



Country Operations Business Plan

September 2007

Tajikistan
2008–2010

Asian Development Bank

CURRENCY EQUIVALENTS

15 September 2007

Currency Unit	–	somoni (TJS)
TJS1.0	=	\$0.2905
\$1.0	=	TJS3.4429

ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
PRS	–	poverty reduction strategy
TA	–	technical assistance

NOTES

- (i) The fiscal year (FY) of the Government and its agencies ends on 31 December.
- (ii) In this report, "\$" refers to US dollars.

Vice President	L. Jin, Operations 1
Director General	J. Miranda, Central and West Asia Department (CWRD)
Team leader	N. Jain, Country Director, Tajikistan Resident Mission (TJRM), CWRD
Team member	F. Mukhamedjanova, Social Sector Officer, TJRM, CWRD

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I. CONSISTENCY OF THE BUSINESS PLAN WITH THE CURRENT COUNTRY PARTNERSHIP STRATEGY

1. The priorities of the Country Strategy and Program of the Asian Development Bank (ADB) for Tajikistan for 2004–2008 remain relevant. The projects in the Country Assistance Program continue to emphasize rural development and regional cooperation, as well as policy reforms in the agriculture, energy, transport, and social sectors.

II. INDICATIVE LENDING AND NONLENDING PROGRAMS

2. The proposed 2008–2010 lending and grant program comprises three programs and three projects worth a total of \$185.0 million. Three regional projects have been classified as tentative, pending the confirmation of the Asian Development Fund (ADF) allocation from the subregional funding window. Eight technical assistance (TA) projects totaling \$4.7 million are in the nonlending program for the period. Tables 1 and 2 give details of the lending program for 2008–2010 and the nonlending program for 2008–2009, and Tables 3 and 4 contain summary information on the proposed lending and nonlending products and services for 2008. Updated country, sector and thematic strategies and plans are in Table 5.

III. SUMMARY OF CHANGES IN LENDING AND NONLENDING PROGRAMS

3. Changes in the lending and nonlending programs have been proposed to accommodate the Government's priorities.

4. In the agriculture sector, the proposed Rural Enterprise Development Project and Phase II of the Rural Development Project, originally listed as firm loans for 2008 and 2009, respectively, have been dropped. Instead, the Agri-Cotton Sector Restructuring Program loan and grant of \$80.0 million, with tranches spread over 2008–2010, have been included. These changes were made after a meeting on 1 June 2007 between the Director General of the Central and West Asia Department of ADB with the President of Tajikistan and a request on 11 June 2007 from the Prime Minister of Tajikistan for assistance in the design of a specific mechanism and financial support for the resolution of the cotton farm debt. ADB continues to do a significant amount of work on the cotton farm debt issue, particularly in the preparation of Sustainable Cotton Subsector Project, TA for Farm Analysis and Awareness-Raising for Debt Resolution, and the recently approved small-scale TA for Farm Debt Resolution Program¹. On 5 March 2007, the Government approved the Roadmap for Implementation of the Farm Debt Resolution Strategy. The road map, which includes a comprehensive program of reforms for the sustainable and profitable farming of cotton and other crops, will guide the preparation of the program matrix for the proposed Agri-Cotton Sector Restructuring Program.

¹ ADB. 2006. *The Report and Recommendation of the President on the proposed loan and Asian Development Fund grant to Tajikistan for Sustainable Cotton Subsector Project*. (Loan 2271-TAJ for \$5,500,000 and Grant 0061-TAJ for \$6,500,000, approved on 3 November 2006). Manila; ADB. 2005. *Report on Technical Assistance to Tajikistan for Farm Analysis and Awareness-Raising for Debt Resolution* (TA 4664-TAJ, for \$1,300,000, approved on 4 October 2005). Manila; ADB. 2007. *Report on Technical Assistance to Tajikistan for Farm Debt Resolution Program* (TA 4958-TAJ, for \$150,000, approved on 3 August 2007). Manila.

5. In the social sector, a move to budgetary support for key reforms, instead of project-based investments, is planned. The Education Sector Reform Project II and the Health Sector Reform Project II, both originally listed as firm projects for 2008, have therefore been dropped. Overcrowding of donors in the health and education sectors is straining the limited institutional capacity of the sector ministries. Moreover, the ongoing Health Sector Reform Project and Education Sector Reform Project² have laid a solid foundation for a shift to sector-wide approaches and related public resource management reforms. The Government will adopt a medium-term expenditure framework, starting with the social sector. Sector-wide approaches for the sector are being planned for 2009–2010. The Government has implemented and continues to implement significant reforms in public financial management, and has requested ADB's support for these reforms. The proposed Public Resource Management Program in 2009 and the Social Sector Development Program in 2010 should reinforce these reform initiatives and approaches.

6. The proposed Regional Customs Modernization Phase II Project and the Dushanbe–Tursunzade Uzbek Border Regional Road Rehabilitation Project (both originally included as firm loans for 2009) have been merged into a single regional loan for 2009 because of the linked investments. The proposed Regional Railways Improvement Project has been shifted from 2009 to 2010. The decision whether or not to proceed with this project and what its scope should be, will be decided after the findings of TA on Transport Sector Master Plan³ become available.

7. In the energy sector, the proposed Reconstruction of Nurek Switchgear Project, originally due for processing in 2008, has been dropped. The Government, forced by limited resources to prioritize investments in the sector, has indicated that it would like to review thoroughly the justification for the significant investment that this project requires. The replacement of switchgears would cost nearly \$70 million, and the generators of the Nurek power plant are also in urgent need of rehabilitation. In the lending program is a power rehabilitation project for 2010, whose scope would depend on the priorities of the Government.

8. Corresponding changes have been made in the nonlending program.

IV. INDICATIVE INTERNAL RESOURCE REQUIREMENTS

9. The country-specific allocations were derived from the results of the 2006 country performance assessment (CPA) with the use of the performance-based allocation formula. The ADF allocation for Tajikistan for 2007–2008 has been set at \$63.0 million. For programming purposes, the ADF allocation for 2009–2010 is assumed to remain at the 2007–2008 level. The actual ADF allocation will be subject to the results of the subsequent CPA and the outcome of the discussions on the next ADF replenishment.

10. ADB is revising the framework for ADF grants. The approval of the new framework, which links grant eligibility to a country's debt situation, is still pending. The indicative grant

² ADB. 2003. *The Report and Recommendation of the President on a proposed loan and technical assistance grants to Tajikistan for the Health Sector Reform Project*. (Loan 2054-TAJ, for \$7,500,000, approved on 17 December 2006). Manila; ADB. 2003. *The Report and Recommendation of the President on a proposed loan and technical assistance grants to Tajikistan for the Education Sector Reform Project*. (Loan 2053-TAJ, for \$7,500,000, approved on 17 December 2006). Manila.

³ ADB. 2007. *Report on Technical Assistance to Tajikistan for the Transport Sector Master Plan* (TA 4926-TAJ, for \$600,000, approved on 4 April 2007). Manila

program is based on the revised ADF grant framework presented in the working paper that was considered by ADB's Board of Directors on 24 July 2007. The grant framework could still change further, and the changes may affect the indicative grant program. The approval of ADF grant projects submitted for Board consideration before the revised grant framework is approved will therefore be conditional. Should such projects be approved by the Board, the grant agreement will be signed only after the revised grant framework is approved.

V. RESULTS-BASED MONITORING

11. The Government is developing a results-based monitoring system for the Poverty Reduction Strategy (PRS)⁴, with the support of development partners, notably ADB at the national level. Progress has been made, owing to a series of capacity-building activities, including workshops, seminars, and on-the-job training held under TA for Strengthening Results Management in Support of Poverty Reduction in Tajikistan⁵. Key results already achieved include: (i) stakeholder consensus and a common approach to the prioritization of monitoring indicators (74 out of 184 indicators of the PRS have been prioritized; (ii) stakeholder participation in the design of a results management system, during the workshops; (iii) a clearer institutional structure for performance monitoring of the development programs, established in August 2007; and (iv) a glossary of results-based management terms in the Russian language to widen understanding of results-based terminology in the country. ADB, in collaboration with other donors, will continue to assist the Government in building the results-based monitoring system and will use the system once it is available.

VI. COUNTRY PARTNERSHIP STRATEGY RESULTS FRAMEWORK

12. A joint country support strategy for Tajikistan is being developed with the combined support of ADB, the World Bank, the United Nations, the European Commission, the Department for International Development of the United Kingdom, and the Swiss Development Corporation. The joint strategy, which is likely to be ready by early 2009, will include a systematic results framework.

⁴ Government of Tajikistan. 2007. *Poverty Reduction Strategy for 2007-2009* (approved on 28 June 2007). Dushanbe

⁵ ADB. 2006. *Report on Technical Assistance for Strengthening Results Management in Support of Poverty Reduction in Tajikistan*, (TA 4860-TAJ, for \$900,000, approved on 30 October 2006). Manila

Table 1: Indicative Assistance Pipeline for Lending Products, 2008–2010

Sector Project/Program Name	Targeting Classifi- cation	Thematic Priority	Division	Year of Project Preparatory Assistance	Total	Cost (\$ million)						
						ADB				Gov't	Co-financing	
						OCR	ADF		Total			
							Loans	Grants				
2008 Firm Loans												
Agriculture and Natural Resources												
Agri-Cotton Sector Restructuring Program	GI	ECG	CWAE	2007	40.0	0.0	5.0	35.0	40.0	0.0	0.0	
Total					40.0	0.0	5.0	35.0	40.0	0.0	0.0	
2009 Firm Loans												
Agriculture and Natural Resources												
Agri-Cotton Sector Restructuring Program II	GI	ECG	CWAE	2008	20.0	0.0	20.0	0.0	20.0	0.0	0.0	
Subtotal					20.0	0.0	20.0	0.0	20.0	0.0	0.0	
Law, Economic Management, and Public Policy												
Public Resource Management Program	TI	ECG/ISD	CWGF	2008	10.0	0.0	0.0	10.0	10.0	0.0	0.0	
Subtotal					10.0	0.0	0.0	10.0	10.0	0.0	0.0	
Total					30.0	0.0	20.0	10.0	30.0	0.0	0.0	
2010 Firm Loans												
Agriculture and Natural Resources												
Agri-Cotton Sector Restructuring Program III	GI	ECG	CWAE	2009	20.0	0.0	20.0	0.0	20.0	0.0	0.0	
Subtotal					20.0	0.0	20.0	0.0	20.0	0.0	0.0	
Law, Economic Management, and Public Policy												
Social Sector Development Program	TI	ECG/ISD	CWGF	2009	15.0	0.0	0.0	15.0	15.0	0.0	0.0	
Subtotal					15.0	0.0	0.0	15.0	15.0	0.0	0.0	
Total					35.0	0.0	20.0	15.0	35.0	0.0	0.0	
Regional Loans												
2009 Tentative Loan												
Transport and Communications; Law, Economic Management, and Public Policy												

Sector Project/Program Name	Targeting Classifi- cation	Thematic Priority	Division	Year of Project Preparatory Assistance	Total	Cost (\$ million)					
						OCR	ADB		Total	Gov't	Co-financing
							Loans	Grants			
Regional Customs Modernization and Transport Infrastructure Development	GI	ECG	CWID	2008	35.0	0.0	35.0	0.0	35.0	0.0	0.0
Total					35.0	0.0	35.0	0.0	35.0	0.0	0.0
2010 Tentative Loans											
Energy											
Regional Power Rehabilitation	GI	ECG	CWID	2009	20.0	0.0	20.0	0.0	20.0	0.0	0.0
Subtotal					20.0	0.0	20.0	0.0	20.0	0.0	0.0
Transport and Communications											
Railways Improvement Project					25.0	0.0	25.0	0.0	25.0	0.0	0.0
Subtotal	GI	GOV/ECG	CWID	TBD	25.0	0.0	25.0	0.0	25.0	0.0	0.0
Total					45.0	0.0	45.0	0.0	45.0	0.0	0.0
Total Firm Projects 2008					40.0	0.0	5.0	35.0	40.0	0.0	0.0
Total Firm Projects 2009					30.0	0.0	20.0	10.0	30.0	0.0	0.0
Total Tentative Projects 2009					35.0	0.0	35.0	0.0	35.0	0.0	0.0
Total Firm Projects 2010					35.0	0.0	20.0	15.0	35.0	0.0	0.0
Total Tentative Projects 2010					45.0	0.0	45.0	0.0	45.0	0.0	0.0

ADB = Asian Development Bank; CWAE = Central and West Asia Department/Agriculture, Environment, and Natural Resources Division; CWGF = Central and West Asia Department/Governance, Finance, and Trade Division; CWID = Central and West Asia Department/Infrastructure Division; ECG = sustainable economic growth; GI = general intervention; GOV = governance; ISD = inclusive social development; TI = targeted interventions; TBD = to be determined.
Sources: ADB estimates.

Table 2: Indicative Assistance Pipeline for Nonlending Products and Services, 2008–2009

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Sector and Assistance Name	Responsible Division	Assistance Type	Sources of Funding				Total (\$'000)
			ADB		Other		
			Source	Amount (\$'000)	Source	Amount (\$'000)	
2008							
Agriculture and Natural Resources							
Agri-Cotton Sector Restructuring	CWAE	ADTA	TASF	700.0	–	–	700.0
Subtotal				700.0	–	–	700.0
Energy							
Strengthening Capacity in Electricity Regulation	CWID	ADTA	JSF	500.0	–	–	500.0
Subtotal				500.0	–	–	500.0
Transport and Communications; Law, Economic Management, and Public Policy							
Regional Customs Modernization and Transport Infrastructure Development	CWID	PPTA	TASF	800.0	–	–	800.0
Public Resource Management Policy Support	CWGF	ADTA	TASF	500.0	–	–	500.0
Subtotal				1,300.0	–	–	1,300.0
Total				2,500.0	–	–	2,500.0
2009							
Agriculture and Natural Resources							
Support to Agricultural Sector	CWAE	PPTA	TASF	700.0	–	–	700.0
Subtotal				700.0	–	–	700.0
Law, Economic Management, and Public Policy							
Social Sector Development Policy Support	CWGF	ADTA	TASF	500.0	–	–	500.0
Subtotal				500.0	–	–	500.0
Energy							
Regional Power Rehabilitation	CWID	PPTA	TASF	500.0	–	–	500.0
Subtotal				500.0	–	–	500.0
Transport and Communications							
Railway Improvement Project	CWID	PPTA	TASF	500.0	–	–	500.0
Subtotal				500.0	–	–	500.0
Total				2,200.0	–	–	2,200.0

— = not available; ADB = Asian Development Bank; ADTA = advisory technical assistance; CWAE = Central and West Asia Department/Agriculture, Environment, and Natural Resources Division; CWGF = Central and West Asia Department/Governance, Finance, and Trade Division; CWID = Central and West Asia Department/Infrastructure Division; JSF = Japan Special Fund; PPTA = project preparatory technical assistance; TASF = Technical Assistance Special Fund. Source: ADB estimates.

Table 3: Summary Information on Proposed Indicative Lending Products and Services for 2008

Project Name	Description
Agri-Cotton Sector Restructuring Program	<p>Impact A productive, profitable, and competitive cotton industry, helping reduce rural poverty.</p> <p>Major Components (i) detailed matrix of policy measures; and (ii) transparent, efficient, and speedy debt resolution.</p> <p>Expected Outputs and Outcomes (i) resolution of the cotton debt; (ii) adoption and implementation of policies aimed at a competitive and productive cotton subsector; and (iii) restructuring of the cotton industry.</p>

Source: ADB

**Table 4: Summary Information on Proposed Indicative
Nonlending Products and Services for 2008**

Project Name	Description
ADTA for Strengthening Capacity in Electricity Regulation	<p>Impact Establishment of a regulatory body (RB) for the electricity sector with the capability to intervene effectively in the planned restructured electricity market.</p> <p>Major Components (i) identification of institutional arrangements, organization structure, and staffing requirements for the RB; (ii) training of staff newly appointed to the RB; (iii) proposal of necessary amendments to Energy Law; (iv) development of Grid Code; (v) drafting of generation, supply, transmission, and distribution licenses; and (vi) review of existing utility tariff structures.</p> <p>Expected Outputs and Outcomes (i) reports, presentations, and training seminars on establishment and operation of an appropriate RB; and (ii) a functioning RB supported by the Government, industry, and consumer stakeholders, and staffed with newly recruited and trained experts.</p>
ADTA Agri-Cotton Sector Restructuring	<p>Impact A productive, profitable, and competitive cotton industry.</p> <p>Major Components (i) assistance to the Government in field and policy reform monitoring; and (ii) improvement of tracking of progress on the policy and institutional reform measures for the program loan.</p> <p>Expected Outputs and Outcomes (i) restructured cotton sector; (ii) government ownership of reform program monitoring; (iii) improved tracking of progress on policy reforms; and (iv) documentation to facilitate drawdowns of policy loan.</p>
PPTA Regional Customs Modernization and Transport Infrastructure Development	<p>Impact Improvement of the integrated regional transport network in Central Asia Regional Economic Cooperation (CAREC) countries, in support of regional cooperation and sustainable socioeconomic development.</p> <p>Major Components (i) consulting services; (ii) field investigations and surveys; (iii) workshops and seminars; and (iv) office equipment.</p> <p>Expected Outputs and Outcomes (i) feasibility study; (ii) investment cost and financing plan; (iii) social and environmental assessment; and (iv) required safeguard documents.</p>
ADTA Public Resource Management Policy	<p>Impact Medium-term expenditure framework (MTEF) successfully implemented in social</p>

Project Name	Description
Support	<p>sector.</p> <p>Major Components</p> <ul style="list-style-type: none"> (i) consulting services; (ii) workshop and seminars; (iii) office equipment; and (iv) improvement in the capacity of ministries of finance, health, and education to formulate a sustainable MTEF for the delivery of social services. <p>Expected Outputs and Outcomes</p> <ul style="list-style-type: none"> (i) alignment with medium-term development plans; and (ii) more effective and efficient financing for social services.

CAREC = Central Asia Regional Economic Cooperation; MTEF = Medium-Term Expenditure Framework; RB = Regulatory Body.
Source: ADB

Table 5: Updated Priority Sectors and Themes

Priority Sector	Developments since the Adoption of the Country Strategy and Program
Agriculture and Natural Resources	To address farm debt and agriculture sector reform issues, the Government has formulated a farm debt resolution strategy and set up a high-level independent commission to implement the strategy. ADB is providing specific assistance to the Government in implementing the farm debt resolution strategy, and is facilitating close coordination among donors, and between donors and the independent commission. Extensive efforts by the Government and the 12-member consortium of donors led by ADB have resulted in the adoption of a road map for agricultural reforms, the Plan of Measures for Cotton Farm Debt Resolution in the Republic of Tajikistan for 2007–2009 (Government Decree 111, signed on 5 March 2007). The road map is focused on five key areas, namely: (i) resolving the current cotton farm debt, which is in default; (ii) introducing transparent and sound regulations and systems for agricultural financing; (iii) giving farmers freedom of choice in making farm management decisions, including what to produce and sell, and to whom; (iv) introducing land reforms, including securing farmers' land use rights, along with the potential for the rental, lease, mortgage, sale, and transfer of those rights; and (v) providing open and competitive access to input and product markets.
Energy	Government interventions in the energy sector have increased the focus on regional cooperation and regional energy. ADB is supporting the strengthening of regional energy trade. The Regional Power Transmission Interconnection Project ⁶ to facilitate the export of surplus energy from Tajikistan to Afghanistan was approved in 2006 with an allocation of \$21.5 million from ADF. ADB, together with other development partners, is actively supporting dialogue between Afghanistan, Kyrgyz Republic, Pakistan, and Tajikistan on the export of clean electricity from the Kyrgyz Republic and Tajikistan.
Law, Economic Management, and Public Policy	The Government is undertaking significant reforms in public resource management. It has begun to take gradual steps toward the adoption of a medium-term expenditure framework and the tighter integration of the budget with development priorities reflected in the medium-term PRS. In the first stage the focus is on the social sectors because of the complementarity of the sector reforms. Sector-wide approaches are also being planned for the social sectors in the medium term. The proposed Public Resource Management Program and Social Sector Development Program would support these important reform initiatives of the Government.
Transport and Communications	There has been no change in the government strategy, which is centered on greater physical connectivity and regional integration.
Priority Theme	
Private Sector Development and Institution Building	The Government, with the help of the donor coordination council, developed the private sector development strategy in 2006. The strategy is aimed at improving government policies and laws that are the greatest impediment to investment and private sector development. The strategy consists of four elements: (i) reducing risk and uncertainty for the potential investor or entrepreneur, (ii) removing barriers that prevent entry, (iii) reducing the cost of doing business in Tajikistan

⁶ ADB. 2006. *Regional Power Transmission Interconnection Project* (Loan 2303-TAJ, for \$21,500,000, approved on 19 December 2006). Manila.

	including entry and exit costs, and (iv) supporting the private sector in increasing productivity and human capacity to drive growth.
Regional Cooperation	<p>A sound agenda and strategy for regional cooperation in Central Asia has been developed as a result of the partnership of countries and international financial institutions under the CAREC program.</p> <p>Sectoral strategies have been prepared through sectoral coordinating committees reflecting the full ownership of the participating countries. Accordingly, the regional cooperation agenda in Tajikistan has been mainstreamed in ADB operations following the strategic directions of CAREC.</p>
Gender	There have been no significant changes since the adoption of the country strategy and program for 2004–2008.

ADB = Asian Development Bank; ADF = Asian Development Fund; CAREC = Central Asia Regional Economic Cooperation; PRS = Poverty Reduction Strategy.
Source: ADB