



Country Partnership Strategy

August 2021

Tajikistan, 2021–2025 —Improving the Quality of Growth

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 4 August 2021)

Currency unit	–	somoni (TJS)
TJS1.00	=	\$0.088
\$1.00	=	TJS11.3

ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
CAREC	–	Central Asia Regional Economic Cooperation
COVID-19	–	coronavirus disease
CPS	–	country partnership strategy
CWRD	–	Central and West Asia Department
DCC	–	Development Coordination Council
GDP	–	gross domestic product
IED	–	Independent Evaluation Department
IMF	–	International Monetary Fund
KPSs	–	knowledge products and services
NDC	–	nationally determined contribution
NDS	–	National Development Strategy
OPPP	–	Office of Public–Private Partnership
PBL	–	policy-based lending
PFM	–	public financial management
PPP	–	public–private partnership
PSOD	–	Private Sector Operations Department
SDG	–	Sustainable Development Goal
SMEs	–	small and medium-sized enterprises
SOE	–	state-owned enterprise
TA	–	technical assistance

NOTE

In this report, “\$” refers to United States dollars.

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COUNTRY AT A GLANCE

Economic	2016	2017	2018	2019	2020
GDP (\$ billion, current)	7.0	7.1	7.5	8.1	8.0
GDP per capita (\$, current)	796.0	800.8	825.8	873.5	844.0
GNI per capita (\$, atlas method)	1,110.0	1,030.0	1,030.0	1,070.0	1,060.0
GDP growth (% in constant prices)	6.9	7.1	7.3	7.5	4.5
Agriculture	5.2	6.8	4.0	7.1	8.8
Industry	16.0	21.3	11.8	13.6	9.7
Services	(0.3)	1.8	2.1	2.9	(2.6)
Gross domestic investment (% of GDP)	20.6	24.7	21.2	20.5	19.5
Gross domestic saving (% of GDP)	16.4	26.9	16.2	18.2	17.2
Consumer price index (annual % change)	6.1	6.7	5.4	8.0	9.4
Liquidity (M2) (annual % change)	37.1	21.8	5.1	16.9	18.5
Overall fiscal surplus (deficit) (% of GDP) ^a	(9.0)	(6.0)	(2.8)	(2.1)	(4.4)
Merchandise trade balance (% of GDP)	(27.1)	(21.2)	(25.1)	(23.7)	(18.1)
Current account balance (% of GDP)	(4.2)	2.2	(5.0)	(2.3)	4.2
External debt service (% of exports of goods and services)	17.3	13.0	16.8	13.9	15.9
External debt (% of GDP)	61.5	73.4	71.9	68.1	75.8
Poverty and Social	2010	2020			
Population (million)	7.5	9.5			
Population growth (annual % change)	2.2	2.3			
Maternal mortality ratio (per 100,000 live births) ^b	23.0	17.0 [2017]			
Infant mortality rate (below 1 year/per 1,000 live births)	37.0	29.6 [2019]			
Life expectancy at birth (years)	68.7	71.1 [2018]			
Adult literacy (%)	99.4	[2000]	99.8	[2014]	
Primary school gross enrollment (%)	101.5			100.9	[2017]
Child malnutrition (% below 5 years old)	8.3	[2009]	7.6	[2017]	
Population at national poverty line (%)	34.3	[2013]	26.3	[2019]	
Population with access to safe water (%)	70.4			81.2	[2017]
Population with access to sanitation (%)	93.9			97.0	[2017]
Environment	2018				
Carbon dioxide emissions (million tons)	7.3				
Carbon dioxide emissions per capita (metric tons)	0.8				
Forest area (million hectares)	42.1				
Urban population (% of total population)	27.5	[2020]			
ADB Portfolio (active loans and ADF grants) ^c	As of 31 December 2020				
Total number of loans and ADF grants					
Sovereign					19
Nonsovereign					0
Total loan and ADF grant amount (\$ million) ^d					
Sovereign					754.8
Nonsovereign					0
Disbursements, sovereign					
Disbursed amount, total (\$ million, 2019)					164.4
Disbursed amount, excluding PBL (\$ million, 2019)					64.4
Disbursement ratio, excluding PBL (%)					14.1

() = negative, [] = latest year for which data are available, ADB = Asian Development Bank, ADF = Asian Development Fund, GDP = gross domestic product, GNI = gross national income, IMF = International Monetary Fund, M2 = broad money, OCR = ordinary capital resources, PBL = policy-based lending.

^a General government net lending/borrowing.

^b Modelled estimate.

^c Covers ADF and OCR financing for projects and programs, including PBL, unless otherwise stated.

^d Net of droppages and cancellation.

Sources: ADB. 2021. [Asian Development Outlook 2021: Financing a Green and Inclusive Recovery](#). Manila; [CEIC Data Global Database](#) (accessed 6 June 2021); IMF. 2019. [Regional Economic Outlook: Middle East and Central Asia \(October\)](#). Washington, DC; IMF. 2021. [Regional Economic Outlook: Middle East and Central Asia \(April\)](#). Washington, DC; IMF. [World Economic Outlook \(April 2021\)](#) (accessed 27 April 2021); [Statistical Agency under the President of the Republic of Tajikistan](#); and World Bank. [World Development Indicators](#) (accessed 7 July 2021).

I. COUNTRY PARTNERSHIP STRATEGY SNAPSHOT

1. Tajikistan's growth had been very robust in the 2 decades leading to 2019, averaging 7.6%, before the coronavirus disease (COVID-19) pandemic cut the growth to 4.5% in 2020. Since 2007, growth has been driven mainly by capital formation with strong public investment with private investment playing a very minor role. However, heavy reliance on public investment has led to high public debt distress. Sustainable growth requires more mobilization of private investment and efficient allocation and rationalization of public finance by further advancing structural reforms. More jobs must be created, poverty needs addressed, and labor productivity must be enhanced by developing human capital. An emphasis on regional cooperation and trade is critical to overcoming the limitations of Tajikistan's geography. Gender disparity in the labor market should be addressed. Responding to climate change is another important issue, given Tajikistan's disaster vulnerability.

2. The country partnership strategy (CPS), 2021–2025 of the Asian Development Bank (ADB) for Tajikistan will address the country's quality of growth¹ through support for changing the growth driver from public investment to efficiency and productivity gains and through investment in reducing remaining poverty. A focus on enhancing the quality of growth will help Tajikistan recover from the impact of COVID-19 and revert to a more sustainable high-growth path in the post-pandemic period. To this end, the CPS has three focus areas: (i) supporting structural reforms to enhance the efficiency of resource allocation and mobilization in transition to a market economy, (ii) improving labor productivity through human capital development, and (iii) fostering better livelihoods through investment in a land-linked economy. Tajikistan, a group A developing member country, is eligible only for Asian Development Fund (ADF) grants because of its high risk of debt distress. To use limited resources effectively, ADB will carefully select the projects for this CPS period, making sure they address the three focus areas and consider ADB's value addition, while avoiding overlap with other development partners. The CPS views climate change, regional cooperation and integration, and gender equality as crosscutting issues; and calls for active knowledge management.

3. The CPS aligns with Tajikistan's National Development Strategy (NDS) 2030,² as well as the government's medium-term development program for 2021–2025. Interventions planned under this CPS period will mainly address four of the seven operational priorities in ADB's Strategy 2030, while they also are expected to contribute results to the three other priorities as crosscutting issues.³ Opportunities for private sector operations and public–private partnerships (PPPs) will be explored throughout the CPS period. Special attention will be paid to the evolving needs for assistance and flexibility amid the COVID-19 pandemic and its aftermath. ADB's value addition includes leveraging structural reforms that would not otherwise have been pursued autonomously by the government, mobilizing rich expertise in Asia and the Pacific, providing knowledge support, and sponsoring the Central Asia Regional Economic Cooperation (CAREC) Program to address Tajikistan's challenges as a landlocked country. The Independent Evaluation Department's (IED) findings and recommendations guided the formulation of the new CPS.

¹ V. Thomas et al. 2000. *The Quality of Growth*. Washington, DC: World Bank. The World Bank publication that coined the term "quality of growth" stressed the importance of human and natural capital. The CPS uses the term more broadly and includes total factor productivity growth.

² Government of Tajikistan. 2016. *National Development Strategy of the Republic of Tajikistan for the Period up to 2030*. Dushanbe.

³ ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila. The planned interventions will focus on strengthening governance and institutional capacity, addressing remaining poverty and reducing inequalities, making cities more livable, and promoting rural development and food security.

II. COUNTRY DEVELOPMENT CONTEXT

4. **Robust growth performance.** Tajikistan's economy grew robustly (albeit from a low base) until the outbreak of the COVID-19 pandemic. From 2000 to 2019, the gross domestic product (GDP) growth rate averaged 7.6% a year, well above the 5.6% average for peer economies in the Caucasus and Central Asia and for emerging markets and developing economies worldwide. The country had experienced less of a decline in growth than many other countries from global shocks, such as the global financial crisis of 2008–2009 and the collapse of commodity prices in 2014–2016, although falling oil prices reduced remittances from Tajiks working in the Russian Federation and Kazakhstan. Tajikistan's high growth rate partly reflects heavy spending on public investment. In 2020, the COVID-19 pandemic slashed the growth rate to 4.5%.

5. **Livelihoods struck by COVID-19.** COVID-19 adversely affected Tajikistan as restrictive measures and external factors slowed domestic consumption and the output of firms, including micro, small, and medium-sized enterprises. The country experienced reductions in remittances and foreign direct investment; and slowdowns in transport, tourism, retail, and finance. The pandemic also triggered food security concerns, due to export restrictions by trading partners. In May 2020, 41% of the population reported reduced food consumption, much higher than 24% in May 2019. A follow-on survey in August 2020 showed that 30% still reported reduced food consumption, compared with 20% in August 2019.⁴

6. **Insufficient quality of growth.** Tajikistan's pre-pandemic growth performance was remarkable, but the quality of growth needed improvement. Growth accounting—which breaks up growth drivers into contributions from capital, labor, and total factor productivity⁵—revealed that while Tajikistan's growth up to 2005 came largely from efficiency and productivity gains, capital increases have replaced them as the main source of growth (Figure 1).⁶ Public investment has been the main form of such capital formation; and private investment's share has been extremely low, at about 3%–4% of GDP,⁷ much lower than regional comparators.⁸ This partly reflects the dominance of state-owned enterprises (SOEs) in many economic sectors and the crowding out of private businesses. SOEs' assets are estimated to account for nearly 50% of GDP. Modest investments in the private sector limited efficiency gains, which may explain why the total factor productivity growth has stagnated. Tajikistan's labor productivity is among the lowest in the Caucasus and Central Asia and, as of 2016, only 42.4% of the population aged 15 and above was in the labor force. Human capital development can enhance labor productivity.

⁴ W. Seitz and A. Rajabov. 2020. [Economic and Social Impacts of COVID-19: Updates from the Listening to Tajikistan Survey](#). World Bank Factsheet. 13 July.

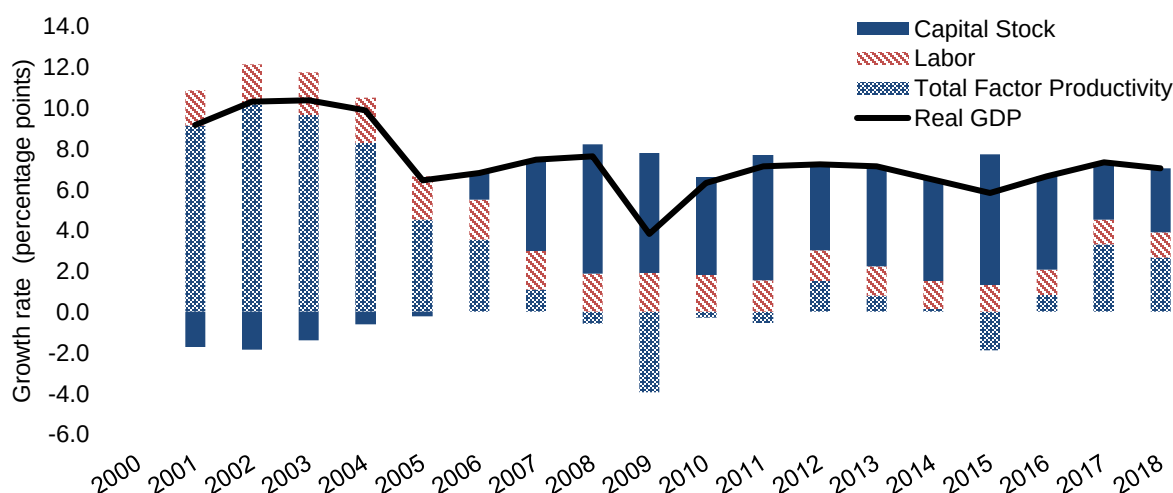
⁵ Total factor productivity represents incremental output that is not explained by the quantity of labor and capital inputs.

⁶ A high contribution of total factor productivity to growth is typical of countries early in the transition to a market economy, when substantial reforms lead to more efficient resource allocation. See Inclusive and Sustainable Growth Assessment (accessible from the list of linked documents in Appendix 3).

⁷ G. Gyulumyan. 2019. [Tajikistan Country Economic Memorandum: Nurturing Tajikistan's Growth Potential](#). Washington, DC: World Bank. Based on government data, private investment accounted for 4.0% of GDP and 25.3% of fixed capital investment in 2019.

⁸ World Bank. 2018. [Tajikistan Systemic Country Diagnostic: Making the National Development Strategy 2030 a Success—Building the Foundation for Shared Prosperity](#). Washington, DC.

Figure 1: Drivers of Growth



GDP = gross domestic product.

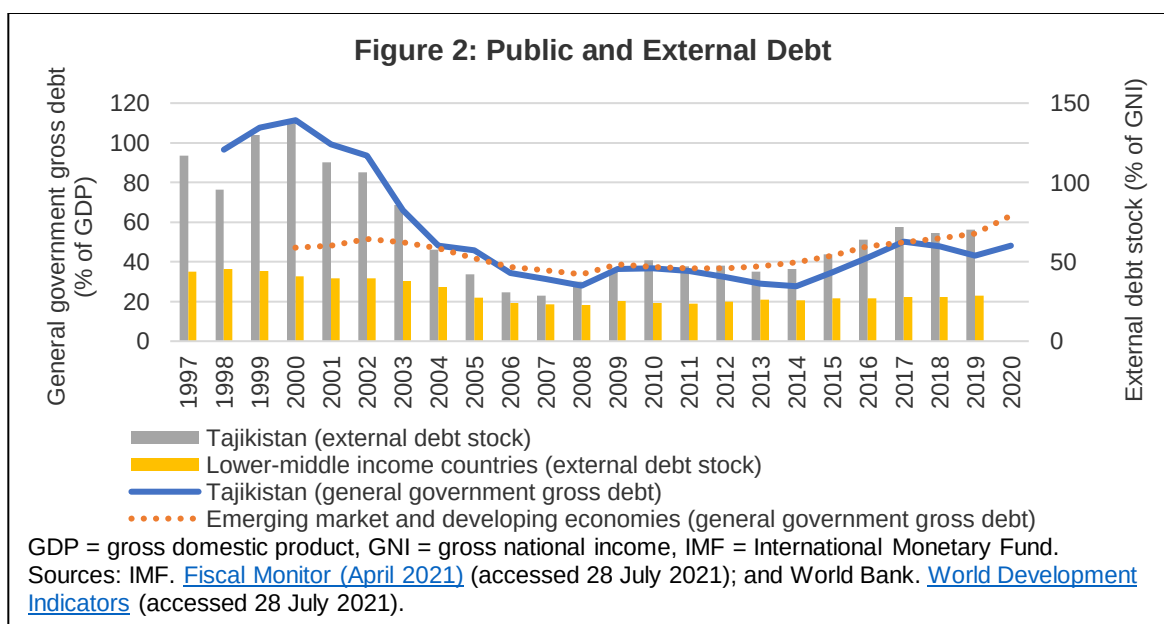
Sources: Asian Development Bank calculations using data from the [Statistical Agency under the President of the Republic of Tajikistan](#) (accessed 24 April 2020); and World Bank. [World Development Indicators](#) (accessed 24 April 2020).

7. **Pre- and post-COVID-19 public debt distress.** Extensive recourse to public investment has undermined Tajikistan's public and external debt sustainability, while it helped sustain high growth. From 2014 to 2017, public debt nearly doubled as a share of GDP, from 27.7% to 50.3%, while total external debt (public and private) jumped from 45.4% of GDP to 72.0%—more than twice the average for lower-middle income countries (Figure 2)—mainly because of bank recapitalization in 2016 and the issuance of a \$500 million sovereign Eurobond in 2017 to support the Rogun Dam project. Meanwhile, the debt of Open Joint Stock Holding Company Barqi Tojik, a vertically integrated state utility for electricity, is reaching an unsustainable level.⁹ The latest debt sustainability analysis by the International Monetary Fund (IMF) and the World Bank in April 2020 concluded that Tajikistan's overall risk of debt distress remains high.¹⁰ While slightly declined in 2018–2019, the general government gross debt stood at 48.1% of GDP amid the COVID-19 pandemic in 2020. The government is committed to fiscal consolidation in 2021–2022¹¹ and is avoiding non-concessional borrowing until debt is considered sustainable.

⁹ In 2020, 12 of the 27 largest SOEs incurred combined losses equal to 8.2% of GDP. Losses have been concentrated in energy and metal processing, with electricity supplier Barqi Tojik accounting for 94.7% of them. See ADB. 2021. [Asian Development Outlook 2021: Financing Green and Inclusive Recovery](#). Manila. Tariffs below cost-recovery levels, nonpayment of bills, system losses caused by aged and obsolete infrastructure, and inadequate financial and corporate management capacity have undermined its financial sustainability. To improve the reliability of the performance, the government is leading comprehensive reforms to attract more private players.

¹⁰ IMF. 2020. [Republic of Tajikistan: Request for Disbursement under the Rapid Credit Facility—Press Release; Staff Report; and Statement by the Executive Director for the Republic of Tajikistan](#). IMF Country Report. No. 20/151. Washington, DC. While Tajikistan's public debt to GDP ratio is not necessarily very high in international comparison, the debt position is vulnerable especially to export shocks and contingent fiscal liabilities.

¹¹ The planned medium-term fiscal consolidation program includes adjustment of 2% of GDP in 2021–2022, so as to reduce the fiscal deficit to 2.6% of GDP by 2022. Spending on Rogun is expected to be accommodated by cuts to other spending (Footnote 10).



8. **Challenging investment climate for private businesses.** The lack of an enabling business environment helps explain Tajikistan's low rate of private investment. The country's score in the World Bank's Doing Business 2020 report (61.3) is below the average for Europe and Central Asia (75.3) and far below Georgia (83.7)—the best performer in the Caucasus and Central Asia. The finance sector has traditionally been considered a weak segment of Tajikistan's economy, and domestic credit to the private sector accounted for only 12.3% of GDP in 2017, although 47% of the population had an account at a financial institution.¹² The high cost of borrowing has dampened loan demand and contributed to reduced credit to the private sector, including small and medium-sized enterprises (SMEs) owned by the poor and women. Another important factor contributing to the lack of an enabling business climate is the relatively poor quality of Tajikistan's public institutions and governance. According to the 2020 update of the World Bank's Worldwide Governance Indicators, Tajikistan ranks well below average in areas such as government effectiveness, the quality of regulation, rule of law, and control of corruption. However, the reform momentum has been picking up. The World Bank designated Tajikistan one of the top 10 economies globally that made the most progress in reforms in its Doing Business 2020 report.¹³

9. Given its landlocked location, Tajikistan has considerable scope to enhance its connectivity to the rest of the world. According to the World Bank's Logistics Performance Index for 2018, Tajikistan ranked 134 out of 160 economies, substantially below Kazakhstan (ranked 71), Central Asia's best performer. Tajikistan's overall LPI score is also below the averages for Europe and Central Asia (excluding high-income countries) and lower-middle income countries. The country had modest scores on customs and trade-related infrastructure. While significant progress has been made in developing international corridors, the domestic road network is still unable to connect local economies to them. The road network has remained deteriorated because of insufficient investment and the absence of functional maintenance.

10. **Modest economic complexity.** Services accounted for 50.9% of Tajikistan's GDP in 2020, with industry at 17.4% and agriculture at 22.6%. While services represent the largest share

¹² World Bank. [The Global Findex Database 2017](#).

¹³ World Bank. 2019. [Doing Business 2020](#). Washington, DC.

of GDP, they represent a smaller share of exports, as Tajikistan's tradable services (such as tourism) are a small part of the total.¹⁴ In 2018, minerals represented 36.57% of exports, followed by metals and stones (29.96%) and services (17.70%). Electricity accounted for 2.17% of exports in 2018. Apart from aluminum, manufacturing represents only a small share of exports, and it is hard to foresee exports of manufactured goods rising much or adding significantly to growth over the medium term. Harvard University's Atlas of Economic Complexity ranked Tajikistan 116 out of 133 economies in 2018 based on the diversity and ubiquity of export products, above only Azerbaijan (124) in the Caucasus and Central Asia.¹⁵

11. **Poverty reduction.** Along with strong growth performance, the incidence of poverty in Tajikistan has declined substantially. The share of the population below the World Bank's \$1.90 per day threshold fell from 27.0% in 2003 to 4.1% by 2015—the year Sustainable Development Goal (SDG) 1 on poverty was introduced and for which the latest survey-based international data for Tajikistan are available.¹⁶ However, the decline in poverty in response to growth has slowed, with poverty falling by only 0.4 percentage points for each percentage point of growth during 2014–2017 versus 0.7% during 2004–2007.¹⁷ Tajikistan's poverty rates exceeded the averages for other countries in the Caucasus and Central Asia.

12. **Inequality on the rise.** Economic inequality appears to have risen since the late 1990s. Household income per capita among the bottom 40% of the population grew by 2.3% a year in 2009–2015, lower than the 3.6% for the population at large that SDG 10 (reduced inequalities) established as a target.¹⁸ In addition, 2015 data (most recent available data) show a rise in the Gini coefficient to 0.34, up from 0.31 in 2009 and 0.30 a decade earlier.¹⁹

13. **Persistent gender gaps.** Stark differences in labor force participation highlight the seriousness of gender issues in Tajikistan. Tajikistan ranked 137 out of 153 countries in the World Economic Forum's Global Gender Gap Report 2020, well below its position 2 years earlier (123 out of 149 countries) due to lower ranking in economic participation and opportunity, educational attainment, and political empowerment. In 2019, women's earnings averaged only 20% of men's (146 out of 153 countries), and women were only 70% as likely to hold technical or professional jobs (108 out of 153 countries).²⁰ A higher proportion of women work in health care and education, where incomes are lower than in other professions. Women also represent nearly half of workers in agriculture and typically hold lower-paying or unpaid positions. In addition, smaller percentages of women are enrolled in secondary and tertiary educational institutions, and women have higher dropout rates.²¹ Many factors, ranging from legal restrictions to local cultural norms, contribute to the disparities between male and female in the labor market.²²

14. **Vulnerable to climate change.** With mountains comprising 93% of its terrain and glaciers covering 6% of its land, Tajikistan is highly vulnerable to climate impacts. Based on the Notre

¹⁴ Trade in services through foreign service providers is not reflected in the balance of payments statistics.

¹⁵ The Atlas of Economic Complexity. [Country & Product Complexity Rankings](#) (accessed 19 February 2021).

¹⁶ While the World Bank's latest survey-based estimate of the head count ratio using the \$1.90 a day poverty line is 4.1% in 2015, the common reference year estimate declined further to 2.2% in 2019.

¹⁷ World Bank. 2018. [Tajikistan Country Economic Update, Spring 2018: Changing Regional Environment—Critical to Capitalize](#). Washington, DC. p. 9.

¹⁸ ADB. 2019. [Key Indicators for Asia and the Pacific 2019](#). Manila. The SDGs were conceptualized at the United Nations Conference on Sustainable Development in Rio de Janeiro in 2012.

¹⁹ World Bank. [World Development Indicators](#) (accessed 16 September 2020).

²⁰ World Economic Forum. 2019. [Global Gender Gap Report 2020](#). Geneva.

²¹ ADB. 2016. [Tajikistan Country Gender Assessment](#). Manila.

²² V. Strokova and M.I. Ajwad. 2017. [Tajikistan Jobs Diagnostic: Strategic Framework for Jobs](#). Jobs Series. No. 1. Washington, DC: World Bank.

Dame Global Adaptation Initiative's Country Index, Tajikistan ranked 100 (score of 46.8) out of 182 countries in 2019; its readiness ranking was 139 (score of 0.327) and its vulnerability ranking was 72 (score of 0.390).²³

III. COUNTRY STRATEGY FRAMEWORK

A. Lessons from Previous Strategy

15. The CPS, 2016–2020 aimed to diversify the sector coverage of ADB's operations away from transport and energy.²⁴ However, these two infrastructure sectors still comprised 65% of operations approved and implemented in 2016–2020, far outweighing the share of the sectors addressing structural reforms and human capital development.

16. The CPS final review validation by the IED pointed to this continued lack of diversity in ADB's operations and assessed that the level of investment in non-infrastructure sectors has not been sufficient to make a meaningful impact for Tajikistan's economic transition.²⁵ IED's evaluation acknowledged the demonstrated positive contribution of infrastructure investment but stressed the need to widen the scope of ADB operations. In particular, it recommended to (i) increase the country program's focus on market-based diversification of economic activities and resilience; (ii) improve the sustainability of the program results by providing more support for public financial management (PFM) and programmatic sector reforms; (iii) use more knowledge solutions to guide ADB support, particularly on market-based diversification of economic activities, creation of competitive markets, private sector development, and inclusion; and (iv) delegate more operational authority to the Tajikistan Resident Mission so it can play a larger role in the context of the COVID-19 pandemic. IED's evaluation also pointed out that the choice of financing modalities showed a heavy emphasis on investment projects. IED recommended that the CPS, 2021–2025 use more alternative financing instruments—including policy-based operations, sector development programs, and technical assistance (TA) facilities—to support reforms and the country's transition to a market economy. IED's findings and recommendations guided the formulation of the new CPS.

B. National Development Strategy

17. Launched in 2016, the NDS 2030 called for (i) ensuring energy security and efficient electricity use, (ii) exiting a "communication dead end" and turning the country into a transit base,²⁶ (iii) ensuring food security and people's access to good quality nutrition, and (iv) expanding productive employment (footnote 2). Accelerated industrialization of the country has been added as Tajikistan's fourth strategic goal in the NDS 2030. The NDS 2030 also recognizes the importance of human capital for long-term economic development.

18. The NDS 2030 divides its 15-year implementation into three 5-year stages: 2016–2020, 2021–2025, and 2026–2030. Each stage corresponds to a CPS period, and 2021–2025 is the stage of accelerated development based on private investment through foreign direct investment and domestic funds. This will be made possible by increasing the competitiveness and investment attractiveness of the economy, strengthening macroeconomic stability, and increasing the finance sector's efficiency. The government's medium-term development program for 2021–2025,

²³ Notre Dame Global Adaptation Initiative. [Country Index](#).

²⁴ ADB. 2016. [Country Partnership Strategy: Tajikistan, 2016–2020](#). Manila.

²⁵ IED. 2020. [Tajikistan: Validation of the Country Partnership Strategy Final Review, 2016–2020](#). Manila: ADB.

²⁶ The NDS 2030 refers to a "communication dead end" as a situation where connectivity with the outside region is disrupted.

approved in June 2021, aims at economic recovery from the shock of the pandemic, and defines its main directions as (i) using national resources more efficiently, (ii) accelerating the development of branches of the national economy's real sector, (iii) strengthening the foundations of the institutional economy, (iv) developing human capital and significantly improving the quality of social sector services, (v) forming a favorable climate for attracting domestic and foreign investments, and (vi) further developing the country's regions. Strengthening institutional frameworks of the national economy and its operationalization through the expansion of digital technologies is identified as one of the goals.

19. The NDS 2030 takes the SDGs into consideration and addresses education, health care, jobs, inequality, corruption, food security and nutrition, good governance, social welfare, conflict prevention, energy security, environmental protection, and management of demographic processes as priorities. Most goals, objectives, and priorities of national strategic documents, including the NDS 2030, overlap with the SDGs, particularly in defining the strategic goals. Regular voluntary national reviews of the SDGs are arranged by the Ministry of Economic Development and Trade, with the support of the United Nations Development Programme, in coordination with the heads of regions and municipalities, as well as other development partners.

20. Under Tajikistan's first Nationally Determined Contribution (NDC) submitted to the United Nations Framework Convention on Climate Change, the country's basic priority is reducing its vulnerability to climate impacts via adaptation, given the "high dependence of the considerable part of the population and of the branches of the economy on climatic conditions, also taking into account the key role of the country's mountain ecosystems in water resources generation and biological diversity for Central Asia."²⁷

21. Conception of the digital economy of Tajikistan was approved by the government in December 2019²⁸. To improve learning of natural science, humanities, and mathematics and to develop technical thoughts of the younger generation, in January 2020, the government announced the years 2020–2040 as "*Twenty Years of Learning and Developing Natural Science, Humanities and Mathematics*".

C. Role of Development Partners

22. Tajikistan's development partners set up the Development Coordination Council (DCC) in 2007 to facilitate information exchange, collaboration, and dialogue on shared priorities between themselves and with the government. The DCC comprises 30 bilateral, multilateral, and United Nations agencies. Its chair serves as the spokesperson for development partners at formal meetings with the government and is the official point of contact on general coordination matters. ADB will continue leading the DCC's energy working group. Partly through the DCC's working group on public administration, ADB works closely with the World Bank on PFM. It also has a strong partnership with the IMF on macroeconomic assessment and outlook, fiscal risks, and debt sustainability, including in the context of the measures introduced for the government's COVID-19 response. The DCC's education working group coordinates a sector-wide approach, and the health working group supports the government's sector strategy. The transport sector needs to strengthen its institutional aspects, requiring further coordination among development partners to

²⁷ Government of Tajikistan. 2014. [*Intended Nationally Determined Contribution \(INDC\) Towards the Achievement of the Global Goal of the United Nations Framework Convention on Climate Change \(UNFCCC\) by the Republic of Tajikistan*](#). p. 4. The NDC also pledged to cap carbon dioxide emissions at 80%–90% of the 1990 level or, subject to international support in terms of funding and technology transfer, 65%–75% by 2030.

²⁸ Government of Tajikistan, Ministry of Economic Development and Trade. 2019. *Conception of Digital Economy in the Republic of Tajikistan*. Dushanbe.

ensure development effectiveness and synergies. Many development partners are also involved in agriculture and natural resources management. Further details on development partners' activities are in the development coordination matrix.²⁹

D. ADB's Strategic Objectives and Operational Priorities

1. Strategic Objective

23. The CPS, 2021–2025 aims to improve Tajikistan's quality of growth (Figure 3).³⁰ It will help accelerate Tajikistan's recovery from the impact of COVID-19 and support a return to a more sustainable high growth path in the post-pandemic period. The country's growth model has a debt sustainability constraint because of its excessive reliance on public investment, and shifting the source of growth to efficiency and productivity gains and private investment mobilization is vital. This requires further advancement of structural reforms to improve the efficiency of resource allocation for capital formation and mobilization, including the enhancement of the business environment and financial services to catalyze private investment, and PFM to rationalize public expenditures and improve domestic revenues. These reforms are also critical to enhance the resilience of Tajikistan's economy and generate fiscal space to better withstand the impact of external shocks, pandemics and disasters triggered by natural hazards. Labor productivity should be enhanced through human capital development. Investments in improving quality of education and health systems will aid productivity and a stronger, more capable, and healthy workforce will be better protected from income and employment losses and the ravages of disease and pandemics in future. Support for structural reforms and human capital development will be expanded, while interventions to directly support public investment in infrastructure development will be limited and focused on addressing people's livelihoods, with particular attention to relieving the constraints of a landlocked country. Due consideration will be paid to special circumstances and the need for flexibility amid the COVID-19 pandemic and its aftermath. The CPS mainly addresses four of the seven operational priorities in ADB's Strategy 2030, while also contributing results to the three other priorities as crosscutting issues (footnote 3), and supports the government's endeavors to achieve the SDGs. Assistance for NDC implementation is an overarching priority.

2. Focus Areas

24. To improve Tajikistan's quality of growth, the new CPS will prioritize three focus areas: (i) supporting structural reforms to enhance the efficiency of resource allocation and mobilization in transition to a market economy, (ii) improving labor productivity through human capital development, and (iii) fostering better livelihoods through investment in a land-linked economy.

25. **Supporting structural reforms to enhance the efficiency of resource allocation and mobilization in transition to a market economy.** This focus area mainly corresponds to the Strategy 2030 operational priority on strengthening governance and institutional capacity. ADB will leverage the government's reform momentum to help transform Tajikistan into a better destination for domestic and foreign private investors. The upcoming operations will support structural reforms to (i) strengthen the resilience of the economy, enhance its ability to cope with economic shocks and pandemics, and generate greater domestic resources to support economic

²⁹ Development Coordination Matrix (accessible from the list of linked documents in Appendix 3).

³⁰ Tajikistan's experience shows that proposed focus on the quality of growth does not compromise the quantity of growth. In the past, the GDP growth rate was high when the growth rate of total factor productivity was also high. In 2001–2003, total factor productivity grew by 9.7% on average and GDP grew by 9.9% on average, despite negative growth of capital stock in these years.

recovery and growth; (ii) establish a more enabling and competitive environment for private businesses, comprising foreign direct investment and SMEs, including those headed by women; (iii) mitigate crowding out by SOEs and state-owned commercial banks; (iv) ensure investor protection; (v) develop capital markets for better financial intermediation; (vi) support financial stability and inclusion, including through private sector operations, where feasible; and (vii) support trade facilitation and trade liberalization in goods and services. It will also continue supporting PFM and improving public sector efficiency to rationalize public expenditures (with due attention to fiscal consolidation once the pandemic is contained), correct distortions in taxation, restructure the power utility SOE (including through PPPs and investment operations) to improve its financial condition and enhance energy security, and promote the digitalization of essential public services for households and private businesses. On domestic resource mobilization, ADB will be involved in the government's tax reform initiatives to relieve constraints on private enterprises with due attention to revenue implications. ADB's value addition is by helping the government design and implement reforms that would otherwise not have been pursued thoroughly, by facilitating policy dialogue backed by knowledge support and leveraging policy making with budget support. ADB will pursue close coordination with the IMF whenever there are macroeconomic implications and with the World Bank in all areas of structural reforms.

26. Improving labor productivity through human capital development. This focus area mainly corresponds to the Strategy 2030 operational priority on addressing remaining poverty and reducing inequalities. Improving quality of education and health is vital for generating sustainable growth and preparing the workforce to overcome pandemic-related and other shocks to incomes, employment, and well-being. ADB is already addressing labor productivity development through a technical and vocational education and training project, which targets providing market-relevant skills for youths entering the job market and for people seeking jobs abroad, including women.³¹ Assistance is envisaged to be provided to enhance science, technology, engineering, and mathematics education. As part of its broader support for education, ADB will help the government lay the foundation for distance and online education as an alternative form of schooling to ensure that access to education amid the COVID-19 pandemic and beyond remains uninterrupted. Reforms will be pursued to bring private sector service providers to promote equal access and the quality of education in various domains. ADB will continue its engagement in the enhanced provision of medical services by focusing on helping Tajikistan address COVID-19 in the short term through vaccinations and other initiatives and in the long term through its support for health systems strengthening. ADB will bring human capital development expertise acquired through operations in other developing member countries, as well as in Tajikistan. It will also extend support for social protection.

27. Fostering better livelihoods through investment in a land-linked economy. This focus area mainly corresponds to the Strategy 2030 operational priorities on (i) making cities more livable, (ii) promoting rural development and food security, and (iii) addressing remaining poverty and reducing inequalities. Given limited resources, ADB interventions for livable cities will focus on improving urban services and tapping the tourism potential mainly of Dushanbe, the country's capital, and secondary cities, with attention to women's needs. ADB will promote productive agriculture and sound natural resources management, including responding to climate change (para. 28), to address food security and inclusive growth in rural areas.³² Through domestic road development and asset management, ADB will connect these rural and urban areas to

³¹ ADB. 2020. [*Report and Recommendation of the President to the Board of Directors: Proposed Grant and Administration of Grant to the Republic of Tajikistan for the Skills and Employability Enhancement Project*](#). Manila.

³² Possible areas of assistance for agriculture and natural resources management include rural productivity enhancement, national food security, and climate adaptive Investments.

international corridors leading to neighboring countries, to relieve the constraints of a landlocked country and promote a land-linked economy. ADB may also provide assistance to Tajikistan to protect and improve livelihoods of refugees who may come in to the country on account of the conflict in the region.

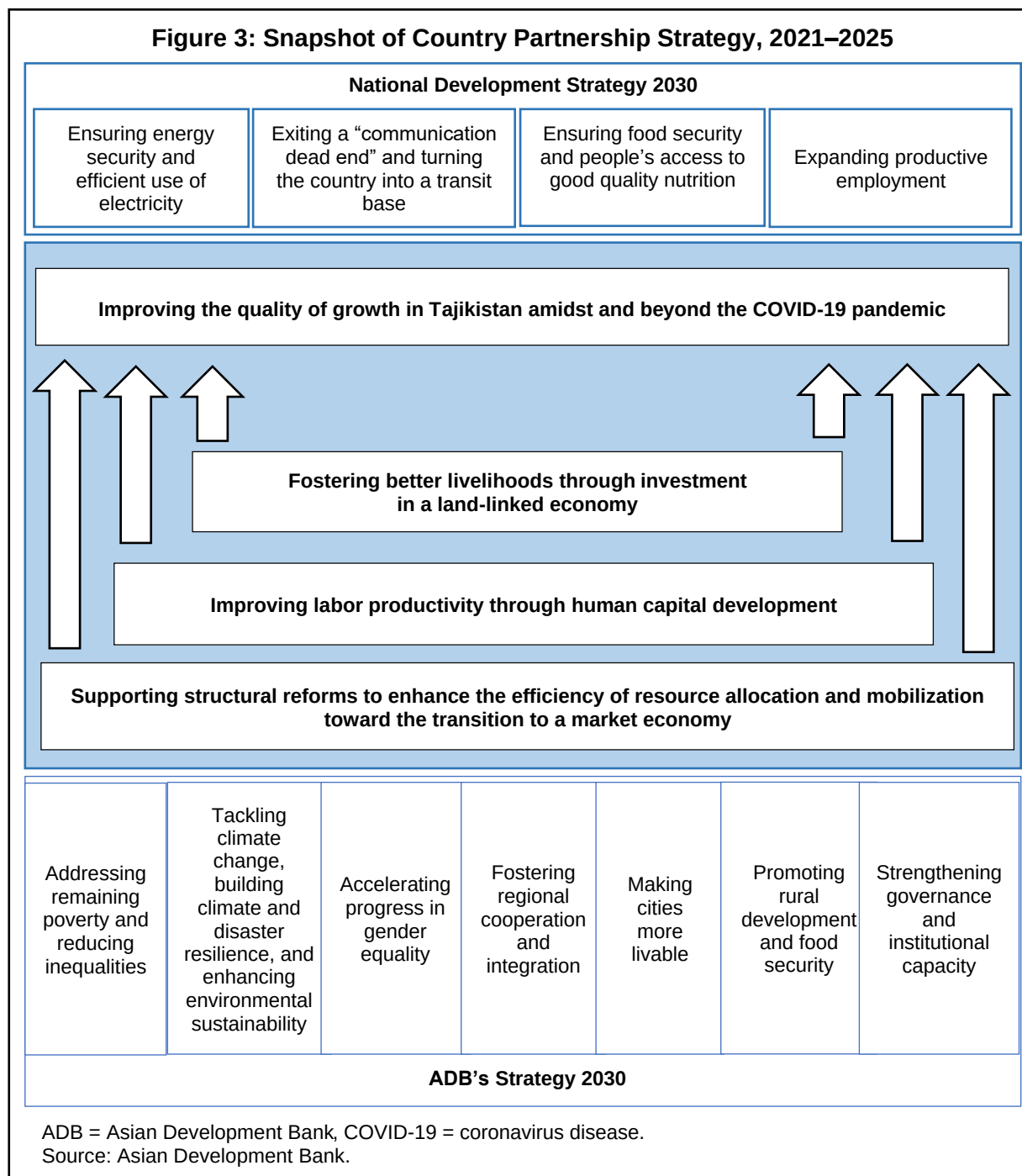
3. Crosscutting Issues

28. **Climate change.** This crosscutting issue corresponds to the Strategy 2030 operational priority on tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability. ADB will continue interventions on (i) climate proofing and carbon reduction, such as by investing in low-carbon renewable energy; (ii) expanding and modernizing climate-proofed infrastructure; (iii) building climate risk management capacity, including meteorological monitoring, impact assessments, resource management, and climate mainstreaming in government policy and institutions; and (iv) developing and introducing innovative technologies for climate resilience. In support of Tajikistan's NDC, the upcoming operations will address flood and drought risk management and its modernization, and improved delivery of quality hydrometeorological and climate services. ADB can also help promote use of advanced technologies to manage climate risks and optimize resource efficiency. Systematic integration of climate data and information services through improved institutional collaboration with the State Agency for Hydrometeorology of Tajikistan will be pursued.

29. **Regional cooperation and integration.** This crosscutting issue corresponds to the Strategy 2030 operational priority on fostering regional cooperation and integration. Spatial interventions to facilitate Tajikistan's transformation from a landlocked to a land-linked country will help Tajikistan's integration with neighboring countries and the rest of the world. As a trusted broker, ADB will support regional cooperation and integration through the CAREC Program, of which Tajikistan is a member. ADB will support rehabilitating and maintaining key national road sections along major CAREC corridors to improve transport and trade connectivity, further strengthening the national single window to facilitate trade, and sharing Tajikistan's experience on regional improvement of border services and the implementation of the World Trade Organization Trade Facilitation Agreement. ADB will facilitate energy sector reform and capacity building to improve integration with the Central Asian Power System. ADB operations will promote food security and agriculture product exports by developing climate-resistant value chains and pilot-testing regional pest surveillance. ADB will also facilitate greater economic integration within Central Asia by promoting regional tourism and developing economic corridors through Kazakhstan, Tajikistan, and Uzbekistan.

30. **Gender equality.** Disparities in women's income, employment opportunities and participation in the labor market have been accentuated by the impact of the COVID-19 pandemic. ADB will address gender disparities in all focus areas of operations in Tajikistan. Improved roads will facilitate women's access to markets, schools, and health facilities; and create job and livelihood opportunities. Investment in education may include scholarships for female students to pursue science, technology, engineering, and mathematics courses to facilitate access to fields traditionally dominated by men, such as engineering in the energy and transport sectors and civil works. Investments in agriculture could provide support for female farmers to increase productivity and engage in value chain enterprises. Creating an enabling environment in water users' associations and river basin organizations will boost women's membership and participation. A women's training and empowerment center will be established in Dushanbe. Structural reforms to establish equal treatment for private SMEs will promote women's jobs, and finance sector interventions will enhance women's access to finance. Support for vaccine procurement and administration will boost the resilience of people, including female health workers. This

crosscutting issue corresponds to the Strategy 2030 operational priority on accelerating progress in gender equality.



31. **Private sector operations and public–private partnerships.** Tajikistan’s investment climate poses challenges to the expansion of ADB’s private sector operations. Nonetheless, while pursuing support for structural reforms to establish an enabling business environment, ADB will strive to catalyze private investment through its nonsovereign operations. In partnership with the Central and West Asia Department (CWRD), the Private Sector Operations Department (PSOD)

will seek interventions in the finance sector that promote stability and inclusion, with a special focus on gender-inclusive finance and digital solutions. Long-term finance and specific programs, such as the Trade and Supply Chain Finance Program and the Microfinance Risk Participation and Guarantee Program, will be used. PSOD will also explore private sector operations in infrastructure, social sectors, and agriculture (including agribusiness). Unbundling the power sector is particularly expected to provide opportunities for ADB's nonsovereign operations. The Office of Public–Private Partnership (OPPP) will continue to work closely with CWRD's sector teams to explore opportunities for PPPs in energy (especially renewables), the social sector, municipal services, and agriculture. Capacity building opportunities supporting OPPP's business development efforts will be explored. ADB will make the most of its institutional setting whereby regional departments, PSOD, and OPPP are in one institution, allowing closer interdepartmental collaboration. This is particularly important for Tajikistan, where private investment is modest and the investment climate needs to be improved substantially through public sector operations.

E. Priorities for Knowledge Support

32. Knowledge support is a distinctive feature of ADB's support, and the country knowledge plan provides a guiding platform for demand-driven knowledge products and services. Knowledge support for Tajikistan aims to provide analytical and capacity building support aligned with the CPS's three focus areas, which are in turn aligned with the NDS 2030 and Strategy 2030. More knowledge solutions will be provided to guide ADB's support for the market-based transition of economic activities, the creation of competitive markets, private sector development, and inclusion. Research topics include further articulating the binding constraints on private investment,³³ to be pursued through the One ADB approach.³⁴ ADB will also aim to support an up-to-date sector assessment of general secondary education. An impact evaluation of various ADB interventions for maternal and child health is underway. A national urban assessment will be conducted to guide investments for urban development. ADB will invite development partners to contribute to knowledge products that explore innovative approaches in enhancing agricultural research, disseminating research outputs, improving agricultural and rural productivity, mainstreaming integrated water resources management, and strengthening disaster risk governance. ADB will provide knowledge support for enhancing a road asset management system and road safety measures to ensure safety and reliability. ADB will invest in knowledge that helps understand key issues related to SDG implementation, including through more active coordination and exchanges externally with development partners and internally across concerned departments.³⁵ The Tajikistan Resident Mission's country director is ADB's knowledge custodian for Tajikistan. Key knowledge products will be translated into local languages.

IV. STRATEGY IMPLEMENTATION

A. Indicative Resource Parameters

33. Tajikistan, a group A developing member country, is eligible only for ADF grants because of its high risk of debt distress. The indicative ADF grant allocation for commitment for 2021–2024

³³ The growth diagnostics identifies binding constraints on growth and reforms unique to each country. The original version, on its decision tree, addresses modest private investment as a constraint on growth. R. Hausmann, D. Rodrik, and A. Velasco. 2005. *Growth Diagnostics*. Cambridge, MA: Harvard University.

³⁴ The One ADB approach encourages collaboration between ADB's sovereign and nonsovereign operations, synergy in knowledge activities between operations and non-operations departments, and integrated solutions through collaboration across sector and thematic groups.

³⁵ On the SDGs, ADB will continue to partner with United Nations agencies and explore new partnerships with private sector actors and philanthropic organizations.

is \$460.73 million. Subject to the annual debt distress classification and achievement of agreed policy actions under the Sustainable Development Finance Policy,³⁶ the final allocation will depend on the available resources and the outcome of the country performance assessments.³⁷ The cost-sharing limit for ADB financing from the previous CPS will not change.³⁸ Cofinancing and funding from other sources, including the ADF thematic pool, the private sector window, and the Disaster and Pandemic Response Facility for projects addressing specific challenges, will be explored.³⁹

B. Implementation Priorities

34. **Selectivity.** To use limited resources effectively, projects will be chosen only within the three CPS focus areas, based on a consideration of ADB's value addition, while building synergy and avoiding overlap with other development partners. Support to structural reforms to enhance efficiency of resource allocation and mobilization in the context of transition to a market economy (including related investment), improving labor productivity through human capital development, and fostering better livelihoods through investment in a land-linked economy respectively account for 32%, 31%, and 37% of the indicative country assistance program for 2021–2024.⁴⁰ Interventions that correspond to the Strategy 2030 operational priorities on governance and institutions, poverty reduction, livable cities, and food security will comprise the total operations in the CPS period. Transport and energy operations will be reduced substantially, and energy sector issues (including related investment, financing, and energy security) will be mainly addressed through SOE reform. The Strategy 2030 operational priorities on regional cooperation and integration, climate change, and gender equity will be addressed as crosscutting issues. No new sectors will be included in the CPS.

35. **Assistance modalities.** The extensive support for structural reform envisaged under the CPS requires the use of policy-based lending (PBL) and other instruments. As recommended in IED's CPS final review validation, ADB will adopt the best mix of financial instruments—including PBL, sector development programs, and TA—in addition to stand-alone project financing. The use of other modalities will be explored during CPS implementation, as the need arises. The One ADB approach will be pursued in all modalities of ADB operations, including private sector operations and PPPs.

36. **Portfolio management.** Tajikistan's current portfolio has been generally satisfactory. As of 30 June 2021, the implementation of 10 out of 16 rated projects was assessed as being *on track*. Yet, the operational environment amid the COVID-19 pandemic has posed a challenge to maintaining portfolio performance, highlighting the critical role of the resident mission for project implementation on the ground. Based on IED's recommendations, opportunities to delegate further project administration to the Tajikistan Resident Mission will be explored. Also, to mitigate the portfolio risk associated with the relative decline of new transport and energy projects in the

³⁶ International Development Association. [Sustainable Development Finance Policy](#).

³⁷ Footnote 12. The World Bank–IMF debt sustainability analysis dated 29 April 2020 indicated that Tajikistan's overall debt distress remains high. Yet, based on the government's commitment to fiscal consolidation, debt is projected to stabilize over the medium term.

³⁸ To sustain Tajikistan's fiscal consolidation efforts, the cost-sharing limit of 99% for ADB financing is maintained for loans, grants, and TA funds; and no restriction should apply to specific sectors and ADB's financing of recurrent costs, taxes, and duties.

³⁹ The ADF 13 framework introduces a single thematic pool for group A countries and, on a very selective basis, group B countries, addressing thematic priorities in gender equity; climate change adaptation and disaster risk reduction; and regional cooperation and integration, including regional public goods.

⁴⁰ The exact funding distribution across CPS's three focus areas may be refined through the annual country programming exercise.

portfolio (para. 32), project readiness financing will be selectively pursued over the CPS period to enhance the readiness of the prospective projects.

C. Results Framework

37. Tajikistan's NDS 2030 targets average GDP growth of 6.9% in 2021–2025, from 4.5% in 2020, in a scenario that assumes progress in the economy's industrialization. At the same time, the quality of growth is expected to improve. The private sector is expected to play a substantial role and, in the NDS 2030, private investment's share of GDP is targeted to rise to 15.0% at least by 2025 from an estimated 3.7% in 2020. The proportion of the population living below the national poverty line is envisaged to decline from 26.3% in 2019 to 18.0% by 2025. The results framework for the CPS reflects these targets (Appendix 1).

D. Risks

38. The government has undertaken measures to improve PFM, including important changes to core budget management processes and legislative scrutiny as well as enhancements to the financial management information system, tax administration, and monitoring of SOEs. While the public procurement framework reform has been slow, a new public procurement law, once adopted, will address many issues. However, significant challenges remain in PFM, including in the transparency of public finances, investment management, internal audit, payroll controls, and external audit. The government has relevant policies and plans in place to fight corruption. Several institutions are also involved in fighting corruption, including the National Anticorruption Council, which has civil society participation. Debt sustainability needs to be restored, and the COVID-19 pandemic poses challenges to project implementation. The evolving security conditions in the region may divert scarce public resources for stronger border controls and the welfare of refugees. Climate risks must be addressed.

39. ADB has procedures in place that mitigate fiduciary risks, including project implementation through management units that apply financial management and procurement approaches acceptable to ADB. Risk management plans with concrete actions to minimize identified weaknesses are prepared for all ADB-financed operations. ADB and the government will discuss measures to address some of the broader governance issues identified in PFM, procurement, and anticorruption efforts, including with TA operations.⁴¹ ADB will continue to work with other development partners through relevant dialogue platforms, including the DCC, to support the government institutions concerned. The issue of debt sustainability will be addressed in partnership with the IMF and the World Bank. The COVID-19 related risk to project implementation will be mitigated by further delegation of work to the resident mission. ADB is only partially using country systems for PFM and procurement to contain the exposure of ADB funds to additional fiduciary risks.

⁴¹ PBL will adequately address further improvement of the country's PFM for the implementation of budget support and broader ADB operations. E-procurement reforms, public procurement reforms, and other systemic issues are possible areas of cooperation on procurement.

COUNTRY PARTNERSHIP STRATEGY RESULTS FRAMEWORK

Country Development Impact Indicators with which the CPS is Aligned ^a				
1. GDP growth rate: from 4.5% in 2020 to 6.9% on average for 2021–2025 2. Private investment's share of GDP: from an estimated 3.7% in 2020 to 15.0% by 2025 3. Proportion of population living below the national poverty line: from 26.3% in 2019 to 18.0% by 2025				
CPS Strategic Objectives	Priority Areas ^b	Key Outcomes that ADB Contributes to	Outcome Indicators	CPS Resources
Improved quality of growth	Structural reforms in transition to a market economy (mainly aligned with OP6: strengthening governance and institutional capacity)	Enhanced efficiency of resource allocation and domestic and external mobilization in transition to a market economy	Ease of doing business ranking improved to 80 or below by 2025 (2020 baseline: 106) Ability to develop and implement medium-term fiscal strategy and budgeting improved (2017 baseline: public expenditure and financial accountability reporting rating of D+) Effective rate for corporate income tax, including required pension and insurance contributions, declined to 50% by 2025 (2015–2019 baseline: 67% for a typical firm) Ratio of bank deposits to GDP increased by 3.0 percentage points (2018 baseline: 14.12% of GDP)	Ongoing portfolio: As of 31 December 2020 Sovereign loan projects Number: 19 projects Amount: \$754.8 million Nonsovereign projects Number: 0 Amount: 0 Planned operations and contribution: Sovereign Lending (\$460.73 million in grants from the ADF for 2021–2024)
	Human capital development (mainly aligned with OP1: addressing remaining poverty and reducing inequalities)	Improved labor productivity More gender equal human capital development	Human capital index reached 0.55 in 2025 (2020 baseline: 0.50) Postsecondary education completed by at least 30.0% of the population aged 25 and above (2017 baseline: 22.7%) Deaths from communicable diseases, nutritional diseases, and maternal and prenatal conditions declined to 15% of total deaths by 2025 (2019 baseline: 19%) Female labor force participation rate (revised ILO estimate) reached 35% in 2025 (2019 baseline: 31%)	Technical assistance Nonlending (\$1.92 million per year in 2021–2023)

CPS Strategic Objectives	Priority Areas ^b	Key Outcomes that ADB Contributes to	Outcome Indicators	CPS Resources
			Births at hospitals or health facilities increased by at least 10% in Rasht and Shamsiddin Shohin and by at least 3% in Fayzobod (2016 baseline: 69% in Rasht, 62% in Shamsiddin Shohin, and 93% in Fayzobod)	
	Spatial interventions in a land-linked economy (mainly aligned with OP1: addressing remaining poverty and reducing inequalities; OP4: making cities more livable; and OP5: promoting rural development and food security)	Better rural and urban livelihoods in a land-linked economy	Prevalence of severe food insecurity in the population reduced to 15.8% by 2025 (2019 baseline: 29.6%) Urban population living in slums declined to 20% by 2025 (2018 baseline: 26%) Passenger traffic increased to 15.5 billion passenger-kilometers by 2025 (2015 baseline: 10.6 billion passenger-kilometers)	

ADB = Asian Development Bank, ADF = Asian Development Fund, CPS = country partnership strategy, GDP = gross domestic product, ILO = International Labour Organization, OP = operational priority.

^a Government of Tajikistan. 2016. [National Development Strategy of the Republic of Tajikistan for the Period up to 2030](#). Dushanbe.

^b Interventions planned under the CPS period will mainly address four of the seven operational priorities in ADB's Strategy 2030 presented in the results framework, while they are also expected to serve the three other priorities (climate change, regional cooperation and integration, and gender equality) as crosscutting issues.

Sources: ADB; ADB. 2020. [Report and Recommendation of the President to the Board of Directors: Proposed Programmatic Approach and Policy-Based Grant for Subprogram 1 to the Republic of Tajikistan for the Financial Sector and Fiscal Management Improvement Program](#). Manila; World Bank. [World Bank Open Data](#) (accessed 23 February 2021); United Nations Development Programme. [Human Development Reports](#) (accessed 24 February 2021); World Bank. [Doing Business](#) (accessed 24 February 2021); and World Bank. [Human Capital Project](#) (accessed on 24 February 2021).

COUNTRY KNOWLEDGE PLAN

A. Knowledge Needs

1. The country knowledge plan for Tajikistan aims to provide analytical and capacity building support that aligns with the focus areas of the country partnership strategy (CPS), 2021–2025 of the Asian Development Bank (ADB). The CPS aligns with the government's national development strategy and ADB's Strategy 2030.¹ The knowledge support areas are (i) supporting structural reforms to enhance the efficiency of resource allocation and mobilization in transition to a market economy, (ii) improving labor productivity through human capital development, and (iii) fostering better livelihoods through investment in a land-linked economy. The country knowledge plan provides a guiding platform for demand-driven knowledge products and services (KPSs) drawn from Tajikistan's experience and regional and global success stories. ADB will update and develop its KPSs on a rolling basis throughout the CPS period. The country director of the Tajikistan Resident Mission acts as ADB's knowledge custodian for the country.

2. **Supporting structural reforms to enhance the efficiency of resource allocation and mobilization in transition to a market economy.** The government has strived to maintain prudent macroeconomic policies and maintain strong, sustainable, and inclusive growth. Binding constraints to achieve this goal include an unfavorable business and investment climate, a fragile finance sector, and weak public financial management that caused debt distress. Tajikistan would benefit from advisory and analytical support to address these constraints.

3. **Improving labor productivity through human capital development.** Productive jobs and human capital development are among the priorities of the national development strategy. Despite efforts to improve financing, infrastructure, and capacity, the quality of education and health services remain a concern in Tajikistan. The country needs to increase the relevance and the quality of labor skills to match the demand from domestic and overseas labor markets and improve labor productivity. The health care sector requires improvements in its governance; and in the accessibility, quality, and efficiency of its services. The sector's fragility became even more evident amid the coronavirus disease (COVID-19) pandemic.

4. **Fostering better livelihoods through investment in a land-linked economy.** Despite declining poverty rates, Tajikistan continues to face social and economic challenges affecting rural and urban livelihoods, including income and food insecurity, unemployment, natural hazards, unreliable electricity supply, connectivity constraints, and inadequate urban and rural water supply. Knowledge and capacity building efforts are needed to raise agricultural productivity, enhance climate change and disaster resilience, and improve water resources management. Tajikistan needs knowledge support to develop sustainable and inclusive tourism. There is a critical need to complete the energy sector reform process and ensure the sustainability of infrastructure investments.

B. Scope of ADB's Planned Knowledge Operations

5. Given the available resources and technical expertise, ADB will prioritize and target the delivery of KPSs to enhance their impact on Tajikistan's development and to better inform ADB's

¹ Government of Tajikistan. 2016. [National Development Strategy of the Republic of Tajikistan for the Period up to 2030](#). Dushanbe; and ADB. 2018. [Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific](#). Manila.

interventions. ADB will invest in KPSs that will help clarify the key issues related to implementing the Sustainable Development Goals, including through more active coordination and exchanges externally with development partners and internally among the concerned departments.² The KPSs will take various forms, including advisory support, policy dialogue, reports, study tours, training programs, seminars, learning programs, and knowledge and experience sharing. The specific modality for KPS implementation will depend on the purpose, target audience, and cost implications. Key knowledge products will be translated into local languages.

6. Enhancing economic efficiency and resource mobilization in transition to a market economy. ADB will continue helping to build the capacities of public institutions to carry out policy reforms to develop the finance sector and foster competition among enterprises in the market. ADB will continue helping the government to improve the investment climate through e-governance, simplify business registration and reduce the cost of doing business, strengthen protection for businesses, and increase innovation and productivity. It will help improve the policy, legal, regulatory, and institutional environment for public–private partnerships. ADB will also continue its support for strengthening insurance sector supervision, enhancing macroprudential regulation, and ensuring compliance with the anti-money laundering and combating the financing of terrorism regime. Topics of further research include further articulating the binding constraints on private investment following the growth diagnostics approach,³ envisaged to be pursued through collaboration among the Central and West Asia Department, the Private Sector Operations Department, the Office of Public–Private Partnership, and the Economic Research and Regional Cooperation Department.

7. Improving labor productivity through human capital development. ADB will provide analytical and capacity building support for developing and modernizing technical and vocational education and training, improving natural science education, developing distance learning, improving the resilience of secondary schools, and enhancing the national assessment system. Upcoming knowledge support includes assisting in the preparation of an up-to-date sector assessment of the general secondary education during the government's initial implementation of the National Strategy for Education Development.⁴

8. In health care, ADB will support sector reforms, integrated maternal and child health care, and the vaccine program. Mainstreaming gender would also be a key feature of KPSs across these initiatives.

9. Fostering better rural and urban livelihoods. ADB plans to provide Tajikistan with several KPSs to improve rural and urban livelihoods, focusing on livable cities, food security, disaster resilience, tourism, energy, and transport connectivity; and to promote multisector and spatial approaches. A national urban assessment will be conducted to guide urban sector investments. ADB will invite partners to contribute to knowledge products that explore innovative approaches in enhancing agricultural research, disseminating research outputs, improving agricultural and rural productivity, mainstreaming integrated water resources management, and

² On the Sustainable Development Goals, ADB will continue to partner with United Nations agencies and explore new partnerships with private sector actors and philanthropic organizations. ADB. 2021. [*ADB's Support for the Sustainable Development Goals: Enabling the 2030 Agenda for Sustainable Development through Strategy 2030*](#). Manila.

³ The growth diagnostics identifies binding constraints on growth and reforms unique to each country. The original version, on its decision tree, addresses modest private investment as a constraint on growth. R. Hausmann, D. Rodrik, and A. Velasco. 2005. [*Growth Diagnostics*](#). Cambridge, MA: Harvard University.

⁴ Government of Tajikistan. 2020. [*National Strategy for Education Development of the Republic of Tajikistan for the period until 2030*](#). Dushanbe.

strengthening disaster risk governance. ADB will provide knowledge support for enhancing a road asset management system and road safety measures to ensure safety and reliability.

Table A2: Possible Knowledge Support for Tajikistan, 2021–2025

Knowledge Support Area	Description of Knowledge Support
Enhancing economic efficiency and resource mobilization in transition to a market economy	(i) Policy dialogue on and advisory support for finance sector reforms, financial market development, and strengthening fiscal management (ii) Knowledge support for and policy advice on enhancing competition among enterprises in the market (iii) E-governance initiatives (iv) Binding constraints on private investment and reform priorities (v) Foreign direct investment (vi) Integration with global value chains (vii) Public–private partnership support (viii) Strengthening of the insurance sector (ix) Cross-border mobility of labor and remittance inflow (x) Anti-money laundering (xi) Promotion of technology-enabled processes or technology-based solutions
Improving labor productivity through human capital development	(i) Education: analytical and capacity building support for developing and modernizing technical and vocational education and training; knowledge support for improving natural science education; distance learning; secondary school resilience; and assessment system reforms, including for secondary schools (ii) Health: integrated maternal and child health care, health sector reforms, and vaccine program support (iii) Gender mainstreaming in all sectors
Fostering better livelihoods through investment in a land-linked economy	(i) Livable cities: analytical and capacity building support for improving the technical and financial management of DVK, the Dushanbe water supply and sanitation utility; the national urban assessment; and climate-resilient urban water supply and sanitation systems (ii) Food security: climate-resilient livestock production and marketing, sustainable irrigation schemes, integrated water resources management, and research and extension services for enhanced agricultural productivity (iii) Disaster resilience: institutional capacity building, an integrated disaster management information system, national hazard and disaster risk maps, and an inventory of assets at risk (iv) Tourism: institutional capacity building, a tourism development plan, a tourism satellite account, and pipeline and feasibility designs of investment projects (v) Energy: ongoing sector reforms, improvement of governance and financial sustainability, management contract, advanced retail metering, and diversification of power generation (vi) Transport: road maintenance, road safety, and road asset management (vii) National urban assessment

DVK = Dushanbevodokanal.

Source: Asian Development Bank.

C. Areas of Collaboration with Partners

10. ADB will leverage in-country expertise and will partner with government agencies, think tanks, civil society organizations, and other stakeholders to produce and disseminate KPSs that best reflect local realities. ADB will generate KPSs in close consultation and coordination with other development partners under the Development Coordination Council to avoid duplication and maximize the impact of knowledge investment. Knowledge partnerships will also be forged with the Central Asia Regional Economic Cooperation (CAREC) Program, the CAREC Institute, and the ADB Institute.

D. Resource Allocation

11. ADB is expected to contribute \$5.75 million in stand-alone country technical assistance grants for KPSs in 2021–2023. Investment projects will also have KPS components. Apart from the country-specific assistance, Tajikistan will benefit from regional KPSs delivered by various ADB departments, the ADB Institute, and the CAREC Program under the One ADB approach.⁵ Staff consultancy from ADB will be used to engage experts for KPS preparation. Financing sources include ADB-dedicated funds (including the Special Funds), trust funds, development partners' cofinancing, and in-kind cost-sharing with the government.

E. Knowledge Competence or Expertise

12. Tajikistan has gained experience and lessons to share with other countries, including on climate change, disaster risk management, project implementation, water resources management, and performance-based road maintenance schemes. Knowledge and experience sharing, and dissemination, will continue under the CAREC Program and other platforms.

⁵ The One ADB approach encourages collaboration between ADB's sovereign and nonsovereign operations, synergy in knowledge activities between operations and non-operations departments, and integrated solutions through collaboration across sector and thematic groups.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/CPS/?id=TAJ-2021>

1. Inclusive and Sustainable Growth Assessment
2. Development Coordination Matrix