up new chemical production facilities, including those designed to meet regional needs. An agreement will be reached and measures will be undertaken to establish regional hydropower and industrial-energy complexes (clusters).
- According to projections, the country's electricity export potential could reach 5 billion kwh in the summer months in 2009 and 12 billion kwh per year in 2015.

In the transportation and communications sector:

- There will be a substantial increase in the volume and quality of domestic and foreign passenger and freight transport and communications services due to a lowering of administrative barriers and an improvement in the material and technical base, including highways and rail routes. Other positive factors in this sector will be broader availability of air transport and communications services, better transit conditions, a reduction in service costs and safer functioning of the transportation system.
- Restructuring of Tochikiston Airlines, the Tajikistan Railway, Tochiktelecom and Teleradiocom will be completed. More efficient use will be made of their fixed assets, management will be modernised and the material and technical base will be updated.
- Greater access will be provided to communications services. An "electronic government" system will be introduced to improve the quality of public administration and to keep the public informed about decisions that are made. Access to the Internet and to cellular telephone service will be improved.

The key areas of activity and the anticipated results in the Production Block are linked to meeting MDG target 1 (reducing poverty), target 2 (reducing hunger), target 16 (implementation of a youth employment strategy), target 17 (providing access to essential drugs) and target 18 (making new technologies available).

7. SOCIAL BLOCK

The transitional period, which was marked by serious political and economic problems, led to a drastic deterioration of conditions in the Social Block (health care, education and science, social welfare, water supply, sanitation, housing and municipal services, the environment and gender equality). It also resulted in reduced access to high-quality social services and a decline in the standard of living.

This was due above all to insufficient meaningful and coordinated reforms in the Social Block, insufficient funding for social sectors and a decline in their personnel potential and material and technical base. Social service delivery methods inherited from the Soviet era also played a significant role.

Social policy should reflect an entirely different approach to the delivery of social services in a market economy. The plan calls for movement toward a system based on available resources, one that takes into account different degrees of poverty and other factors that contribute to vulnerability. A realistic assessment of what needs to be done, within the limits of available funding, is a key component.

Constraints on budget funding for the Social Block are due to the fact that GDP is currently equal to just 56% of the 1991 level and budget revenues dropped from 48–50% of GDP in 1991 to 18% in 2005. There has been a simultaneous loss of outside grants (which accounted for as much as 40% of total budget spending) and an increase in expenditures on new state needs.

No basic laws have been enacted as of yet on minimum state social standards (which should identify a range of services that receive guaranteed funding from the state budget) and on the minimum consumer budget (which increases social guarantees to keep pace with inflation).

There are problems associated with the division of authorities among agencies responsible for the drafting and implementation of policy and regulating activities in the social sector, and with strengthening the personnel potential of these agencies. The agencies responsible for monitoring the quality of services provided should be independent of sectoral ministries and departments to ensure greater objectivity.

Although the situation has changed somewhat over recent years (state social spending accounts for more than 50% of budget expenditures in 2006, and a large number of new laws and programmes have been adopted), no significant progress has been made in this direction and the availability of social services remains inadequate. This can be blamed on an absence of sectoral priorities and the haphazard use of allocated funds as a result. Moreover, the unmet need for social services is growing as demographic conditions change, and this is threatening the long-term economic and social development of Tajikistan.

Complicated regulations and excessive administrative barriers are hindering the development of the private sector, which could meet some of the demand for services in the social sphere and free up the state to do a better job of providing guaranteed social services.

The substantial foreign aid that is earmarked for reinforcing the Social Block is directed at addressing current acute problems and because long-term priorities have not been properly targeted, this aid is not always used as effectively as it might be.

Broadening the availability of social services for the poor through the implementation of actions outlined in the NDS and adherence to the principle of intensive development (bearing in mind the resources at the country's disposal) will make it possible to reduce costs, to improve access to better-paying careers and jobs, and consequently, to lower the poverty rate.

7.1. Development of the Education System

7.1.1. Core Problems

As an important factor in human development, education plays a vital role in achieving a broad range of social, economic, political and humanitarian goals.

Management of the education system, at both the central and local levels, is in need of fundamental reform in order to ensure universal access to high-quality education and gender equality. The reform should also take into account the level of poverty among the population. At the same time, the potential of administrative bodies needs to be raised and the delivery of educational services needs to be improved to meet market requirements.

Other institutional problems in education are associated with limited potential in the planning and management of available resources and the predominance of a narrow departmental approach to policy-making. The sector is also plagued by inadequate statistics, ineffective methods for evaluating performance and poor organization of the instructional process at educational institutions. As a consequence, primary, secondary and higher vocational and professional educational institutions both within the country and abroad are providing training in occupations that are not always in demand, while there is a shortage of workers with specialised training in other fields.

The quality of instruction and training and the knowledge and skill levels achieved by students fall significantly short of contemporary demands. Scientifically-based curricula and study plans have not yet been developed for all levels of instruction. The shortage of up-to-date textbooks, teaching aids and scientific and methodological materials make it all the more difficult to conduct classes and to master the assigned curriculum. There is a shortage of textbooks in the Tajik, Russian, Uzbek and Turkmen languages.

The situation is aggravated by the shortage of schoolteachers and by their poor qualifications, which can be attributed, among other things, to the low wages paid in the profession. This has an adverse effect on morale and on the sense of commitment among teachers, including those at higher education institutions, and it creates opportunities for corruption.

According to the projections, the number of students in the general secondary education system could rise by 40% by 2015. Given this sort of population growth, the existing capacities in the education system will not be able to meet the increased demand. There is already an acute shortage of space for students at schools, and many school buildings and facilities are in poor condition. According to survey data, the current capacity for students is 600,000 spaces short of the need, 87% of general education schools lack adequate sanitary conditions, 26% of schools have no heating system, 24% do not have running water and 35% have no toilets. General education institutions generally suffer from a lack of up-to-date electronic equipment, computers and Internet access, and the use of what equipment is available is hindered by a shortage of staff with special training and interruptions in the electricity supply.

Economic difficulties experienced by the population, particularly in rural areas, make it hard for people to take advantage of the services offered by the education system. Widespread malnutrition, anaemia and infectious diseases keep children from attending

school regularly. Over recent years the gender gap in school attendance has increased, particularly in grades 9 through 11.

State spending on education declined from 8.9% of GDP in 1991 to 3.2% in 2005, and according to estimates the level of spending represents approximately 30% of the need. In connection with this, the education system is becoming increasingly dependent on unofficial payments and international aid. Not enough attention is focused on the priorities of different levels of education in planning and financing, regardless of the constraints on budget funding.

There are still significant administrative barriers in the education system and there are no effective public-private partnership mechanisms in place. This limits the participation of the private sector, particularly at the pre-school level and in higher vocational and professional education.

7.1.2. Development Priorities

In accordance with the national goals and priorities, the long-term priorities for education up to 2015 are:

1. Institutional and economic reform of the education system.
2. Boosting the potential of the education sector to provide services.

7.1.3. Key Areas of Activity

In accordance with Tajikistan's national development priorities and the main targets for the development of education, the following areas of emphasis have been identified in sectoral policy:

1. Institutional and economic reform of the education system
 - Steps will be taken to increase the potential of government agencies at all levels that are responsible for the development, implementation and regulation of activity in this sector, and to make effective use of available resources;
 - There are plans to establish a financially sound minimum guaranteed educational standard and to update the legislation in accordance with this standard. Educational institutions at all levels will gain greater independence.
 - Measures will be undertaken to provide support for the delivery of educational services by the private sector, including the simplification of state procedures (such as licensing, certification and accreditation), particularly in pre-school, secondary vocational and higher education.
 - Educational standards at all levels will be revised, taking into account financial resources and demographic growth. The content of textbooks and other teaching materials will also undergo revision. Textbooks will be produced to meet the needs of students at various levels in the education system, including textbooks devoted to the languages of ethnic minorities.

- A number of programmes will be implemented focusing on: introduction of a unified educational management system; connecting educational institutions to the Internet; setting up a higher education loan programme; ensuring that students are better informed about human rights, public health, hygiene and healthy lifestyles; raising the qualifications of teaching staff; providing specialised education and the development of general secondary education in consideration of the country's manpower needs, as financial resources allow. There are plans to study the possibility of making a gradual transition to a single standardised state examination as one way to fight corruption.

2. Boosting the potential of the education sector

- Comprehensive measures will be undertaken to revise and optimise the content of study plans and curricula. The retraining and continuing education techniques used at institutions that provide professional development courses for teachers will be upgraded. Policies regarding the continuing education of teaching personnel in general will be reviewed and updated. A programme will be prepared for the vocational training and retraining of adults and labour migrants, with special provisions tailored to various regions.
- Steps will be taken to foster a positive, safe and healthy learning environment for children. In addition, a package of measures will be approved for the construction and renovation of schools and for outfitting them with laboratory and instructional equipment. Action will be taken to restore, repair and upgrade school water supply and heating systems and to install toilet facilities in compliance with gender and sanitary requirements.
- There are plans to conduct an inventory of the school infrastructure (buildings, structures and public utilities) and the material and technical base of all educational institutions (their furniture, athletic equipment and library collections) and to monitor the condition of these facilities.
- The feasibility of setting up distance-learning sites with access to computerised educational and methodological resources at university centres will be studied.
- With the aim of providing access to primary, specialised secondary and higher vocational and professional education, there are plans to establish special benefits for orphans and socially vulnerable members of the population, especially girls, accompanied by social scholarships and targeted assistance.
- The mechanism for selecting young people admitted to higher education institutions on the basis of the President's quota will be improved with a view to increasing transparency and accountability and taking local needs into account. The possibility of establishing social scholarships for girls from poor families enrolled at the country's higher education institutions will be studied. Funding will be sought for the renovation of student dormitories.
- There are plans to devise and implement measures to send gifted students to continue their education at higher education institutions abroad and to set up a model for educational loans for gifted students and students from low-income families.

- A system of incentives and guarantees for loans to build homes for young teachers at rural schools will be developed.
- Within the limits of available resources and as part of a social partnership, support will be provided for efforts to organize free hot meals once a day for children at primary schools and to provide targeted assistance to purchase school and writing supplies, clothing and shoes for orphans and children from poor and low-income families. There are plans to improve social support for especially needy children, orphans, children from poor families and children with disabilities.
- Action is planned to develop and implement programmes for the gradual mainstreaming of children with special needs into regular pre-school institutions and to improve the performance of existing specialised children's pre-school centres (physical education and rehabilitation centres and humanitarian, aesthetic, linguistic and economic-support facilities for working with children with disabilities). There are also plans to publish methodological and teaching aids to encourage the community and parents to get involved in teaching pre-school age children.
- With a view to ensuring that all children have access to pre-school education, there are plans to develop the network of pre-school institutions and to implement programmes to strengthen their material and technical base. Extrabudgetary investment will be attracted and private, employer-based, *makhalla* and other pre-school institutions will be established. Some of these efforts will be carried out through public-private partnerships.

7.1.4. Anticipated Results

With the aim of ensuring access to high-quality education and meeting the needs of the growing population, it is expected that implementation of the actions planned in the education sector as part of the NDS will produce the following preliminary results:

- A positive environment will be created for development of the private sector (which will account for up to 10% of general education schools and up to 30% of pre-school institutions and higher education institutions) to help provide high-quality educational services. This will facilitate the development of and budget support for public education institutions;
- Optimised and improved state standards, study plans and curricula will be introduced at all levels of education;
- The literacy rate among the population between the ages of 15 and 24 will reach 99.1%, and at the same time gender inequality will be eliminated in general secondary education and will be cut in half at all other levels of education;
- Decentralisation of the financing of education institutions and introduction of a per capita financing mechanism in general secondary education will be accompanied by more active involvement of local communities and parents in addressing problems in education. This will encourage more transparent management in the sector;

- The target of providing 100% of school students with the required textbooks and study materials will be met, and 20–25% of teachers and other personnel in the education system will go through annual retraining and professional development; it is expected that the educational coverage of all school-age children will reach 99%;
- In addition to the renovation of existing schools and other educational institutions, at least 450 new schools will be built. All of the new and renovated schools will be furnished and supplied with equipment, heating and the proper gender friendly sanitary conditions, and 100% of schools will be supplied with safe drinking water;
- The coverage of children with pre-school training at pre-school education institutions and in school preparatory groups will be raised to 40%;
- An education management information system will be introduced, and at least 50% of schools will have access to the Internet.

Implementation of the planned actions and achievement of the results indicated above will mean that Goal 2 of the MDGs has been met.

7.2. Development of Science

7.2.1. Core Problems

Given the country's limited financial resources, poor use is being made of the existing material base and what is still a fairly strong core of human resources in the science sector. Research is being conducted in so many different areas of the natural sciences, engineering, medicine, agriculture, social sciences and the humanities that the available resources are being spread too thin.

The institutional science system is inefficient, uneconomical, and incompatible with the country's available resources. There is only a weak connection between the institutional base of the scientific sector and the institutional base of the educational sector.

The lack of comprehensive national scientific and technical programmes means that scientific development work is being done without consideration for priorities and practical feasibility, and these projects are not supported by the requisite highly qualified personnel. The country's scientific potential is still not oriented toward addressing high-priority problems associated with Tajikistan's socio-economic development.

Given the poor structural coordination within the sector, as well as inadequate integration between science and the real sector of the economy, scientific advancements tend to lose their timeliness and practical value. The independent operation of scientific and educational institutions limits opportunities for training highly qualified scientific and technical personnel. This situation also makes it difficult to arrange for the shared use of scientific and laboratory facilities for research and educational purposes.

Inadequate financial support (0.1% of GDP) for science and the lack of competitive funding hamper the development of science.

The material and technical base of scientific institutions is in need of updating. Equipment and instruments are worn and obsolete and do not meet current scientific and technological standards in place elsewhere in the world.

Another factor hindering the development of science is insufficient international cooperation and the lag in creating an information infrastructure based on utilisation of the latest information and communication technologies, which limits access to the international scientific and information space.

7.2.2. Main Priorities in the Development of Science

The key areas for development of the science sector within the context of implementation of the NDS are:

1. Optimisation of the institutional base and effective utilisation of the existing material, technical and scientific potential, taking into account high-priority areas;
2. Development of the material and technical base of the scientific sector and participation of the sector in globalisation processes;
3. Deepening of international scientific and technical cooperation.

7.2.3. Key Areas of Activity

In accordance with Tajikistan's national development priorities and the main targets for the development of science, the following areas of emphasis have been identified in sectoral policy:

1. Optimisation of the institutional base and effective utilisation of the existing material, technical and scientific potential, taking into account high-priority areas

- Action will be taken to draft and approve conceptual development plans and programmes for reform of the science sector, which are aimed primarily at optimisation of the institutional base of science, taking into account the demands and requirements of the real sector of the economy.
- There are plans to conduct an inventory and analysis of research topics at scientific institutions, to be followed by efforts to enhance their relevance. Comprehensive and targeted scientific and technical programmes will be prepared in critical areas of science and economic development. High-priority areas of applied and basic research that are of key importance to the country's economy will be developed and refined. There are plans to set up funding for research topics on a competitive basis and to gradually introduce contracting arrangements to pay for high-priority scientific, technical and research and development (R&D) work.

2. Development of the material and technical base of the scientific sector and participation of the sector in globalisation processes

- Scientific facilities, such as the buildings of scientific institutions, astronomical observatories, seismic monitoring stations, botanical gardens and research stations, where work is being done on high-priority areas and topics, will undergo renovation and modernisation. There are also plans to provide these institutions with new

scientific instruments, equipment, experimental devices, reagents, drugs, other materials and expedition supplies. At the same time, work will be done to set up a scientific information base and to connect scientific research institutions to the Internet.

3. Deepening of international scientific and technical cooperation

- There are plans for the drafting and introduction of a programme aimed at the development of international scientific and technical cooperation, taking into account the requirements of the national development strategy and globalisation processes. Steps will be taken to create an environment that encourages active participation by scientific personnel in competitions for the development of projects funded by government grants and grants from international organizations and foundations.

7.2.4. Anticipated Results

It is expected that implementation of the actions planned in the science sector as part of the NDS will produce the following preliminary results:

- Comprehensive and targeted scientific and technical programmes will be prepared in critical areas of science and economic development, taking into account the real needs of various sectors of the economy.
- Scientific activities will be designed to take the needs of the market into account and at least 50% of scientific projects will have some practical application;
- A competitive system will be introduced for government and international grants for innovation, R&D and recommendations for the development of high-priority sectors of the economy, which will help increase the utilisation of the country's scientific potential in efforts to promote economic growth;
- Scientific research institutions will be connected to the Internet, and information bases and information and communications technology centres in the scientific sphere will be established.

7.3. Development of the Health Care System

7.3.1. Core Problems

The limited access to health care services, in spite of growth in budget funding and foreign aid, is due to a number of factors, which can be divided into three groups: specific causes, such as the poor quality and limited availability of medical services, the spread of socially hazardous infectious, malnutrition and inadequate access to safe drinking water, which result in high infant and maternal mortality, among other things; systemic causes, which involve the slow pace of reform in the health care system, limited involvement of the private sector and inadequate prioritisation in financial management of the sector; and technical causes, which go beyond the limits of the health care sector itself and require a multi-sectoral state-wide approach.

Current budget appropriations, which represent a decline from 4.5% of GDP in 1991 to 1.3% in 2005, are insufficient for the stable operation and development of the health care system. There is a serious imbalance in the distribution of the material base and budget funds between primary health care (PHC) and hospital services, as a result of which the bulk of the funding goes to secondary health care (hospitals), while the services that are provided are expensive and out of reach for the poor.

The health care system is becoming increasingly dependent on unofficial private payments for medical services and on foreign aid. In recent years private payments represented 70% of total spending, budget expenditures accounted for 16% and donor aid for 14%.

The qualifications of medical personnel are declining and there is a shortage of health care workers, particularly in rural areas. This is due to poor management of human resources, the low wages paid to health care workers and the large numbers of personnel leaving the field as a result. These problems are aggravated by insufficient modern medical equipment and technology at medical institutions, as well as the poor condition of buildings and facilities. Little is being done to make use of the country's relative advantages in terms of the production of medicines.

The campaign against infectious diseases such as HIV/AIDS, tuberculosis, malaria and intestinal parasites, among others, continues to be one of the most important health care problems in Tajikistan. Official statistics do not provide an accurate picture of the incidence of infectious diseases.

Growth in infectious diseases is linked to: (a) poor early diagnosis (including diagnosis among prison inmates suffering from tuberculosis and AIDS); (b) uninformed understanding among the public about the causes of illnesses and preventive measures; and (c) high treatment costs. Malnutrition is a critical problem, and it has a serious impact on the quality of people's health.

The immunisation system, which could curb the rise in infectious diseases, is faced with problems associated with a shortage of funds to purchase vaccines and cold-chain equipment, the implementation of immunisation programmes, and well as problems with management of the immunisation services and PHC systems.

7.3.2. Main Priorities

1. Reform of the health care system, including development of the private sector and attraction of investment;
2. Improvement of maternal and child health
3. A significant slowdown in the spread of HIV/AIDS, a reduction in infectious diseases and the eradication of certain infections that can be controlled by vaccination;
4. Improved availability, quality and effectiveness of medical services.

7.3.3. Key Areas of Activity to Achieve National Priorities

1. Reform of the health care system, including development of the private sector and attraction of investment

- There are plans to undertake a fundamental reform of the health care system with the aim of increasing the availability of medical services. Support will be provided for the implementation and monitoring of the Conceptual Plan for Health Care Reform and the Basic Programme for the Delivery of Medical Care and Public Health Services, which will help improve the quality and availability of medical care;
- Better mechanisms for offering a package of guaranteed services in the public health care system will be introduced. Measures will be aimed at setting up fair competition among public and private health care providers;
- Steps will be taken to ensure equal access to and appropriate distribution of financial resources, which will include per capita funding methods. The distribution of health care sector resources will be based on correction coefficients derived from geographical and demographic differences and public health indicators;
- Measures will be implemented to reinvest money saved through the restructuring of health care institutions. These measures will make it possible to improve the quality of medical care provided, and also to develop management potential in the health care system;
- Development of the health care management information system is planned with the aim of setting up feedback systems for the decision-making process as well as monitoring the incorporation of reforms;
- There are plans to include non-governmental organizations and international partners in the development of health care policy. Measures will be aimed at ensuring transparency and public involvement in addressing health care policy issues.
- Efforts are planned to promote the development of the private pharmaceutical industry based on the use of local raw materials;
- Plans are in place to increase the proportion of funds earmarked for primary health care and to increase wages paid to health care providers. Action will be taken to link the payment of medical personnel to performance and the quality of services provided;
- Steps will be taken to develop the private health care sector by simplifying the medical licensing system, making changes in the tax and customs regimes and providing access to facilities and equipment;
- Measures will be taken to develop a system to protect the rights of consumers of medical services, which will enable patients to obtain high-quality medical care;
- The conditions, need and feasibility of introducing compulsory and voluntary medical insurance will be studied as part of a pilot project.

2. Improvement of maternal and child health

- With a view to achieving the health care priorities, the Strategic Plan for Reproductive Health for the Period to 2014, the Safe Maternity Programme for the Period to 2010 and the Conceptual Plan for Demographic Policy for 2003–2015 will be implemented and monitored;
- There are plans to ensure equal access to high-quality perinatal, neonatal and urgent obstetrical care, as well as proper functioning of the system for referring women to medical institutions; plans are also in place to improve the dietary status of children;
- Support will be given to efforts to improve the dietary status of women, which will include ensuring access to fortified foods and providing micronutrient supplements for women, as well as measures aimed at changing eating habits and promoting healthful food choices;
- Expanded implementation of a strategy aimed at the integrated management of childhood diseases is planned, with an emphasis on increasing the knowledge and experience of families and communities with regard to caring for newborns;
- Support will be provided for measures to ensure that women of child-bearing age have access to contraceptives, along with measures to improve access to safe abortions.

3. A significant slowdown in the spread of HIV/AIDS, a reduction in infectious diseases and the eradication of certain infections that can be controlled by vaccination

- Action will be taken to implement and monitor the Strategic Programme to Control the Spread of HIV/AIDS for 2004–2010, the National Programme to Combat Tuberculosis for 2003–2010, the Immuno-Prevention Programme for 2003–2010, the National Programme to Combat Tropical Diseases in the Republic of Tajikistan for 2006–2010 and the Programme to Promote a Healthy Lifestyle among the Population of the Republic of Tajikistan for the Period to 2010, which will make it possible to reduce the spread of infectious diseases and also to eradicate certain infections that can be controlled by vaccination;
- There are plans to step up efforts to reduce the occurrence of intestinal parasites among school-age children, and also to develop and implement a programme to control parasitic infections;
- Active epidemiological supervision of infectious diseases is planned, which will make it possible to monitor and improve the epidemiological situation in the country and also to respond promptly to localise outbreaks of infectious diseases;
- With the aim of reducing the spread of infectious diseases, mass immunisation campaigns will be carried out, immunisations to eradicate infections that can be controlled by vaccination will be stepped up and research will be done in the field of immunisation, the use of new vaccines and the introduction of new self-financing mechanisms;

- Annual public information campaigns to promote a healthy lifestyle will be organized and implemented.

4. Improved availability, quality and effectiveness of medical services

- Ongoing development of new forms for the delivery of primary medical care based on the family medicine concept is planned;
- There are plans to carry out the restructuring of medical institutions aimed above all at improving the availability of medical care and making efficient use of the available financial resources;
- Efforts to promote the renovation and equipment of treatment and preventive care institutions are planned with the aim of improving the quality and range of services provided.

7.3.4. Anticipated Results

Successful implementation of the measures planned in the health care sector under the NDS will make it possible to:

- Improve the regulatory and legal framework, which will entail, among other things, a change in the methods for the organization and financing of health care; the drafting and implementation of other important laws, programmes and plans in the health care field; and introduction of a unified system of interconnected data bases throughout the entire country;
- Create an environment conducive to the development of the private sector (fee-based services will account for up to 30% of the total volume of services provided), which in turn will help raise the quality of medical services and will also reduce the burden on the health care budget;
- Introduce methods for providing payment to health care providers on a per case basis at the hospital level and on a per capita financing basis at the primary health care level;
- Reduce the maternal mortality rate to 30 per 100,000 live births, the infant mortality rate to 29.6 per 1,000 live births and the mortality rate among children under the age of 5 to 39.3 per 1,000 live births;
- Slow the spread of HIV/AIDS, reduce the incidence of infectious diseases and eradicate certain infections that can be controlled by vaccination, including the development and implementation of a comprehensive multi-year immunisation plan;
- Develop the private pharmaceutical industry based on local raw materials;
- Improve the availability and quality of medical services through the renovation of treatment and preventive care institutions, and providing them with medical supplies, equipment, vehicles and medicines.

Implementation of all of the key areas of activity in the health care sector outlined in the NDS will make it possible to achieve MDG Goals 4 through 6 in Tajikistan.

7.4. Improvement of Social Welfare

7.4.1. Core Problems

Unemployment is the primary cause of poverty in Tajikistan. The country is experiencing rapid population growth and not enough jobs are being created, which places a greater strain on the labour market and on the social service system.

The reality is that there is a “three-part” **labour market** in the country, which is essentially comprised in equal proportions of official employment, employment in the informal, or shadow sector of the economy, and labour migration, which is in large part unreported at the place of employment. In connection with this, there are problems associated with the enforcement of labour laws both in the shadow sector of the economy and with respect to labour migrants, which account for a significant share of the labour force.

Tajikistan suffers from a high unemployment rate in spite of its strong economic growth primarily because of a labour surplus and poor development of the private sector.

Expansion of shadow employment in the domestic economy is a result both of a heavy tax burden and other barriers to entrepreneurial activity, as well as deficiencies in the legislation and underdeveloped institutional mechanisms.

Labour migration problems are due to regulatory deficiencies and a weak legislative framework, combined with the absence of agreements with host countries, an inadequate infrastructure, low skill levels and a lack of social and legal protections for labour migrants.

The difficult employment situation is aggravated by problems with the **vocational training** of the workforce, which are linked to insufficient flexibility of the traditional training system and the fact that it has little connection to the demands of the labour market, including the external labour market. Other contributing factors include vocational training standards that do not meet contemporary requirements, the limited network of educational centres for the training and retraining of the labour force, underdeveloped financing mechanisms and an obsolete material and technical base at training establishments. There are no mechanisms in place to involve the private sector in the personnel training and retraining process.

The growing stratification of society by income is having a negative impact on conditions in society as a whole, including the country’s social welfare system.

The **social welfare** system has not undergone any significant changes since Tajikistan gained independence and it is in need of radical reform. The governing legislation is outdated.

The system still calls for a broad range of benefits and concessions for various categories of individuals, although the social guarantees that are on paper do not take into account the state’s financial capabilities, and the models that are employed are costly. Due to

the limited budget resources, it is not possible to support the functioning of the current system, which is unwieldy, lacks transparency, is not targeted to specific needs and is not consistent with current requirements. The impact of the existing social welfare methods on reducing poverty among vulnerable segments of the population is negligible.

The amount of social assistance provided, particularly under the programme that offers monetary compensation for children, is quite low and the programme is not directed at meeting the most urgent needs. Although there are laws on the books that provide for various nonmonetary concessions, in practice the beneficiaries rarely receive them.

There is still only limited coordination of policies and strategies focused on delivering services for children and families. Urgent measures need to be taken to reform the current system so that there is a social safety net to protect the most vulnerable segments of the population against a further decline in income and in their standard of living.

The organization of essential support services for disabled adults, the elderly and children with disabilities, including those being cared for at inpatient facilities, is not in line with generally accepted standards. The qualifications of the personnel providing these services are quite low, the wages are substandard and the overall effectiveness of the social welfare system is inadequate.

The **pension system** has not been brought up to the required standard and it is unsound from an economic standpoint. The actual pension benefits that are paid are quite low due to the low wage levels, and the criteria used to determine the categories of individuals who are entitled to pensions are too vague. The collection rate for social contributions is poor because of inadequate enforcement, limited capacities in the administrative realm and a failure to account for contributions by private individuals.

7.4.2. Priorities for Development of the Social Welfare Sector

The current problems guided the determination of the following key long-term priorities under the NDS:

1. Reform of the social welfare system to take account of the conditions of the market economy;
2. Adaptation of the basic vocational training system to meet the requirements of the labour market;
3. Ensuring effective employment and realisation of policy goals regarding external labour migration;
4. Assigning a dominant role to contractual relations, improvement of working conditions and labour safety.

7.4.3. Key Areas of Activity

1. Reform of the social welfare system to take account of the conditions of the market economy

- There are plans to enact and implement a law on minimum state social standards and a conceptual plan for social welfare, and to make improvements in the pension and social welfare legislation;
- Action will be taken to establish a clear definition of the authorities of agencies responsible for the development, implementation and regulation of social welfare policies;
- A single, integrated inter-agency information network will be created, which will include data from the employment, migration and social security services, the Social Welfare Fund and banks;
- Support will be provided for the restoration and reinforcement of the material and technical base of social service institutions;
- The mechanism for the delivery of social services, particularly to vulnerable segments of the population, will be improved;
- A system for providing alternative services in cooperation with potential donors and NGOs will be developed.

2. Adaptation of the basic vocational training system to meet the requirements of the labour market

- The plan calls for the universal application of modular and interactive instruction techniques, with the widespread use of visual aids, simulators and training equipment for occupations that are in high demand in the labour market; special programmes for training women are part of this plan;
- Incentives will be provided for the establishment of private business schools, as well as business incubators, business centres and other facilities for the development of small and medium-sized enterprises, including those intended for rural women;
- Training programmes will become more flexible in terms of content and duration to accommodate the needs of the students and their level of preparation, the skills being acquired and the training goals; an effort will also be made to expand vocational training opportunities for girls;
- A package of measures is planned to provide training for workers in demand in the labour market whose skills are consistent with the growing needs of production (updating of vocational education standards, preparation of the relevant study plans and curricula, and so on);

- Funding will be sought to carry out the major renovation and construction of vocational and technical school buildings and to purchase the necessary equipment, textbooks and technology; training and methodological materials will be brought into line with the needs of the market;
- There are plans to provide training for teachers and on-the-job vocational training supervisors in the vocational and technical education system using the resources of various pedagogical and technical higher education institutions.

3. Ensuring effective employment and realisation of policy goals regarding external labour migration

- A system of measures to create new jobs is planned, which will include assistance for the private sector and entrepreneurship and the attraction of investment; development of self-employment and employment for women, as well as the development of traditional handicrafts; training and retraining of unemployed persons to equip them with the skills for new occupations that are in demand in the labour market; more extensive use of temporary types of employment; and participation by social partners in addressing employment problems;
- Data banks will be set up with information about job vacancies throughout the country as a whole and in the individual regions, in addition to data banks with information about job seekers. In addition, the network of employment consulting services will be expanded, which will speed up the job search process and help businesses meet their manpower needs;
- Regular estimates will be made of the status of informal employment in order to identify preventive measures and steps to bring these workers out of the shadow economy (legalisation of informal employment);
- The Government will monitor the involvement of children in the informal employment sector so that it can outline steps to prevent child labour and its worst forms; it will also work to avoid the future participation of children in labour activity by providing assistance to low-income segments of the population and improving social protections for them;
- Further improvements are planned in the employment statistics system (such as compiling employment data disaggregated by gender and by sector of the economy and the introduction of gender statistics for informal employment, unpaid work, etc.);
- There are plans to improve the legislation on external labour migration and to draft and sign the relevant intergovernmental agreements with host countries, accompanied by the design of mechanisms to provide legal support for labour migrants. Annual contracts will be concluded with enterprises that hire foreign workers and cooperation with the relevant international organizations will be strengthened;
- A network of centres to provide vocational training and retraining for labour migrants will be set up using the existing training and production facilities within the vocational and technical education system and employment service.

4. Assigning a dominant role to contractual relations, improvement of working conditions and labour safety

- With the aim of expanding the role of social partners in addressing labour and social welfare problems, employers' associations will be established, which will be authorised partners of the government and trade unions in a tripartite system. The development of partnerships within the tripartite system will help protect the interests of social partners and facilitate the resolution of labour and social welfare problems;
- Steps will be taken to incorporate progressive international experience regarding labour safety and working conditions through the forms and methods advocated by the International Labour Organization.

7.4.4. Anticipated Results

A law on minimum state social standards will be enacted and improvements will be made to the pension legislation, social welfare legislation, and other laws.

Legal protections will be provided for employees by increasing the role and effectiveness of contractual relations, and working conditions and labour safety will be improved. The criteria for classifying individuals as members of vulnerable segments of the population will be enhanced. There are plans to improve statistics to reflect the real employment rate and the number of new jobs being created.

Legal protections for labour migrants will be strengthened through the implementation of agreements with host countries, including agreements on pension security.

Reform of the pension system and social welfare system will be completed, steps will be taken to ensure the effective and transparent delivery of basic social services and special measures will be implemented to provide support to vulnerable segments of society.

Educational institutions will be renovated to provide vocational training for young people and their operations will be adapted to meet the demands of the market, including the demands of labour migration.

7.5. Expansion of Access to Water Supply, Sanitation and Housing and Municipal Services

7.5.1. Core Problems

In spite of the country's substantial reserves of fresh water, half of the water used for public water supply purposes in Tajikistan has elevated hardness and mineralization levels.

Some 59% of the population has access to centralised water supply systems, including 93% of the population in major cities and urban-type population centres, and 47% in rural areas. The rest of the population draws its water from other sources (springs, wells, irrigation ditches, canals, rainwater collection, and so on), which do not meet established public health and hygiene requirements, and this in turn contributes to the spread of infectious diseases.

Of the 699 centralised water supply systems in the country, 113 are essentially inoperable and 358 do not meet sanitary requirements. Water supply problems are aggravated by the irregularity and poor quality of the electricity supply.

Water consumption is marked by various negative patterns, such as excessive consumption, non-payment for services provided, inadequate metering of water delivered, and so on. Significant water losses in drinking water systems in the form of leaks from water mains (averaging 50–60%) are due to the poor condition of aging pipelines, and this poses epidemiological hazards arising from the exfiltration of polluted groundwater.

Sewer services are available to just 23% of the urban population and 5% of the rural population. The rest of the population has virtually no access to centralised sewer systems, and services for the collection and recycling of solid household waste are not available to them either.

The construction base was destroyed during the post-Soviet period, urban development is just now getting under way and there is no reliable information on the demand for public housing and the housing shortage in general. The population has little opportunity to resolve its own housing problems due to the high cost of housing, low income levels and the lack of public financing for residential construction.

Inadequate budget appropriations, low tariffs and poor collection rate with regard to payment for services and inefficient use of domestic and foreign investment have meant that no serious changes have been made in the sector's material base and in the quality of services provided.

A shortage of financial resources in the private sector and inadequate rate-setting policies have resulted in a low level of residential construction, a housing shortage and poor performance in the delivery of high-quality housing and municipal services.

In spite of the decline in the quality of services provided and deterioration of the sector's material and technical base, comprehensive structural and institutional reforms have still not been carried out in this sector. As a result, a number of problems remain unresolved, such as a regulatory and legal framework that is not in line with current requirements. Drinking water legislation has still not been enacted, water standards have not been established and housing and water legislation has not been updated.

The poor quality of strategic plans for the restoration and development of the sector and the lack of a real system of economic incentives for administrative organizations are limiting opportunities to achieve a comprehensive resolution of the sector's problems and to attract investment. Other negative factors include a shortage of qualified personnel, the lack of an agency responsible for implementing a unified policy in the sector, as well as the failure to resolve problems associated with placing water supply, sanitation and housing and municipal services facilities under the control of local authorities.

The entry of private businesses into the water supply, sanitation and housing and municipal services market is being hampered by insufficient public-private partnership mechanisms, existing administrative barriers, low cost recovery and insufficient state support.

7.5.2. Main Priorities

1. Reform the system as a whole through the improvement of sectoral policy and the creation of new ownership entities;
2. Make the sector more attractive from an investment standpoint;
3. Make effective use of the sector's existing potential.

7.5.3. Areas of Activity

1. Reform the system as a whole through the improvement of sectoral policy and the creation of new ownership entities

- Efforts will be made to improve the legislation regarding water supply, sanitation, housing construction and housing and municipal services. General development plans for administrative territories will be drafted in conjunction with local government authorities, and these will serve as guideposts for regional development and for the development of private business. With a view to promoting normal access by the public to drinking water and to sewer, sanitation and housing services, standards and regulations regarding the quality of housing and municipal services will be also upgraded and water consumption standards will be established;
- Mechanisms for the collection of payments from consumers will be improved. At the same time, the necessary measures will be undertaken to provide effective targeted assistance to low-income individuals when rates are raised.
- Support will be provided for the creation and operation of consumers' associations in this sector, including associations of water users.

2. Make the sector more attractive from an investment standpoint

- Action will be taken to promote the effectiveness of private business and to involve private business in this sector following the principles of local self-government and competition. There are also plans to improve investment policy and to create opportunities for the gradual privatisation of housing and municipal services facilities;
- The opportunities for introducing mortgage lending and other types of lending for housing construction will be studied. Guarantees for homeowners with regard to land use and property rights will be strengthened;
- Economically sound construction of local water collection systems and other facilities will be ensured by focusing the efforts of all development partners on this task.

3. Make effective use of the sector's existing potential

- Steps will be taken to increase the efficiency of existing water supply, sanitation and housing and municipal services systems;
- Funding from the public, businesses, the state and foreign aid will be used to maintain the housing stock and urban infrastructure as provided for in the indicators of the respective general plans. The financial responsibility for the maintenance of housing,

internal water, power and heating networks and sanitation systems will be gradually turned over to homeowners' associations on a voluntary basis.

7.5.4. Anticipated Results

The main result will be a significant expansion of public access to water supply, sanitation and housing and municipal services.

It is expected that by 2015:

- the number of people who do not have reliable access to drinking water, sanitation, and housing and municipal services will be cut in half;
- virtually all schools and children's pre-school institutions will be provided with municipal services;
- reasonable water consumption standards will be fostered including through a rational tariff mechanism, and at least 90% of the cost of the services provided will be covered by consumers;
- effective public-private partnership mechanisms will be implemented and new ownership entities will be created for water supply, sanitation and housing and municipal services facilities, which will independently regulate the delivery and consumption of services in the sector.

Implementation of the planned actions, accompanied by effective reform and sufficient financial support, will make it possible to achieve Goal 7 of the MDGs by 2015 and to bring about a significant improvement in public access to drinking water and basic sanitation in Tajikistan.

7.6. Promotion of Environmental Sustainability

7.6.1. Core Problems

Despite an advanced legislative framework for environmental protection, compliance with these legal norms is unsatisfactory due to inadequate implementation mechanisms and insufficient inter-agency coordination. As a result, the goal of promoting environmentally sound activities in various sectors of the economy is not being met. There is no analysis of the impact of the privatisation process on the environment.

The status of environmental monitoring can be described as weak and ineffectual. Erosion, salinization and high ground water levels are widespread natural phenomena occurring as a result of terrain features and climatic conditions, but they are also aggravated by poor land-use management practices. It is estimated that 82.3% of all types of land and 97.9% of agricultural land is subject to erosion, and more than 15% of irrigated land is affected by salinization and swamping.

Some 4,000 sources of environmental pollution have been registered in the country (responsible for water and air pollution and the generation of all types of waste). Water

pollution is caused by industrial, municipal and agricultural waste. Industrial enterprises and vehicles account for most of the air pollution.

Waste management is poorly organized, and hazardous and radioactive waste accounts for a significant proportion of the waste that is generated. Tailing ponds are particularly hazardous, and there are 22 of them in the country.

Natural disasters are one of the main causes of environmental degradation. Steep mountain slopes and unstable soils contribute to something in the neighbourhood of 50,000 landslides per year. Deforestation, cultivation and over-grazing of slopes and open-pit mining aggravate the natural instability, particularly in mountainous areas. There is widespread logging because other energy sources are not available.

Generally speaking, the environmental management system and recycling efforts are ineffectual, and there is a dearth of economically effective activity in the environmental sphere. Little has been done with regard to the preservation of ecosystems and specially protected natural areas. Statistical reporting on environmental conditions is incomplete. Inadequate funding for environmental protection measures is aggravated by poor environmental awareness among those using natural resources.

7.6.2. Main Priorities

1. Strengthen institutional potential with a view to promoting environmental sustainability;
2. Resolve problems associated with natural disasters through their prevention and the effective management of natural resources;
3. Promote conservation and proper management of biodiversity and ecosystems

7.6.3. Key Areas of Activity

- 1. Strengthen institutional potential with a view to promoting environmental sustainability**
 - Improve environmental legislation. Develop the corresponding mechanisms for intersectoral coordination of policies, plans and actions aimed at environmental protection and sustainable use of natural resources;
 - Establish a mechanism to ensure the efficient use of government funds and foreign aid for the highest-priority conservation projects;
 - Increase fees, tariffs and fines for environmental pollution;
 - Upgrade the environmental monitoring system.
- 2. Resolve problems associated with natural disasters through their prevention and the effective management of natural resources**
 - Develop and implement appropriate conservation measures aimed at the timely prevention of potential natural and manmade disasters;

- Implement a comprehensive program for the sensible use and conservation of land resources with the aim of improving the quality of reclaimed land, reducing the area of land affected by salinization and swamping, and ensuring a reasonable supply of water for irrigation;
- Create a favourable legal and investment environment for the conservation and sound use of natural resources;
- Carry out the reconstruction of tailing ponds that have been compromised and that pose a threat to the public and the environment.

3. Promote conservation and proper management of biodiversity and ecosystems

- Raise environmental awareness among the public and businesses to promote the sound use and conservation of natural resources;
- Development public-private partnership mechanisms with a view to promoting environmental sustainability;
- Implement measures to preserve specially protected natural areas and to restore forest resources and pastureland;
- Develop an integrated pest management system.

7.6.4. Anticipated Results

Conservation measures will be harmonised with other government efforts to promote environmental sustainability.

Financial and economic mechanisms involved in environmental protection and the sound use of natural resources in various sectors of the economy will be improved.

The environmental literacy of all segments of the population will be raised and progressive new technologies will be introduced for the prevention, mitigation and clean-up of natural and manmade disasters.

The country's environmental potential will be preserved and measures aimed at building up this potential will be implemented.

7.7. Promotion of Gender Equality

7.7.1. Core Problems

A number of acts have been adopted in Tajikistan which are aimed at expanding the role and raising the status of women and ensuring equal rights and opportunities for men and women. Gender issues have not been adequately addressed in the principal government strategies, however, and institutional gender policy mechanisms are limited. As a result, in practice women are actively excluded from public life for a number of reasons and little is done to involve them in decision-making processes.

The policies that are in place have little impact on changing the social relationship between men and women because there is a poor understanding of the need to address gender issues on the part of public employees at all levels of government. An ineffective statistical base and data collection system are limiting opportunities to advance the cause of gender equality.

The gender equality priorities contain nothing new, as these priorities have already been outlined elsewhere. But those adopted by the state as a compulsory component of programmes and action plans are not always buttressed by the necessary funding. In addition, social partnership mechanisms have not been properly developed to allow for cooperation among the state, civil society and businesses in the implementation of gender policy.

Equal rights under the law do not guarantee actual equality between men and women. They have unequal access to resources and control over resources (property, land, credits, and so forth). Inadequate access to land and to control over land as a primary production asset makes rural women much too dependent on the men in their families, it reduces the potential for women to contribute to agricultural growth and it makes them more vulnerable to poverty. Gender inequality is also seen in the development of human potential and unequal access for men and women to basic social benefits, including education and health care among others. Women's opportunities to protect their own interests are extremely limited both at the level of society as a whole and at the local community and household level.

Economic activity among women remains lower than among men as a result of socio-demographic factors. Women are beginning to take on the previously unaccustomed role of breadwinner or co-breadwinner with increasing frequency, however.

7.7.2. Priorities

1. Creation of effective mechanisms for the implementation of gender policies as part of public administration reform;
2. Ensuring equal access for men and women to resources in the entrepreneurial sphere;
3. Eliminating gender inequality in the development of human potential.

7.7.3. Key Areas of Activity

- 1. Creation of effective mechanisms for the implementation of gender policies as part of public administration reform**
 - Enhancement of institutional mechanisms and the regulatory legal framework for gender policy, and consideration of gender issues in the drafting of budgets;
 - Raising the level of gender awareness and sensitivity among public employees at all levels of government;
 - Improvement of the statistical base for gender analysis and assessment of successful strategy implementation based on improvements in gender statistics;
 - Increased representation of women and men at the decision-making level in government agencies;

- Strengthening partnerships and coordination in the implementation of gender policy.
- 2. Ensuring equal access for men and women to resources in the entrepreneurial sphere**
- Raising the educational level and competitiveness of women entrepreneurs;
 - Ensuring equal access for men and women to land and other resources;
 - Raising the level of legal literacy and providing training programmes aimed at strengthening people's knowledge and skills, so as to empower them in the development of their own businesses.
- 3. Eliminating gender inequality in the development of human potential**
- Expanding access for men and women to secondary and higher education, as well as equal access to lending and information, consulting and educational services;
 - Eliminating gender stereotypes in the public consciousness with regard to equal rights and opportunities;
 - Prevention of violence against women and providing assistance to victims of violence.

7.7.4. Anticipated Results

The goals, tasks, mechanisms and measures outlined in the gender policy will be harmonised with major government strategies and programmes planned for both the long term and medium term (including sectoral and regional programmes and strategies).

Improvement is expected in institutional mechanisms for the implementation of gender policy through the adoption of the relevant changes, additions and amendments to the existing legislation and the passage of new legislative and regulatory legal acts. With a view to establishing more complete statistical reporting, a statistical base will be created for gender analysis and for the assessment of successful strategy implementation on the basis of improved gender statistics.

Implementation of a package of sectoral measures will make it possible to raise the level of gender awareness among public employees at all levels of government and to expand the role of civil society in the implementation of gender policy.

8. MONITORING AND ASSESSMENT

The principles of monitoring. The core principles of NDS monitoring and assessment are to provide an independent, transparent and results-oriented assessment and to involve Parliament, all levels of government, local-self government bodies and development partners in the process.

The monitoring process. The monitoring of NDS implementation and the assessment of progress in achieving its goals are an important element of the NDS process. The monitoring and assessment of NDS and PRS results have been combined into a single

tracking process that will be performed throughout the implementation of the PRS and other related tactical documents on the basis of reference indicators.

The final PRS performance report, accompanied by data on the execution of tactical documents related to the NDS/PRS, will serve as an interim report on implementation of the NDS, and it in turn will be discussed with development partners to evaluate progress in meeting the goals that have been set.

Participation by Parliament. The Republic of Tajikistan Government will submit the interim report on implementation of the NDS to the Majlisi Namoyandagon of the Majlisi Oli of the Republic of Tajikistan.

9. NDS FINANCING MECHANISMS

The NDS financing mechanisms will be realised in such a way as to ensure the consistent achievement of the national goals and tasks that have been outlined.

Measures will be taken to revise financing priorities for various sectors of the economy with a view to creating an effective financing system.

It is anticipated that this will be achieved primarily through the streamlining of the financing system and attracting additional financial resources from donors and the private sector. In this connection, a number of tasks that will contribute to the effective financing of the NDS will need to be addressed:

- i. Improvement of the methods used to manage government finances, including planning, identification of a funding package and efficient spending of available funds;
- ii. Development of a constructive dialogue between the Government and donors to attract donor assistance for measures aimed at achieving the NDS priorities, taking into account the country's ability to absorb the aid. This will entail the signing of agreements with donor organizations regarding their commitments to provide aid to the country, including agreements as part of the global partnership for development (Goal 8 of the MDGs);
- iii. Development of a constructive dialogue between the Government and the private sector to work out a public-private partnership mechanism with the aim of attracting private investment to help carry out the NDS.

A fundamental change in the methods used to manage government finances will be required in order to fulfil these tasks. The existing annual budget mechanism is not capable of serving as an effective mechanism for implementation of the NDS because it is based on a single year and cannot take into account issues that go beyond the limits of the annual cycle, and particularly macroeconomic issues, the level of economic activity and state revenues expected from the latter, and finally the requirements of long-term state programmes. Therefore, the Government will take active steps to introduce the MTBF, which will be an effective tool that takes into account the expected funding package, macroeconomic aggregates and the long-term priorities of state programmes.

Tajikistan does not have sufficient financial and human capacity to implement the NDS on its own, without help from the international community. In light of this, the intensive

dialogue with donors that was initiated in the process of drafting the NDS will be continued with the aim of involving donors in NDS financing and implementation. Since the PIP is one of the effective tools available in the development partnership between donors and the Government, measures will be aimed at improving the process for the preparation and implementation of this programme. Specifically, the PIP will become the primary public investment instrument and it will be fully integrated into the compilation and implementation of the state budget and the MTBF, whilst also including the Centralised State Investment Programme (CSIP). The state budget approved each year will contain indicators for external financing of the PIP.

Since the NDS is a long-term strategy, and the MTBF and PIP are medium-term financing instruments, it is assumed that the mechanism for implementation of the NDS will be a medium-term document, and that the PRS will serve in this capacity. Therefore, integration of the processes involved in the drafting and implementation of the PRS, MTBF and PIP will be an important stage in the implementation of the NDS.

As part of the ongoing constructive dialogue with the private sector, measures will be undertaken to foster an environment conducive to entrepreneurial activity in those specific sectors of the economy whose development could lead directly or indirectly to successful achievement of the NDS priorities. The dialogue between the Government and the private sector will also focus on the social sphere, with particular emphasis on sponsorship support and the introduction of fee-based services. The development of private education can serve as an example of this effort. The state does not have sufficient resources to meet the growing demand for basic education, and therefore the establishment of private schools could ease the burden on public educational institutions.

In addition, new models will be introduced for the decentralisation of management and financing and for granting autonomy to social institutions, including the introduction of per capita funding in education and health care.

Participation Process

Since the declaration of the country's independence, the Government of Tajikistan has viewed the war on poverty as its principal responsibility. In 2000 Tajikistan signed the UN Millennium Declaration and it is working steadfastly to achieve the MDGs. These goals were set forth in the PRSP, which has become a key strategic document.

With the aim of outlining subsequent reforms, the Tajikistan Government and the UN Country Team prepared the joint report *Progress Toward the Millennium Development Goals* in 2003. An estimate of the needs to achieve the MDGs had been prepared by May 2005 with the participation of international organizations, donor countries and civil society, and this made it possible to plan reforms and determine the funding needs in each social sector.

Drafting of the NDS was launched in 2005. The Government set up sectoral working groups for this purpose in August 2005, with their membership drawn from representatives of government agencies, civil society and international organizations.

The Coordinating Council under the leadership of the Prime Minister of the Republic of Tajikistan provided overall coordination of the groups. It was comprised of members of the Government, officials from the Presidential Administration and representatives of authoritative international organizations operating in Tajikistan (the World Bank, the International Monetary Fund, the Asian Development Bank, the European Commission and the United Nations Development Program). The UNDP also provided general consulting and technical assistance.

A presentation and discussion of a general overview of the NDS, with the participation of a wide range of government and independent experts, civil society and international donor organizations, took place at the United Nations Headquarters in New York in September and December 2005. In November 2005 the working groups made the first presentation of the sectoral sections of the NDS, and in November 2005–February 2006 general discussions (seminars) were held with the participation of responsible officials from ministries, departments and international donor organizations.

With the aim of providing for the systematic organization of NDS priorities and provisions at the national level, an editorial team was established in February 2006 under the State Adviser of the President of the Republic of Tajikistan for Economic Policy.

Additional discussions of the draft NDS prior to the preparation of the final document were held in May–June 2006 as part of public hearings and regional meetings with the participation of the heads of local government bodies, political parties, local and international NGOs and the media.

For the most part, this strategic document has taken into account the positions of all of the partners regarding economic development approaches, methods and mechanisms.

Key Target Macroeconomic Indicators of the NDS

	Unit of measure	2005	Scenario 1		Scenario 2		Scenario 3	
			2010	2015	2010	2015	2010	2015
Population (at year-end)	thous. people	6919.6	7690.1	8510.8	7690.1	8510.8	7690.1	8510.8
Nominal GDP	mln somoni	7201.1	12891	23077	14167	27871	15540	32775
	mln USD	2310.6	3238.3	4542.3	3634.3	6861.7	4345	8069
Nominal GDP per capita	somoni	1051.3	1676.3	2711.5	1842.2	3274.8	2020.8	3851
	USD	337.2	421.1	533.7	472.6	806.2	565.0	948.1
Real GDP in 2005 prices	mln somoni	7201.1	9191	11730	10100	14166	11080	16661
Average annual growth in real GDP for the five-year period	%	109.4	105	105	107	107	109	108.5
Real growth for the corresponding five-year period as a whole	%	58.6	27.63	27.63	40.26	40.26	53.86	50.37
GDP deflator index (average annual figure for the five-year period)	%	20.7	7	7	7	7	7	7
Average annual inflation for the five-year period	%	10.65	6	5	6	4	5.5	3
Consumption as a percentage of GDP	%	85.5 (2004)	80.2	79.8	79.5	79.2	78.8	78
Gross accumulation as a percentage of GDP	%	18.4 (2004)	17.8	18	18.2	18.5	18.8	20
Exports of goods and services as a percentage of GDP	%	43.9	48.1	52.4	56.3	58.6	58.9	62.7
Imports of goods and services as a percentage of GDP	%	60.3	65.5	69.7	64.9	62.3	58.1	55.8
Broad money as a percentage of GDP	%	7.3	9.1	11.2	9.5	12.0	10.7	15.6

	Unit of measure	2005	Scenario 1		Scenario 2		Scenario 3	
			2010	2015	2010	2015	2010	2015
Revenue as a percentage of GDP, Government revenue	% mln somoni	18.1 1300.0	20.0 2578.2	21.5 4961.6	20.0 2833.4	21.5 5992.3	20.0 3108.0	21.5 7046.6
Deficit (-), surplus (+)	%	-0.3	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5
Public debt as a percentage of GDP	%	39.0	64.3	53.3	57.9	38.8	49.2	36.9
Debt payments as a percentage of GDP	%	2.1	1.3	1.9	1.1	1.3	1.1	1.1
Public debt servicing as a percentage of GDP	%	3.2	2.0	2.1	1.8	1.4	1.5	1.2
Estimated real unemployment, as a percentage of the able-bodied population	%	30	30	27	27	25	25	20

Table 2

Key Target Socio-Economic Indicators of the NDS
(assuming achievement of the MDGs)

Millennium Development Goals	NDS Indicator	2003	2010	2015
1. Eradicate extreme poverty and hunger	Poverty in Purchasing Power Parity indicators \$2.15 per day (%)	64	48	32
	Malnutrition (children under 5, %):			
	- acute	7.6 (2004)	5.5	3.8
	- chronic	31.4 (2004)	26.0	20.9
	Iodine deficiency (incidence of goitre, %.)			
	- children under 5	64.0	45.1	32.0
- women of child-bearing age	60.0	42.5	30.0	
Incidence of anaemia (%):				
	- children under 5	37.0	26.5	18.5
	- women of child-bearing age	48.0	34.0	24.0
Incidence of vitamin A deficiency among children under 5, %	51.8 (2002)	36.4	25.9	
2. Achieve universal primary education	Overall indicator of school attendance by children (%)	88.0 (2004)	91.0	99.0
	Literacy rate among the population aged 15–24 (%)	88.4 (2004)	95.0	99.1
3. Promote gender equality and empower women	Ratio of boys to girls in schools (%):			
	in primary grades (1- 4)	52.0/48.0	52.0/48.0	52.0/48.0
	in intermediate grades (5-9)	54.4/45.6	53.4/46.6	53.0/47.0
	in grades 10-11	53.5/46.5	53.4/46.6	53.1/46.9
Ratio of literate men and women aged 15–24 (%)	98/100	99.0/100	100/100	
4. Reduce child mortality	Infant mortality (per 1,000 live births)	89	68	29.6
	Mortality among children under 5 (per 1,000 live births)	118	80	39.3

Millennium Development Goals	NDS Indicator	2003	2010	2015
5. Improve maternal health	Maternal mortality (per 100,000 live births)	120	70	30
6. Combat HIV/AIDS, malaria and other diseases	HIV/AIDS (total number of cases)	506* (2005)	2500	Not more than 6,800
	Incidence of malaria (per 100,000 people)	29.1 (2005)	50.0	20.0
	Incidence of tuberculosis (per 100,000 people)	60 (2005)	146	125
	Incidence of parasitic diseases (per 100,000 people)	292.9 (2004)	Not more than 292.9	198
	Immunisation coverage of children under 1 year (%)	95	98	98
	Incidence of measles (per 100,000 people)	0 (2005)	0	0
7. Ensure environmental sustainability	Proportion of the population using solid types of fuel (%)	32.2 (2002)		
	Access of the urban population to safe water (%)	93 (2004)	96	97
	Access of the rural population to safe water (%)	47 (2004)	64	74
	Access to basic sanitation in urban areas (%)	23 (2004)	47	50
	Access to basic sanitation in rural areas (%)	5 (2004)	37	65

* According data from the Ministry of Health and UNAIDS estimates, the figure is 6,800 people.