

**NATIONAL DEVELOPMENT STRATEGY  
OF THE REPUBLIC OF TAJIKISTAN  
FOR THE PERIOD UP TO 2030**

**Dushanbe – 2016**

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## List of abbreviations

AIC	- Agro-industrial complex
CHP	- Combined heat-and-power station
DFI	- Derivative financial instruments
PN	- Power networks
EPS	- Electric power system
FDI	- Foreign direct investment
FEC	- Fuel and energy complex
FEZ	- Free economic zones
FOCL	- Fiber-optic communication lines
GDP	- Gross Domestic Product
GDI	- Gender Development Index
GII	- Gender Inequality Index
HDI	- Human Development Index
HEI	- Higher education institution
HIV	- Human Immunodeficiency Virus
HPP	- Hydropower plant
HPU	- Housing and public utilities
ICT	- Information and communication technologies
IFIs	- International financial institutions
ILO	- International Labour Organization
IMF	- International Monetary Fund
IPO	- Initial Public Offering
LMDS	- Labor market development strategy
M&E	- Monitoring and Evaluation
MFI	- Microfinance institutions
MDGs	- Millennium Development Goals
MtDP	- Mid-term Development Program
Media	- Media
NBT	- National Bank of Tajikistan
NCD	- Non-communicable diseases
NDS	- National Development Strategy
NDS-2015	- National Development Strategy of the Republic of Tajikistan for the period up to 2015
NDS-2030	- National Development Strategy of the Republic of Tajikistan for the period up to 2030
OJSC	- Open Joint Stock Company
OSHC	- Open Joint Stock Holding Company
PFMS	- Public Finance Management Strategy
PRS	- Poverty Reduction Strategy
PPP	- Public Private Partnership
PTL	- Power transmission line
RES	- Renewable energy sources
R&D	- Research and development
RSE	- Real sector of economy

RT	- Republic of Tajikistan
SDGs	- Sustainable Development Goals
SEA	- Strategic Environmental Assessment
LSIS	- Living Standards Improvement Strategy Tajikistan for 2013-2015
SHP	- Small hydropower plant
STIs	- Sexually transmitted infections
TPP	- Thermal Power Plant
WTO	- World Trade Organization
WUA	- Water Users Association

## INTRODUCTION

National Development Strategy of the Republic of Tajikistan for the period up to 2030 (hereinafter - NDS-2030) was developed according to the provisions of the Constitution of the Republic of Tajikistan, Law of the Republic of Tajikistan «On state forecasts, concepts, strategies and programs of socio-economic development of the Republic of Tajikistan» and in line with the long-term country development goals and priorities, referred to in the Address of the Founder of Peace and National Accord, Leader of the Nation, President of the Republic of Tajikistan, His Excellency Emomali Rahmon to the Majlisi Oli of the Republic of Tajikistan in 2014 and 2015.

The given document has been drafted, taking into account changes that have occurred in the country and in the world in recent years, and in particular, the impact of the global financial and economic crisis 2007-2009 on the national economy.

NDS-2030 also takes into consideration the Republic of Tajikistan's international commitments on the Agenda of the XXI century and Sustainable Development Goals (SDGs), approved at the 70th session of the UN General Assembly in September 2015.

The main focus of SDGs is the concept of Sustainable human development. Therefore, complete eradication of poverty, replacement of unsustainable and promotion of sustainable consumption and production patterns, and protection and sustainable use of natural resources to ensure further economic and social development are the main objectives and crucial conditions for sustainable human development.

National consultations on SDGs Agenda revealed the main priorities of the country's development after 2015 and economic ideology, basic principles and a set of measures, specified in NDS-2030 are intended to implement these priorities. These priorities are the following: (1) education; (2) health care; (3) employment; (4) inequality; (5) combating corruption; (6) food security and nutrition; (7) good governance; (8) social welfare; (9) prevention of potential conflicts; (10) energy security, environmental protection and management of demographic processes.

NDS-2030 suggests that coordination institutions and accountability of state administration bodies, business and civil society should play an important role for the implementation of these priorities. Performance of these institutions will be based on a national system of evaluation and forecasting of future development, short-term and long-term objectives and plans for implementation, accordingly.

Therefore, issues on strengthening institutional development towards efficient, transparent and anti-corruption management and financial control through the introduction of modern information technologies at all levels of government and, in general, the development of technocratic and meritocratic management models in the country have been highlighted in NDS-2030.

Measures aimed at reducing economic activity administrative burden, corruption in the control process and developing sectors of the national economy, including through the development of public-private partnership, are

considered in order to strengthen the role of coordination institutions and social accountability of business.

At the same time, due to insufficiently developed civil society and business, coordination and accountability of public authorities will be of major importance in order to ensure industrial and innovative development of the national economy towards its diversification and competitiveness.

The development of coordination institutions and accountability also involves strengthening civil society's role in social control of performance of the state and the business.

In general, this document serves as a directive action plan for all state bodies and an indicative action plan for the private sector and civil society, and it is envisaged that the development of technical and financial assistance programmes for Tajikistan will be based on the National Development Strategy.

Ensuring country's sustainable development involves the selection of scientifically grounded basic principles of the future development of the national economy and society. The following three basic principles of future development have been taken as a basis for NDS-2030 development system approach:

(1) Prevention or prediction (reduction) of vulnerability in future development;

(2) Industrialization or more efficient use of national resources;

(3) Innovation or development through the integration of new developments into country's social and economic mainstreams.

Intensively changing geopolitical, geo-economic and technological picture of contemporary world sets an objective for our country to ensure preventive and sustainable economic development and national security.

In the long term foreign policy goals should be aimed at creating favorable external conditions for the development, strengthening the foundations of the statehood, protection of rights and freedoms, interests and dignity of citizens of the country abroad, strengthening the position of the state in the international arena.

In turn, domestic policies should be aimed at reducing potential external threats vulnerability of the country's economy, exploring and developing effective mechanisms and internal sources for sustainable economic development, ensuring stable economic growth, productive employment, sustainable access to energy resources and favorable business environment. The economic potential of the country should be considered as the material basis of national security. In this respect, the rational use of human and natural capital, and strengthening institutional capacity of development towards better efficiency, diversification and competitiveness of the national economy, will determine the industrial future development and ensure the transition from agrarian-industrial based economy to the industrial-agrarian based economy.

Democratic governance in the country, the rule of law, protection of rights and expansion of human capacity will be the important priority issues. Strengthening social protection, ensuring access to safe food, improving water supply, sanitation and nutrition patterns, reduction all forms of social and gender inequality, as well as environmental sustainability, will be considered as important areas in performance of legislative, executive and judicial institutions.

Ensuring country's sustainable development in the long term is impossible without the use of innovations in all social and economic aspects. The strategic benchmarks of this development must take into account the growth of investment and economic activity in the Central Asian region, the role of Central Asian countries in the region and intensification of cooperation at large between countries in the framework of South-South cooperation. In the next decade, there comes a new technological, economic and political cycle of the world economy, which will slow the pace of global economic growth until the middle of the XXI century. We must be ready to adequately embrace this process and even today outline the areas of future growth model, and determine its qualitative features.

The main factor of this growth model can only be the human capital and its main core components - education and science - as the most important conditions of enhancing national security and encouraging national economic competitiveness. In this regard there is a need to be proactive and make a transition to a 12-year general education system and a large-scale implementation of international educational standards in vocational training system. The state's role should be strengthened in the process of selection and provision of support in the priority areas of science and technology.

The basis of preventive, industrial and innovative development of the country will also be the natural capital. A large potentials of hydropower resources, fresh water, favorable land and climate, flora, significant human resources, rich reserves of mineral resources and subsoil resources create conditions to boost the development of export-oriented and import-substituting industries, development of modern mining and processing industries, non-ferrous and ferrous metallurgy, environmentally sound agroindustrial products. The rich historical and cultural heritage of Tajikistan, its distinct nature with unique lakes, rare animals and plants, as well as the high mountains are important conditions for the development of tourism and increasing contribution of this sector to the country's GDP.

Further development of hydropower capacity and implementation of regional transport and communication projects will allow Tajikistan to become a regional leader in the production and transiting cheap and environmentally clean energy, and to expand transit capabilities of the country, thereby to make a worthy contribution to the sustainable development of developing Southern and Southern-Eastern countries of Asian region, including Central Asian countries, as well as to intensify cooperation within the South-South corridor.

# 1. TAJIKISTAN IN 2030

## 1.1. Vision, mission, goal and objectives

**In 2030 Tajikistan** is steadily growing, competitive country that provides decent living standards for population, equal opportunities for each person to realize his or her potential on the basis of equality, justice and respect for human dignity.

The vision of the country's future remains unchanged. It is the preservation of national unity, ensuring national security, implementation of the principles of social justice and economic efficiency, improvement of human wellbeing.

Mission or sense of progress is to create an independent, prosperous, politically and economically stable Tajikistan.

Over the past 15 years, Tajikistan has made a significant progress on the path of creating a sovereign, democratic, legal, secular, unitary and social state. In economic and social terms, this success is obvious and has been achieved largely due to the strong political will of the Government. However, XXI century, with its rapidly changing external conditions for development, sets new and, to the certain extent, ambitious tasks, for our nation, which accomplishment is especially crucial for consolidation of society and preservation of the identity of the nation and achieving a large-scale progress.

**The ultimate goal** of the long-term development of Tajikistan is to improve the standards of living of population based on sustainable economic development.

In order to achieve it, the following strategic development objectives are defined for the next 15 years:

- a) Ensure energy security and efficient use of electricity;
- b) Exit from communication dead end and turn country into a transit country;
- c) Ensure food security and people's access to good quality nutrition;
- d) Expand productive employment.

**The main activities to achieve set strategic goals are:**

In the field of ensuring energy security and efficient use of energy:

- Diversification of energy generation sources that foresees the development of hydropower resources of small and large rivers, development of existing capacities of oil and gas and coal industries, development of new deposits of fossil fuels, building technical capabilities for the use of alternative (renewable) energy sources (solar, wind, biological, geothermal), modernization of existing and construction of new power plants and thermal power plants;
- Efficient use of existing energy capacity and implementation of electricity export potential;
- Modernization and technical re-equipment of oil and gas industry, development of new oil and gas fields;
- Ensuring large-scale energy conservation and energy efficiency of the national economy;
- Development of internal and external energy infrastructure (electric networks and substations);

- Development of an effective system of risk management and monitoring of energy security, including unlimited and equal access to energy for all consumers;

- Ensuring financially viable and sustainable operation of the energy sector;
- Integrated water resources management.

In the area of exiting from communication dead end and turning country into the transit country:

(1) In the transport sector:

- Construct and reconstruct transport infrastructure;
- Create transit transport corridors;
- Develop transport support provided to industrial areas of economic growth, primarily in the framework of investment projects of national importance;

- Develop transport sector, aimed at creating new jobs; improve the efficiency of the national sectors of economy and improve the quality of living of people;

- Ensure efficient operation of transport and transport infrastructure that contribute to the socio-economic development of regions of the country;

- Preserve and develop a network of local airports, small and medium aviation to ensure air transport affordability for people of all regions;

- Ensure affordability of public transport for people with disabilities;

- Minimize negative impact of transportation industry on environment and human health.

(2) In the telecommunications sector:

- Develop the policy of inexpensive and reliable access to the Internet and telecommunications services, which plays an important role in the provision of public services and ensuring good governance;

- Increase the coverage of communication services;

- Strengthen the competitiveness of the domestic telecommunications market and its further expansion to the level of the Central Asian countries through the development of telecommunication transit potential of the country;

- Create enabling environment for development of the regional and cross-border fiber-optic communication lines (FOCL);

- Ensure multiple use of transport corridors infrastructure and electricity networks in order to strengthen cross-border telecommunication infrastructure,

- Create favorable conditions for the development of info-communication technological parks network.

In the field of food security and people's access to quality nutrition:

- Promote agrarian and water supply reforms;

- Ensure economic and physical access to food based on the stable growth of agricultural sector;

- Diversify agricultural production, as well as introduce innovations with minimum impact on the environment and quality of land; develop measures to replace hazardous chemicals with alternative, less dangerous, chemicals; increase the attractiveness of the sector, especially for dehqan farms via the development and strengthening the value chains;

- Increase an access to the improved seeds and fertilizers at the domestic market, and increase agricultural production by motivating the use of new agricultural practices and technologies;

- Create an effective system of risk management and monitoring of food security and nutrition (support for production and import of essential food products, development of nutrition monitoring system, early warning, reserve stocks);

- Promote effective system of multi-sectoral approach, taken in order to improve adequate nutrition by means of policy coordination in the field of agriculture, public health, social protection, raising awareness about quality of nutrition and effective financing policy;

- Develop land and water resources management system on the basis of equitable and sustainable distribution of land for cultivation of essential agricultural crops;

- Ensure sustainable functioning of maintenance and operation system for irrigation and drainage infrastructure, as a basis for sustainable irrigated agriculture and food security, employment of rural population and poverty reduction on the ground;

- Rehabilitate irrigation and drainage systems in order to improve sufficiency of water supply for irrigated land, land-reclamation of saline lands and wetlands;

- Improve economic mechanisms to cover the cost of maintenance and operation of irrigation and drainage infrastructure, used for irrigation of lands; improve government power subsidies system for machine irrigation; reduce tariff policy in irrigation and drainage sector negative impact on the effectiveness of sector operation;

- Develop the market of agricultural products and overcome barriers so that agricultural producers could have a direct access to the market;

- Address issues of handing over previous on-farm irrigation and drainage facilities to the water users associations (WUAs) and increase state support for the development and sustainable operation of these WUAs;

- Introduce an effective system in order to motivate the state to develop new and restore saline lands, wetlands and previously unused irrigated lands for agricultural use.

In the area of expanding productive employment:

- Support and develop small and medium enterprises in urban and rural areas as an effective way of increasing the number of jobs and solving social problems;

- Encourage the development of «green employment», expansion and public support of environmental entrepreneurship system and environmental services market;

- Ensure employment of rural population through the development of new and fallow land;

- Develop educational network for professional skills development, retraining and professional development, taking into account the needs of women, youth and vulnerable segments of population, including persons with disabilities;

- Comprehensively encourage farmers and small businesses in the agricultural sector through the improvement of the legal system, especially for youth;

- Diversify foreign labor migration, including from a gender perspective, and strengthen state regulation of migrants return process;

- Develop labor-intensive sectors of the economy, which products will be exported (AIC, textile, processing of mineral resources);

- Implement the state employment policy, coordinated with the policy in education sector;

- Extensive use of telecommunications services in the process of exchanging data on creating jobs for young people and promoting entrepreneurship.

The country is facing the following three key challenges in the new stage of development: firstly, achieve the level of socio-economic development, comparable with the countries of the middle segment with middle level of income, and secondly, ensure sustainable development through diversification and increase of competitiveness of the national economy, and thirdly, expand and strengthen the middle class.

In order to address the first challenge it is necessary to:

- Maintain a steady pace of annual economic growth at the level of 7-8%;

- Increase the country's GDP by 3 - fold and over;

- Increase the rate of GDP per capita by more than 2.5-fold;

- Reduce the level of poverty by more than 2-fold and eradicate extreme poverty;

- Significantly increase spending on social welfare of population.

Key actions to be taken in order to address the second challenge are the following:

- Ensure a high rate of industrial growth and increase its share in the country's GDP;

- Improve the efficiency of agriculture and increase its contribution to food security, including an adequate nutrition;

- Ensure the accelerated pace of growth of services of higher degree of complexity;

- Increase the diversification of the national economy (decrease the index of export concentration on three basic products from 83% to 58%);

- Increase the competitiveness of the national economy (achieving a ranking in the Global Competitiveness Assessment at the level of the transition from the resources based competition to performance based competition).

In order to address the third challenge it is necessary to ensure an increase in the share of the middle class (in accordance with international methodology of assessment) up to 50% by 2030.

The key activities aimed at resolving this issue are:

- Promote population's income increase, especially among rural population, youth and women;

- Create conditions for decent and productive employment, including the employment for vulnerable stratum of population;

- Reduce inequalities in society.

In order to achieve set objectives important conditions for future development are: (1) availability of a professional government, able to coordinate and regulate economic activities, ensure long-term, sustainable and inclusive development; (2) further development of mixed economy in the country, which stimulates the development of private business and investment activity; (3) civil society involvement in the development process.

## **1.2. Continuity of development: achievements of the National Development Strategy of the Republic of Tajikistan for the period up to 2015 and the lessons learned.**

NDS-2030 - is a strategic document of national development, which takes into account the experience of drafting and lessons learned from implementation of the previous National Development Strategy - NDS-2015.

NDS-2030 is a logical continuation and further development of priority areas of national development, laid down in the NDS-2015, namely: (1) public administration reform; (2) private sector development and investment raising; (3) human development.

NDS-2015 implementation experience has shown that a strategy represents a comprehensive approach in order to create a national development system based on a clear vertical structure of the strategic documents, programs and plans. NDS is leading the reforms at all levels of government, both sectoral and territorial.

The following positive features of NDS-2015 that make it stand out among other program documents are as follows:

(1) The long-term vision of social and economic development, which encompasses large-scale reform programs;

(2) Full coordination with the international agenda and the Millennium Development Goals indicators;

(3) Considering a set of issues, from the perspective of a single integrated system, by using the cross-cutting dimensions, reflected throughout the document;

(4) Development of a specific system of ongoing monitoring through the monitoring of medium-term strategies used to implement NDS;

(5) National Development Strategy served as a tool for engaging in a dialogue on the strategic directions of development with the business community, non-governmental organizations and development partners.

These distinctive features have led to the fact that the long-term forecast, formulated in 2005-2007, has proved to be successful.

Macroeconomic and social data strongly support the following: of the seven adopted macroeconomic and social indicators of NDS-2015; target indicators have been achieved according to the four most important ones:

- Reduced poverty by almost 2-fold (from 53% in 2007 to 31% in 2015);
- Ensured stable economic growth at the level of 7% per year on average;
- Achieved macroeconomic stabilization; Reduced inflation to single digit;
- The annual state budget increased by nearly 9-fold; its deficit will remain at the level of 0.5% of GDP;

- Substantially increased revenues; increased the possibility of budgetary maneuver, which allows to channel more resources to the development of human potential.

During the period of NDS-2015 implementation, Tajikistan has made a significant progress in key sectors of economy, identified in the strategy.

Fuel and energy complex (FEC). In order to ensure reliable energy supply in the country's economy, power generation sources diversification program, based on the development of small hydropower and construction of thermal power plant, was implemented and the coal industry gained momentum for development. Construction and reconstruction of power plants, heat and power plants, transmission lines and substations, as well as the implementation of reforms in the energy sector made it possible to significantly improve the supply of electricity to the population, ensure stable operation of energy infrastructure and export electricity to the neighboring countries during the summer. In particular, construction of hydropower plants «Sangtuda-1» and «Sangtuda-2» has been completed and commissioned for operation, including central heating and power plant of the first priority in Dushanbe, power transmission lines «North-South», «Lolazor – Khatlon» and «Khujand-Aini».

A positive experience of public-private partnerships in the energy sector in the form of a concession agreement has been gained; autonomous energy sources have been developed. Projects on development of country's unified energy system based on interconnection of energy systems of the south and north of the country have been implemented. The measures have been taken to enhance the geological prospecting work in order to identify new deposits of energy resources. The recognition of the Rogun Hydroelectric Power Station Project safe impact on the downstream countries has been achieved among public and the international community. Its economic efficiency, environmental safety and financial viability have been justified.

Industry. The volume of industrial production increased, compared to 2007, by 20.3%. The number of industrial enterprises increased by 29.1%. Labour productivity increased in industry by 26.7%, which was achieved mainly due to the commissioning of new enterprises, equipped with advanced equipment and technology. There is a tendency to diversify the industry. Over the past seven years, more than 1,600 workshops and new industrial enterprises became operational in the country, including enterprises for the processing of ore and other industrial raw materials, raw cotton, industrial building materials and agricultural raw materials.

Agro-industrial complex (AIC). Nearly two out of three (2/3) existing industrial enterprises of the Republic of Tajikistan are involved in agribusiness. In the agricultural sector due to the measures taken, including the development of new lands, the introduction of fallow land for agricultural use, land reclamation, increasing the area of orchards and vineyards, and the reform of the sector, in particular, dehqan farms's debts resolution, the volume of agricultural products dramatically increased and situation with food security improved. Average annual growth of gross agricultural production amounted to 8.6% during the period of NDS-2015 implementation. In 2015, agricultural

sector as the main link in the agro-industrial complex generated 23.3% of country's GDP. In recent years, diversification of activities through re-sowing, production of competitive and highly profitable export products, expansion of cultivated areas and development of orchards and vineyards have been observed in the sector.

Transport sector. 38 investment projects have been implemented, which resulted in the commissioning of 2,000 km of roads, 240 bridges and 132 kilometers of railways, 31.5 km of tunnels and avalanche protection corridors. As a result of the construction and rehabilitation of roads, bridges and tunnels and other transportation infrastructure, an access to traffic, cargo, domestic and international trade was facilitated and ensured, which contributed to the exit of the country from transport communication dead end. Transit corridors and intermodal routes have been created, which currently provide a connection of CIS countries with Afghanistan, Pakistan, India and other countries of the region.

Telecommunication sector. The country has six major telecom operators that provide services according to GSM and CDMA standards, and more than 20 Internet providers. More than 93% of the populated areas of the country have an access to mobile communications. The presence of several operators at the market has created significant competition and spurred rapid introduction of advanced technologies at the market. The dynamics of growth of subscribers indicate the progress in the sector. During the period from 2010 to 2015 the number of mobile subscribers has increased from 5.9 to 11.5 million.

Banking – lending sector. During the period of NDS-2015 implementation the volume of bank deposits and bank loans increased by 1.8 - fold, the assets of lending institutions increased by 2 -fold. The volume of assets of Microfinance Institutions (MFIs) has grown by 5.3 - fold, and the volume of granted loans increased by 6-fold. The accessibility of banking services improved in the country. It was due to the development of bank branches network and other banks' off-balance operating units and MFIs across the country. The number of bank branches increased from 237 in 2009 to 344 in 2014, and the number of other operating units increased almost by 2 - fold.

The number of issued bank payment cards was 36 872 in 2007, 49 337 in 2008, 61,210 in 2009, 1,107,079 in 2014. The number increased by more than 30-fold, compared with 2007. The development of leasing and insurance companies, lombards and credit unions took place.

Social sector. The poverty rate was 31% in 2015. It dropped down from 53% in 2007. The level of extreme poverty has fallen from 20% in 2012 to 16.8% in 2014. The rate of maternal mortality during the childbirth decreased by 1.8 – fold and child mortality decreased by 2.7-fold. During the period of sustainable economic growth the rate of Human Development Index (HDI) of Tajikistan grew by 1.07% on average per year. Tajikistan ranks 129 out of 188 listed countries according to the HDI with an index corresponding to the average level of human development - 0.624 and it has a significant potential to move up in all the main parameters of the HDI. In 2014, the gender inequality index was 0.357 and Tajikistan ranks 69th out of 155 countries in the world.

Important changes have occurred in the sectors of education, health and social welfare of population. Infant, child and maternal mortality decreased by more than 2 -fold. Hundreds of educational institutions, hospitals, cultural and sport facilities have been built and became operational.

The most important lesson, learned from the implementation of the NDS-2015, is that during the process of monitoring and evaluation of the strategic document it is essential to evaluate the results of its implementation, not just to monitor the implementation of activities. Therefore, the key to successful implementation of the NDS-2030 is the development of an effective national system of effectiveness evaluation and forecasting the development.

Although significant progress has been made on the key priorities of the NDS-2015, however, the issues of improving the efficiency of the use of national wealth, ensuring energy and food security, environmental sustainability, strengthening economic diversification and competitiveness of the national economy require further mainstreaming. The implementation of the private sector development programs and public-private partnerships should be further improved. The reforms in public administration, human development and regional development require new approaches.

Achieving the country's development goals turned out to be not an easy process. This process strengthened mutual cooperation of the country and the international community, which has provided considerable progress on the MDGs target indicators.

**Despite the progress made on the MDGs, there is still a significant number of problems left.**

The quality of education and health services is far from perfect. The level of maternal and infant mortality, tuberculosis incidence remained relatively high, especially in the regions. The pressing issue remains the rise in HIV / STIs and noncommunicable diseases (NCDs). An access to education services is still facing significant challenges, such as poor increase in the number of preschool institutions, poor-quality school infrastructure in the regions, low qualification of teachers. School attendance rate is low, especially in winter. A large number of rural schools and health facilities lack an access to improved sanitation or water supply sources.

One of the main factors that has a negative impact on the achievement of the SDGs is a shortage of electricity in the fall -winter period and a limited market for its sale in the spring and summer period. Creating opportunities for productive employment remains a key issue. If this issue is addressed, it will contribute to further poverty reduction.

Improving nutrition of the population remains a challenge. Chronic malnutrition still affects 26% of the population, and acute malnutrition (wasting) affects 10% of children under five. Many women and children also suffer from micronutrient deficiencies, and this is reflected in high levels of anemia and iodine deficiency. The burden of malnutrition is significant, from economic point of view, in Tajikistan. 41 million dollars USA per year is estimated due to the loss of working efficiency and productivity.

The problems of unequal access of women and men to tangible (land, finance, etc.) and non-tangible (education, health, etc.) types of resources are

constraining factor not only for the development of women but also for the development of society and economy as a whole. Harmonization of goals and objectives of adopted socio-economic and gender policies and programs is essential condition for the promotion of gender equality.

Environmental problems and vulnerabilities remain significant, especially in the context of mitigation and adaptation to climate change. These issues have become very important in the framework of the new SDGs after 2015, which include such issues as efficient use of water resources, ensuring resilience of settlements, taking urgent actions on adaptation to climate change, protection of terrestrial ecosystems, land degradation, prevention and elimination of consequences of natural disasters as well as increased access to fresh water and sanitation. Tajikistan's rural population is more vulnerable to environmental degradation.

In terms of regional development, significant differences remain in the quality of water used by urban and rural populations for economic and drinking purposes. As for the level of social infrastructure development, there is a gap between the regions. In addition, the relatively high demographic pressure in rural areas signals the seriousness of employment and income problem in rural areas.

### **1.3. Development scenarios.**

Taking into account the degree of implementation of the three main objectives, the following three scenarios are considered: (1) inertial, (2) and industrial (3) industrial-innovative. The following preconditions are the basis for all three scenarios: a) goal setting and implementation of national priorities; b) demographic trends; c) efficient use of available resources and opportunities; g) investment opportunities; d) the effects of integration into the global and regional economies.

The main target indicators of the Strategy for the period up to 2030 have been developed on the basis of the Revised Minimum Standard Model - Extended (RMSM-X), as well as on the basis of the estimated figures of line ministries and agencies (p.100, Appendix).

The inertial scenario has been developed on the assumption that there was still an agricultural and industrial development model, the fundamental infrastructure problems were tackled gradually, high dependence on external shocks and import of goods did not change. Economic growth under this scenario is stimulated by consumer and investment demand based on external funding sources, including remittances.

In addition, the share of agricultural sector in GDP will dominate the industry till the end of the forecasted period, with a certain decrease of the difference in five-year periods: 22-22.5% and 12-12.5% in 2016-2020, 22-22.5% and 15 -15.5% in 2021-2025 years, and 22,5-23% and 19-19,5% in 2026-2030, respectively. The contribution of the service sector (excluding the construction sector) to GDP, under this scenario, will gradually decrease from 39-39,5% (2016-2020) to 35-35,5% (2021-2025) and will reach the level of 30-30,5% by 2030. The share of the construction will grow from 15-15,5% to 15,5-16%. Spending on education and science will be stable at the level of 5-5.5%, and spending on health and social welfare of population will be 7,5% of GDP.

Under this scenario an average annual growth of GDP is expected to decline from 6-7% to 4-5% during the entire forecasted period. The volume of GDP will increase by 2 –fold during the whole forecasted period. Its volume per capita will increase by only 2-fold. Under this development scenario, the GDP growth rate for five-year periods amounts to 3-4% (2016-2020), 4-5% (2021-2025) and 5-6% (2026-2030), respectively.

Industrial development scenario assumes the successful implementation of ongoing or already initiated energy and infrastructure projects, sustainable use of land and water, energy and other resources, as well as the rehabilitation of existing and commissioning of new production capacities in industry and agriculture.

This scenario assumes the successful implementation of structural reforms in the real sector of economy and public administration, the developing conditions for fair competition, eliminating unnecessary barriers for private sector development and investment raising, strengthening legislation in the area of complete protection of property rights, improving the quality of vocational education system. The foundation for industrial and agricultural development model will be created under this scenario.

The drivers of the national economy growth will be the accelerated growth of the industry based on the commissioning of new capacities for electricity generation, mining of mineral resources and coal, modernization of light and food industries, development of national ferrous metallurgy and further development of non-ferrous metallurgy, development of building materials industry, light and food industries. Under this scenario, the total volume of industrial production will increase by 4.2-fold, including the mining industry by 5.7 - fold, processing industry by 4.3 -fold, production and distribution of energy, gas and water by 2.9 -fold.

Economic growth will be achieved through the expansion of extensive internal factors of production, stimulated by investment and consumer demand on the basis of internal and external funding sources, including remittances. Spending on education and science will reach the level of 5.5-6%, and spending on health and social welfare will be 8-9% of GDP. At the same time, the share of agricultural sector in GDP will decrease by more than 1.1-fold (in the period of 2016-2020 the decline will be from 23.3 to 21%, in 2021-2025 it will be 20.1%, and 2026-2030 it will be 19-19,5%), while the share of industry in GDP will increase by 1.8 –fold till the end of the forecasted period (during the period of 2016-2020 the growth will be from 12.3% to 12,5-13,2%; during the period of 2021 -2025 the growth will be 16 %; during the period of 2026-2030 it will comprise 20-20,5%). The share of construction in GDP for five-year periods, foreseen in this scenario, will gradually increase from 16-16.5% (2016-2020) to 17-17,6% (2021-2025) and it will reach the level of 18,5-19, 5% by 2030.

This scenario involves the development of preventive nature, based on domestic sources of growth, increasing the participation of Tajikistan in regional economic integration processes, reduction of country's relative dependence on food imports, modern technologies' switching to import. GDP growth rate will amount to 6-7%; the volume of GDP for the entire forecasted period will increase by 2.6-fold; its volume per capita will increase by 2-fold. Under this

scenario, the GDP growth rate for five-year periods amounts to 5-6% (2016-2020), 6-7% (2021-2025) and 7-8% (2026-2030), respectively.

Industrial and innovative scenario involves the establishment of the foundations of innovative development of country's economy, primarily on the basis of reforms in education and training of personnel for sectors of the economy. This scenario is possible in case of developing innovative approaches in order to solve economic and social issues, strengthen institutional development framework, improve the legal system and strengthen the protection of property rights, including intellectual property, which will foster the growth of both domestic private and foreign direct investments. This will lead to the rational use of new integration opportunities and the development of the country's transit infrastructure, diversification of the national economy and a significant increase in exports of goods and services. The sources of economic growth under this scenario could be the effective use of human capital, capabilities of the new transit infrastructure and economic corridors, export-oriented and import-substitution development, increasing exports of services and high value-added products, the development of organic farming, renewable and clean sources of energy as the basis of «green economy», expanding the mechanism of integrated water resources management, as well as the comprehensive development of tourism.

Economic growth will be mainly supported by domestic sources and supplemented by the effective use of external sources of financing of the national economy. The share of net indirect taxes in GDP will stabilize, which will ensure a balanced budget. Spending on education and science will reach the level of 7%, and spending on health and social welfare will comprise 10% of GDP.

At the same time, the share of agricultural sector in GDP will decrease by 1.25-fold (in the period 2016-2020 the decline will be from 23.3 to 19,5-20,5%, in 2021-2025 the decline will amount to 18-18.5% and in 2026-2030 it will be 17-18%), while the share of industry in GDP will increase by almost 1.8 –fold till the end of the forecasted period (during the period of 2016-2020 the growth will be 12.3% to 13-13.5, in 2021-2025 it will be 16-16.5%, and in 2026-2030 the growth comprise 20-21%). Under this scenario, the total volume of industrial production will increase by 5.1-fold, compared to 2015. In the mining industry the increase will be by 6.4 –fold. In the processing industry the increase will be by 5.5 –fold. The production and distribution of energy, gas and water will increase by 2.2-fold. The share of construction in GDP for five-year periods under this scenario will gradually increase from 16-16.5% (2016-2020) to 18-18.5% (2021-2025) and it will reach 19,2-20,2% by 2030.

Average annual GDP growth rates under this scenario are estimated at 8-9%. The volume of GDP for the entire forecasted period will increase by 3.5-fold and GDP per capita will increase by 2.7 -fold. Under this development scenario, the GDP growth rate for five-year periods may reach 7-8% in 2016-2020, 8-9% in 2021-2025, and 9-10% in 2026-2030.

The strategy allows for the sequential transition from one type of development to another according to the implementation of the envisaged measures. Trends in the economic development of the Republic of Tajikistan indicate that preconditions have been ensured for the implementation of the

second scenario as the most feasible. At the same time, in case of maximum concentration of efforts, expanding institutions, improving the efficiency of public administration, strengthening the role of business and civil society in the implementation of the Strategy, conditions emerge to move to the industrial-innovative development.

## Development scenarios for the period to 2030

<i>Характеристика варианта</i>	inertial	industrial	Industrial-innovative
Обобщенный профиль	сохраняется аграрно-индустриальная модель	успешная реализация действующих и начатых энергетических и инфраструктурных проектов	создаются основы инновационного развития экономики страны, укрепляется институциональная база
Направленность действий	постепенное решение инфраструктурных проблем, высокая зависимость от внешних шоков и импорта товаров не изменяется	рациональное использование водных, энерго- и других ресурсов, расширение существующих производственных мощностей в промышленности и сельском хозяйстве	формирование инновационных подходов при решении экономических и социальных задач
Стимулирование роста	спрос на основе внешних источников финансирования, включая денежные переводы мигрантов	успешное проведение структурных реформ в реальном секторе экономики и системе государственного управления	рациональное использование новых интеграционных возможностей, диверсификация национальной экономики и значительный рост экспорта товаров и услуг
<b>↓</b>			
<i>Параметры</i>			
Расходы на образование и науку к ВВП	5-5.5%	5.5-6%	7%
Расходы на здравоохранение и социальную защиту к ВВП	7,5%	8-9%	10%
Доля аграрного сектора в ВВП	22.5-23%	19-19.5%	17-18%
Доля промышленности в ВВП	19-19,5%	20-20,5%	20-21%
Доля строительства в ВВП	15.5-16%	18.5-19.5%	19.2-20.2%
Доля чистых косвенных налогов в структуре ВВП	12,5%	12,5%	12%
<b>↓</b>			
<i>Траектории развития</i>			
Темпы роста ВВП	4%-5% (в среднем в год)	6-7% (в среднем в год)	8-9% (в среднем в год)
Рост ВВП за 2016-2030гг	2 раза	2,7 раз	3,5 раз
ВВП на душу населения (по ППС)	4000-5000 долл.	5500-6500 долл.	7000-7500 долл.

#### **1.4. Periods of NDS implementation**

NDS - 2030 will be implemented based on the three medium-term stages. The following areas will be the priority at each of these stages:

-Increasing efficiency, diversification and competitiveness of the real sector of the economy, including the fixed assets of enterprises and organizations, natural resources such as water, land, mineral resources, energy, transport and information and communication infrastructure, and others;

- Development of human capital;
- Strengthening institutional capacity of the country;
- Ensuring macroeconomic and social stability and balanced development of the regions.

More detailed information for each of these priorities is presented in the relevant sections of the NDS - 2030.

#### **1. The stage of transition to a new model of economic growth (2016-2020).**

This stage covers the period of NDS - 2030 implementation based on medium-term development program for the period 2016-2020, followed by possible extension of this timeframe. The task of transition to a new model of economic growth based on investments and development of export-oriented and import substitution production will be the basis of this stage. The basis of this model is an effective institutional mechanism that allow strengthening reforms in the area of training of personnel, who meet the requirements of the labor market, attracting investments in the real sector of the economy and infrastructure. This will ensure rapid growth of industry, agriculture and the financial sector, massive creation of new high-performance workplaces, access to new export markets and reduction of dependence on remittances.

The new growth model will lead to a significant increase in the share of formal employment and registered sector of the economy and ensure the expansion of the revenue base of the budget due to the rapid growth of domestic taxes collection. The implementation of this model will be based on the balance of the main pillars of sustainable development: economic, social and environmental and will help to expand economic and social opportunities of men and women.

In the area of improving economic policy and institutional framework the focus should be directed at:

- Institutional transformations of bodies, involved in the structural policies and the development of the requirements for its implementation, taking into account the basic principles mentioned above, which is a fundamental requirement to transition to the new structural policy;

- Development of export orientation strengthening program and selective import substitution program on the basis of specific comparative advantages with a set of tools and criteria for the selection, extension of the country's export potential through the development of local raw material resources;

- Development of an investment climate that leads to lower administrative transaction costs, especially in sectors, where spurt in growth has been defined;

- Development of modern infrastructure to support entrepreneurship and mechanisms to promote the establishment of new industries;
- Development of agrarian sector and institutional development in the water sector of the country;
- Development of requirements for professional training of personnel with the involvement of potential employers.

The development of mining industry, energy, transport, telecommunications industry, food and light industry, building materials industry, tourism and the financial sector should gain momentum. In the framework of sectoral and regional development programs, particular attention should be given to products that already have a comparative competitive advantage. At this stage, it is essential to consider potential growth areas related to these sectors.

Along with operational industrial enterprises (some of them will be reconstructed), new enterprises of mining and processing industry will become operational (ferrous and non-ferrous metallurgy, construction materials, light and food industry, chemical industry and other industries). In general, the number of new jobs will increase by 1.5-fold in industrial sector. Given the current needs and available financial capabilities in the area of national energy development, it is required at this stage to continue implementation of small hydropower plants construction program within the framework of energy sources diversification and forms of their ownership in order to ensure financial recovery of energy system, based on the improvement of payment discipline, restructuring of the energy sector, appropriate tariff policy, the implementation of energy saving measures and energy efficiency in all sectors of the national economy.

The important issues will be energy generation sources diversification, based on the construction of thermal power plants and the development of coal mining industry, as well as the implementation of projects in order to reduce energy loss and improve the efficiency of the use of available energy capacity.

This stage will be associated with actions aimed at improving the quality of operation of existing types of transport that ensure the expansion of involvement of natural resources in the economic circulation and development of new lands, growth of transit transportation, transport costs reduction and enhancing safety. A specific feature of this stage of development will be setting up new mechanisms of implementation of the state social policy towards modernization of management system in sectors that form human capital, institutionalization of industrial and social - entrepreneurship system. Social security and competition will be the key growth objectives. During this period, activities to conduct the necessary research and preparatory work will be organized to lay a foundation for the accelerated development of the regions in the country. The reforms will be aimed at improving the efficiency of public administration at the level of regions and local government.

Institutional arrangements and the basic steps of their development will be covered in details in the Medium-Term Development Programme of the Republic of Tajikistan for the period to 2016-2020.

## **2. The stage of accelerated development based on investment (2021-2025).**

At this stage the maximum implementation of institutional capacity of the new growth model will be achieved, as part of the implementation of the medium-term development program for the period to 2016-2020. The basis of economic growth must be a fast growth of investments in the real sector and infrastructure.

Investment growth will be achieved both through attracting foreign direct investment and domestic funds. This will be possible due to the increase of competitiveness and investment attractiveness of the economy, strengthening macroeconomic stability, as well as due to the increase in efficiency of the financial sector. An important priority at this stage will be the implementation of the energy security strategy, which aim should be the development of the energy sector in the context of growing demand from the population and the economy.

In order to address social, including gender gap, increase support of institutions, concerned with social equality at the national, regional and local levels, available resources will be optimized and additional investment will be attracted.

The mobilization of financial resources of the subjects of the national economy, international banks and development partners with a view of restructuring the economy will be the main task of this phase of development.

Improving economic policy and institutional framework will be directed at:

- Increasing support for the production of products with comparative advantages;
- Rehabilitation and construction of new production capacities in various sectors of the national economy;
- Domestic demand reorientation to the domestic products;
- Development of legislative and institutional framework for the national innovation programs;
- Training of personnel, who meet the requirements of the modern labor market;
- The use of advantages of an integrated water resources management system;
- Further development of the financial market and increasing mobility of domestic capital.

Reforms aimed at ensuring conditions for the functioning of market mechanisms, which will create a competitive environment, will be completed in the field of hydropower. This step will be a key for the full completion of construction of Rogun hydroelectric power station and ensuring energy security of the country. A balanced market will be created for the supply of electric power within the Central Asian region and mutually beneficial cooperation will be expanded in this field. In the coal industry, under the conditions of high oil prices and upgrading production facilities, the development of existing deposits will be accelerated. In the mining and metallurgical complex, exploitation of deposits, introduced for industrial use, will begin.

This phase will be characterized by the development of agro-industrial clusters and enterprises for complete processing of cotton fiber, leather, silk cocoons, grapes, fruit and other agricultural products. There will be an increase in the level of industrial development of the country through the development of traditional industrial enterprises of the republic. In general, the number of new jobs will increase by 2.2-fold in the industry. The following triune task of this period will be tackled: the policy of import substitution with regard to the consumer goods, export diversification and expansion of investment opportunities in the national economy. The construction and reconstruction of the planned transport corridors will be completed and Tajikistan will get out of the railway siding, the way to the sea will be open, opportunities of transportation system operation will increase as a whole.

The reforms will be aimed at improving the efficiency and competitiveness of social sphere on the basis of the first significant results of the implementation of new approaches to the management of human capital development. Key decisions will be linked to social justice and development of the middle class. In regions of the country measures will be implemented for infrastructure development, completion of the establishment of the institutional foundations of urbanization through the promotion of various clusters and economic corridors development, as well as the development of medium and small towns system, large urban settlements as a sustainable «growth poles».

### **3. The stage of completion of accelerated industrialization and building capacity for development based on knowledge and innovation (2026-2030).**

The transition from investments based industrial growth strategy to knowledge and innovation based development should be ensured at this stage. Diversification of economic growth due to the intensification of agricultural production, moving up the value-added chains in the industry, modernization of the social sphere, accelerated development of the financial sector, tourism and business services industries will form the basis of this transition.

The contributions will be increased to the economic growth of the human capital, effective institutions and advanced technologies. The faster growth of public and private expenditures will be ensured in such areas as vocational education, R & D and innovation. The use of modern technologies will be expanded, especially in field of information technology, telecommunications, biotechnology and alternative energy. An efficient transport and logistics infrastructure will be created and the development of international transit corridors will be completed.

In general, structural and institutional changes will be ensured and they will be shown in increase of the share of industry and significant increase in the share of private investment (from 5 to 25%) in the formation of GDP.

The main focus will be on improving the quality of life in both urban and rural areas. In 2030 regions of Tajikistan will be the areas with favorable conditions for people's living, regardless of their age, gender, ethnicity, disability and favorable environmental conditions, with an effective economy and infrastructure, as well as the steadily increasing quality of human capital and living standards.

The reforms will be associated with increased levels of innovativeness in sectors that form human capital. Priorities will be associated with the provision of high standards of human welfare, social well-being and harmony. Integration of stages of innovative cycle will be encouraged: basic and applied research, pilot and experimental production, commercialization of innovations.

Integrated Water Resources Management System will demonstrate its effectiveness. The agrarian and water sector reform will mainly come to an end; transition to the system of soil fertility recovery, prevention of the main forms of soil degradation and agricultural production with the use of high technologies of production will be ensured. Country's fuel-and-energy complex will receive the status of country's budget-forming sector and hydropower will provide expansion of export and transit capacity of the country. This phase will include the implementation of measures to promote long-term export-oriented economic growth by increasing the production of final goods in enterprises of nonferrous metallurgy, light and food industries, construction materials and others. The development of the coal industry will be based on a system of open and environmentally acceptable method of coal fields development and deep processing of raw materials. In general, in the industry, the number of new jobs will increase by almost 3-fold. Economic and natural potential will form the basis of national security.

Detailed information on the priorities, the main areas of activities and proposed reforms to achieve set strategic objectives is given in the respective sections of the NDS-2030. Consistency and coherence in achieving the NDS-2030 goals will be provided through the implementation of five-year medium-term development programs (targeted programs) for the periods of 2016-2020, 2021-2025 and 2026-2030, which reflect the stages of the long-term social and economic development.

### **1.5 Strategy implementation financing sources**

Implementation of goals and priorities of the Strategy will be ensured through all development sources.

One of the main sources of financing will be the state budget of the country, which in the framework of the development of medium-term budgets for the period of the Strategy implementation will always specify the areas of activities in the framework of the stated objectives and priorities.

Unlike the NDS-2015, the private investments, both direct foreign and domestic investments, will play more significant role in the financing of the given Strategy. For this area of activity, identified in the Strategy, a radical improvement of the investment environment is suggested for foreign and domestic investors, which will have an effect on additional capabilities of budget.

Investment support of development partners, multilateral organizations' funds and their technical assistance on the development and implementation of the reforms set out in the Strategy will be highly important source of the country's program development. It is expected that development partners will increase funding via the provision of the grant funds that meet the spirit of the new sustainable development goals. The volume of forecasted funds for the next 15 years from all sources of financing of the Strategy is 118,1 billion dollars

USA, of which 54,7 billion dollars USA will come from the private sector (46.3 percent), 56.1 billion dollars USA will come from the budget (47.5 percent) and the contribution of development partners will be 7,3 billion dollars USA (6.2 percent).

## **2. CHALLENGES AND OPPORTUNITIES FOR DEVELOPMENT**

### **2.1. Challenges**

Tajikistan, as a country with an open economy, is exposed to internal and external challenges that may affect the achievement of the objectives of the Strategy and the adjustment of development stages. The country can always benefit from the challenge, if preventive adaptation measures are taken. Otherwise, challenges become a threat.

The following main challenges can be distinguished for Tajikistan:

- Low competitiveness of the national economy, accompanied by underdeveloped technological base and low level of innovative activity, energy-intensive and polluting technologies, high depreciation of fixed assets. In the country there is virtually no mechanism of «coercion» to innovation and commercialization of scientific findings and developmental activities' results;

- Low share of domestic savings and investments, which prevents modernization of agriculture, industrialization and infrastructure development;

- Lack of effectiveness of public administration, including in the area of strategic planning, which limits the possibilities of development and implementation of policy in the field of socio-economic development;

- Insufficiently favorable business climate, demonstrated in excessive and inefficient regulation, corruption, excessive tax burden and burdensome tax administration, high level of monopolization, weak protection of property rights and the rights of entrepreneurs. Although Tajikistan is in the list of ten countries with the greatest progress in reforms aimed at supporting business, the republic is ranked 132d in the rating of «Doing Business 2016», which indicates weakness of institutions' development to support entrepreneurship. As a consequence, the investment and export potential of products with increased added value is not used to the full extent. Today, ensuring enabling environment for doing business, development of conditions for the protection and guarantee of property rights and attraction of direct investment, effective management of own assets are essential for the development of priority sectors of the economy;

- Decrease in the share of industry in GDP. In recent years, the share of industry in total GDP decreased from 21.3% in 2006 to 16.8% in 2015. To date, the country lacks the national industrial policy and there is a high consumption of materials and energy by individual industrial facilities, as well as the low profitability due to the lack of deep processing of raw materials, low value-added products. At the same time, a job created in the industry can produce more income by 9.7 –fold, compared to the agricultural sector (2013) in Tajikistan;

- Underdevelopment and high wear and tear of infrastructure, particularly transport, energy and utilities infrastructure, which hinders investment, exports and economic growth;

- The growth of informal sector and informal employment, which discourages investment, reduces productivity, revenue base of the budget, limits the effectiveness of state regulation and promotes corruption. As in other Central Asian countries, the shadow (unofficial, informal) sector accounts for a significant share of the economy of Tajikistan. According to the IMF estimates, the share of informal economy (excluding criminal economy) amounted to more

than 30% of Tajikistan's GDP in 2008. Based on recent surveys, the average unofficial payment was 7.9% of companies' annual sales in 2014. The share of tax underpayment is 17% of GDP in the structure of the shadow economy;

- Poor quality and inefficient use of human potential: although the coverage of population with general secondary education is increasing, there is a shortage of qualified technical specialties, unsatisfactory level of knowledge of foreign languages, excessive employment in agriculture, public sector and other sectors, and significant share of the skilled workers had to look for a job outside the country;

- Insufficient connection between the labor market and education system, weak motivation of young people to be engaged in professional activity. The need for productive employment and advancing competences is the main country's long term objective in the field of employment. At present, there are problems related to ensuring employment of vocational education graduates in the country. It is difficult to get a first job. There is a relatively low percentage of graduates, who get employed in accordance with the specialty. Employers at the labor market noted insufficiency of skills and poor quality of education of job seekers. Along with economic growth and boosting investment activity, the problem with the lack of skilled manpower for the leading sectors of the economy and small businesses can grow, regardless of available unemployed labor force that lacks required qualification. This leads to uneven economic development in the territorial context and as a result inequality of opportunities, which prevents involvement of people in productive employment;

- Insufficient involvement of youth, women, especially in rural areas, persons with disabilities in social and economic transformation;

- Inadequate efficiency of health care and social welfare systems, which reduces accessibility and quality of provided basic social services, especially for vulnerable social groups of population. The Government of RT is making significant efforts to adapt the social welfare system to changing environment in the country and tailor it to available financing. However, there are still problems with the development of integrated system of socio-economic relations, aimed at providing various support to persons with disabilities and senior citizens, children from poor families, mothers, who care for children with disabilities, pensioners and low-income families. Deepening of structural reforms at the new stage of development can have a significant impact on human well-being, choices and enjoyment of the social rights of every person. This will result in gradual change in the demand for social services, which will require an appropriate change in approaches, taken to social welfare system;

- The water infrastructure is lagging behind and does not meet the needs of the national economy and population growth. Tajikistan actually uses only 17-20% of water resources, accumulated in the country. The need for drinking water consumption and sanitation is less than 5.0% of the country's total water consumption. In more than half of the rural areas there is no centralized water supply system and sewerage network. The volume of water resources used for irrigation is around 90-92% of the total volume of water supply intake for the

needs of all sectors of the economy. Improvement of situation will require a significant investment;

- Geographical remoteness from the sea and large sales markets, which is exacerbated by underdevelopment of transport communications towards these markets and limits competitiveness of the national economy. At present, there is a need to make major adjustments in types of transport operation economic concept based on market trends in actual demand. The success of the country and its regions will be largely defined by the level of transport services, provided to ensure economic relations with the major sales markets in the Eurasian region, south-eastern and north-western parts of «South – North» and «South – South» international corridors. Today, Tajikistan has railways as the only way to connect with foreign countries and regions through the territory of Uzbekistan. Not all regions are interconnected by railways within the country.

- High risk of natural disasters and vulnerability to climate change, which pose threats to sustainable development. Currently, natural disasters continue to cause significant damage, undermine the well-being of people and create a hazard to public safety. In the Republic of Tajikistan for the period of 1997-2013 there were 3169 emergency situations, when 1041 people have been killed and the economic damage amounted to about 2 billion Somoni. During the period of 2005-2014, annually, on average, 32 citizens of the country, per 1 million people, lost their houses as a result of natural disasters. At least 10% of the population is living on degraded lands. The issue of the risk of disasters requires a broader and more people-centered preventive approach;

- A serious change in the political and economic situation in the world in 2014-2015 and a decline in economic growth of key trade partners of Tajikistan;

- Aggravation of competition over financial resources in the developing countries, which based on the lack of effective system to raise foreign investments reduces international competitiveness of Tajikistan's economy;

- High social cost of foreign labor migration. Remittances constitute over 40% of country's GDP. Annually not less than 600 thousand people get involved in labor migration. Efforts on labor migration legalization and social protection of migrant workers in the country that provides them with employment are important. The issue of deepening social problems in migrants' families that remain in the country proved to be not less important. It results in the development of vulnerable social institutions of « migrants' wives» and «street children»;

- Decrease in the volume of remittances sent by migrant workers. This factor may affect the income of population as most of the families' income comes from remittances. Due to the decrease in volume of remittances sent by migrant workers, public spending reduces, respectively;

- Increase in fuel prices. Especially if this increase happens in countries of trading partners of Tajikistan, then it adversely affects the economy of the republic.

## **2.2. Capabilities**

The following key capabilities that might contribute to the achievement of strategic objectives are specific for Tajikistan:

- Favorable geographic location and proximity to the states - regional leaders and integrated associations that can give momentum to the development of regional trade and transit;

- Expanding regional economic integration and the development of modern international transit infrastructure that can mitigate the effects of geographical remoteness of Tajikistan and improve the competitiveness of the national economy and its investment attractiveness;

- Economic growth in the neighboring countries and the main trading partners create additional conditions for the development of export-oriented industries, wide use of modern technologies, the growth in production of import-substituting products and attracting investment;

- Availability of the resource potential for the development of export-oriented production clusters in the regions of the country;

- Availability of significant manpower resources and potential for their further growth, which, against the slowdown in the growth of economically active population in most of the neighboring countries, can serve as additional factor to increase investment attractiveness of Tajikistan;

- Hydropower forms the basis of energy potential of Tajikistan;

- Rapid development of mobile communication and information technologies, which provides opportunities for their use, both in the real sector of economy and in public administration for e-government development;

- Large volume of money transfers, sent by individuals to the least developed regions / areas / settlements, remains and plays the role of private social assistance;

- Favorable climatic conditions; availability of rich cultural and historical heritage for tourism development;

- Young generation, open to innovation and new directions of development;

- Undeveloped resources and capacity of competent, professional and business oriented women and girls, especially from non-governmental sector, focused on innovation and technology.

### **2.3. Demographic window of opportunity**

Demographic processes, due to its interdependence with the ongoing social and economic processes, are essential for long-term development. Population of the republic will continue to grow in the period to 2030 and can reach 11.5 million people. The expected growth in the number of working age population provides an opportunity to speed up economic growth in the country. The bulk of the population (about 60%) will be the working age population (15 to 64 years old), which will serve as an engine of economic growth, but only if highly qualified skilled labor potential is ensured. Many Asian countries that properly took advantage of the situation have reached a new stage of development, and if Tajikistan does not take some efforts, the «demographic window of opportunity» will turn into a «window of demographic threat». The share of young people up to 20 years reached 45% in 2015. This category will be the backbone of the working population in 2030, therefore it is important to employ the youth labor potential. «Demographic window» will have a positive impact

on both the social and economic development of the country as a whole, and the level of well-being and opportunities of individual families.

Since population is growing rapidly, the growth of production also has to be high. This is essential in order to prevent a decline in the achieved standard of living of population, reduction of existing life-support systems and decline in their effectiveness. This task can not be accomplished based on traditional ineffective management practices. There is a need for accelerated urbanization, large-scale housing construction, faster growth of investments in the community based, social and road infrastructure.

An important condition for the development is the development of national system of assessment and forecasting of social processes and systems of interdepartmental coordination of evaluation and forecasting aimed at reduction of mortality and increasing life expectancy, ensuring universal access to reproductive health services by 2030, improving the culture of reproductive behavior, decreasing the risks and threats of loss of life, mortality as a result of controllable causes.

### **3. STRENGTHENING INSTITUTIONAL CAPACITY OF THE COUNTRY**

#### **3.1. An effective system of public administration**

The successful accomplishment of future development objectives is primarily subject to the effective functioning of public administration system based on practical combination of direct and indirect methods of social and economic processes regulation. Transparency and accountability of state institutions is an important factor, which can ensure preventive, industrial and innovative development of the country.

The creation of the most comfortable conditions for life, development of regions should be a fundamental principle in the activities of employees of public authorities. In order to ensure this, there is a need to build capacity of public institutions and improve the system of interaction with the private sector, civil society and development partners. Further strengthening of judicial authorities, improvement of judicial process, enhancing the role of the court in order to protect the rights and freedoms of citizens, protect property rights, defend the interests of the state, ensuring the rule of law and justice are important areas of development and strengthening of the Tajik statehood.

**The aim** of improving public administration system is effective implementation of government functions and high-quality public services provision for the benefit of successful socio-economic development of the country.

#### **The key challenges in public administration system**

The current public administration system is not fully focused on achieving the objectives of long-term socio-economic development of the country, provided for in this Strategy. Many mechanisms, institutions and competences, which should play an important role in the industrial and innovative development, integration into the regional and global economy are insufficiently developed in public administration system.

Excessive regulation, cases of unjustified and unlawful interference of state bodies in economic activity, excessive taxation of the registered sector of economy and a weak tax base to finance public functions at the local level and, therefore, corruption, determine the need of improving tax regulations and enforcement mechanisms, forms and methods of strategic and territorial planning and administration, methods of government regulation in the sphere of standardization and certification, development of an effective system of public finance management and public property management.

The low capacity of public administration is especially obvious at the regional and local levels. Contribution of these levels to the social and economic development will increase due to urbanization, infrastructure modernization and growth of requests from the community in order to improve the quality and affordability of social services. The level of potential, competence and quality of administrative processes at the local level are lagging behind the national level.

The activity of state and local authorities is characterized by weak mechanism to ensure transparency. As a rule, people and organizations do not receive complete and timely information about decisions, made by public

authorities. Although some progress has been made in the framework of expanding mechanisms of interaction between government, business and civil society, these mechanisms work more at the national level. Sectoral and regional structures do not demonstrate efficiency.

**In specific areas of public administration there are the following challenges:**

In public administration, there is:

- The lack of unified list of state functions and standards of public services provision, insufficient effectiveness in organizing provision of these services and optimization process is not finalized;

- The quality of public services, provided by the bodies of executive power, is at the low level and is poorly directed at implementation of state social guarantees program. An access to services is particularly hindered for persons with disabilities;

- Executive bodies performance coordination system is inefficient, and mechanisms are poorly defined to evaluate the effectiveness of their performance at the central and local levels;

- Low level of implementation of electronic document management system at the state administration bodies and electronic communication of state bodies with citizens and businesses;

- Insufficient development of the system of public control bodies; the lack of a clear division of powers;

- The weak interaction of the state and business, government and citizens in the process of national development, including the lack of effective consultative platforms for ongoing communications and achieving strategic objectives;

- Legislative framework for environmental and disaster risk management mechanism is far from perfect.

In the field of development of civil service:

- The system of civil service is facing a problem with highly qualified personnel replacement due to the low attractiveness of civil service as an employer at the labor market;

- The criteria of selection and placement of personnel is not adequately used in the government; human resources management system needs to be improved;

- There is no system of incentives provision in order to attract and retain qualified professionals;

- In accordance with the unified wage scale, a new system of remuneration of civil servants does not provide sufficient level of remuneration offered to competent professionals and it is poorly linked to the mechanism of civil servants' performance evaluation;

- Unequal access of men and women to civil service, particularly to the decision-making level;

- Civil servants are poorly motivated to maintain transparency of executive authorities;

- Automated registry of civil servants needs to be improved.

In the area of public finance management development:

- Insufficient tax arrangements' focus on economic development associated with the burdensome administration for taxpayers, excessive level of pressure on the registered sector of economy and the widespread informal economy;
- Insufficient progress toward the transition from the principle of estimates based financing of ministries and agencies to the program earmarked performance based financing;
- Lack of the link of the budget process with strategic planning;
- Insufficient development of budget revenues forecasting system and liabilities in conjunction with macroeconomic forecasts;
- Fiscal decentralization process is lagging behind the reforms agenda in the public administration and, in particular, the process of public finance management reform;
- Quasi-fiscal operations of large state-owned enterprises (operating losses, growth of debt obligations, state guarantees, etc.) have a significant and negative impact on the sustainability of the state budget and the possibility to execute social functions by the state.

In the field of local government:

- Functions and powers between the central and local executive bodies and local authorities need to be optimized in order to ensure effective use of public funds;
- Local governments do not have sufficient resources to execute delegated functions in order to address problems at the local level;
- Local government operation in towns and villages (Jamoat), as the closest level of government to the grass root level, does not fully meet the principles of local self-government.

In the area of ensuring the effectiveness of anti-corruption mechanisms:

- The mechanism of anti-corruption expertise of normative legal acts requires improvement;
- A system of declaration of income and expenditure of civil servants needs to be improved;
- Salaries in the civil service remain very low;
- The system of public procurement at all levels requires transparency and clear regulation.
- Weak mechanisms of interaction between the public sector and civil society with involvement of community based councils and other consultative platforms.

Based on this, the following priorities are set in the area of improving public administration:

(1) Improving political, legal and economic institutions in order to ensure the fundamental rights for the inviolability of property and the development of human capital, equal access of women and men to decision-making processes that ensure the sustainable functioning and development of the national economy;

(2) Establishment of strategic management system that allows coordinated progressive development of these institutions and implements preventive

systematic approach to solve internal problems of development and respond to external challenges;

(3) Development of mechanisms to ensure transparency of state and local authorities;

(4) Public authorities staffing with qualified and competent personnel, who can play a key role in the effective execution of government functions and implementation of state social guarantees;

(5) Strengthening the role of local authorities in determining directions of development of their accountable territorial-administrative units.

#### **The key areas of activities**

In the framework of NDS-2030 the main areas of activities in the field of public administration reform will be the following:

In the field of public administration system improvement:

- Improvement of organizational structure and management functions by eliminating unnecessary links, improving administrative processes and minimizing costs;

- Introduction of mechanisms to evaluate the effectiveness of central and local executive bodies performance;

- Development of an effective system to attract investments;

- Carrying out a review ministries and agencies' functional system in order to further optimize state government functions;

- Making targeted and systematic efforts to improve administrative processes, accelerate decision making and improve their efficiency, especially in the area of interaction with an investor, regulation and supervision, provision of public services;

- Introduction of risk-based methods in regulation and supervision system;

- Development of necessary elements of «e-government» in order to implement an «open data» policy;

- Improving coordination of executive authorities and public administration of central and regional levels and local government in the area of development and implementation of policies;

- Development of strategic planning system and improvement of policy coordination at the central and local levels of government;

- Widespread introduction of project management techniques;

- Introduction of effective mechanism on anti-crisis management and managerial measures system for diagnostic, prevention, neutralization and overcoming the crisis;

- Enhancing the role of economic management, development of integrated system that meets the requirements of the market;

- Introduction of modern and innovative methods of management based on the information and communication networks, and creation of conditions for this purpose in order to effectively use information resources in activities of state administration bodies;

- The use of the functional principle in the development of the state bodies, which will limit the spread of sectoral management methods;

- Conducting regular information campaigns by public authorities in order to raise public awareness on access to information, including public services;
- Development of mechanisms to strengthen public control over the activities of executive bodies of state power and increase citizens' trust.

In the field of civil service development:

- Increasing the attractiveness of civil service for skilled employees and strengthening its competitive advantage as an employer, compared to the private sector;
- Development of economically feasible programs of retention of qualified staff in the civil service;
- Improvement of mechanisms to increase the number of women, occupying senior positions at the government bodies at various levels;
- Introduction of modern human resources management system in the civil service and its automation;
- Improvement of mechanism of evaluation of performance and accountability of civil servants and its link with the system of remuneration of civil servants;
- Implementing a system - based personnel policy; development of an effective system of training and retraining of administrative staff and building capacity of personnel, as the most important intellectual and professional resource;
- Development of merit based model in civil service, taking into account the best practices.

In the area of public finance management development:

- Development of program based budgeting and introduction of «budgeting capacity» practice for the executive authorities;
- Linking the budget process with strategic planning;
- Improvement of tax administration with the aim to improve collection, reduce administrative burden for bona fide taxpayers, increase transparency and predictability of the tax system;
- Development of fiscal decentralization;
- Increasing transparency and accountability through information available for public, including through the incorporation of quasi-fiscal operations in the financial statements, improvement of parliamentary oversight and civil society involvement in the budget process.

In the field of local governance:

- ✓ Redistribution of functions and powers in order to improve the efficiency of local authorities and local self-government, provision of the property and ensuring their financial autonomy;
- ✓ Streamlining administrative-territorial division in accordance with redistributed functions and defining the criteria for administrative-territorial division;
- ✓ Implementation of the local government system at the level of cities, districts, towns and villages;
- ✓ Strengthening regional institutional capacity for setting priorities, strengthening economic base and investment climate, implementation of project

management, territorial and strategic planning, monitoring and analysis of the results of operation;

- ✓ Ensuring effective access of population to quality services, including through the introduction of arrangements related to outsourcing of services in public administration system;

- ✓ The use of pilot projects to implement the standards of state and municipal services provided to citizens and businesses at the territorial level.

In the area of ensuring the effectiveness of anti-corruption mechanisms:

- ✓ Ensuring transparency and accountability within the process of public funds spending and resources use;

- ✓ Further improvement of normative legal acts in the field of combating corruption, including the improvement of the penal legislation and responsibilities for corruption;

- ✓ Reform the civil servants' wages aimed at, inter alia, limiting motivation for corruption;

- ✓ Strengthening ethical control system and establishment of effective mechanisms to prevent conflicts of interest in the civil service;

- ✓ Improving the system of declaration of income and expenditures of civil servants;

- ✓ Development of mechanisms for rotation of civil servants, occupying senior positions, taking into account the need to prevent corruption;

- ✓ Providing more precise regulation and ensuring transparency of privatization process;

- ✓ Clear regulation and automation of public procurement process, including procurement during the implementation of investment projects and purchases of companies owned by the state;

- ✓ Improving public financial control system, including internal and external audit;

- ✓ Introduction of an effective system of anti-corruption expertise;

- ✓ Increasing availability of information on the activities of public authorities, including the judicial system;

- ✓ Adjustment of mechanisms for appointment of judges, their dismissal, strengthening of ethical control and implementation of practice of random allocation of cases among judges;

- ✓ Mainstreaming and improving the resources provision for activities aimed at prevention of corruption;

- ✓ Expanding law enforcement agencies' activity on identification and investigation of complicated and large-scale corruption cases;

- ✓ Improving the efficiency of public advisory boards and other consultative platforms;

- ✓ Conducting large-scale advocacy activity to inform about the destructive effect of corruption on the economy and society and changing the outlook of population, fostering intolerance to corruption in society;

- ✓ Involvement of key national development partners in the fight against corruption.

**Expected results.**

The implementation of the planned measures to strengthen institutional development under NDS will lead to the following results:

In the system of public administration as a whole:

- Political and legal institutions, including the judiciary system, will create favorable conditions for socio-economic development, provide effective protection of property rights and human rights;
- State control system maintains a high level of economic security and ensures sustainable socio-economic development of the country;
- Unified state system is developed and approved in the area of prevention of emergency cases; national framework plan for disaster preparedness and response is implemented;
- Strategic management policy is implemented systematically, in close coordination with the budget process and the current activity of bodies of executive power;
- The country has a well-established system of interaction of development partners, which maintains the balance of interests in society in order to ensure coordinated operation of national development system.
- «Electronic government» system is formed and «open data» policy is in place;
- Effective access of population and businesses to public services is ensured throughout the country in accordance with established standards;
- A motivated professional corps of civil servants is formed with the required competencies to execute public functions;
- Ensured distribution of power and resources between the central and local levels of government and local self-government;
- Fully developed level of local government, endowed with the necessary resources and powers.

In the area of public administration:

- Executive Office of the President of the Republic of Tajikistan fully performs the functions of the body, responsible for coordination of development policies and reforms;
- Strategic planning system operates at the central and local levels of government;
- A national system for monitoring and evaluation of the implementation of national policies and programs is effective and results-oriented;
- A corps of experts on crisis management is developed and successfully functioning;
- Executive authorities perform functions of «service center» that provides high quality public services to the population and business;
- Unified network of ICT operates as a basic infrastructure of «electronic government»;
- A single government portal is functioning in a coordinated manner;
- Electronic document management system is widely used within the public administration;
- «Automated register of public functions» is operational and standards for public service delivery are implemented;

- Criteria for evaluating the effectiveness of central and local executive bodies is introduced;

- Mechanism for public procurement through the automation of public procurement process is improved.

In the field of civil service development:

- Human resource management system is automated in the civil service and register of civil servants is fully operational in ICT Unified Network;

- Mechanism for the evaluation of civil servants is improved, and a link with the system of incentives, provided for civil servants, is ensured;

- Remuneration of civil servants was increased up to a level that allows to attract and retain professionals with high level of qualification in the civil service;

- Training and human resource development system is modernized in the civil service, which provides building and development of competencies in demand by the public administration system;

- Proportion of women, occupying senior positions in civil service, is increased;

In the area of public finance management development:

- Improved public finance management system and an effective system of budget planning is implemented;

- Implemented effective mechanisms of tax administration;

- Introduced elements of fiscal decentralization;

- A system of state financial control, combining internal and external audits with elements of performance audit, is operational;

- Effective mechanisms of tax administration are implemented and operational;

- Introduced elements of fiscal decentralization;

- Increased transparency and accountability of large state-owned enterprises.

In the field of local governance:

- The process of division of functions and powers between the levels of state and local government is finalized according to the principles of decentralization of power and formation of adequate resources for handed over functions;

- The criteria of administrative and territorial management is defined;

- Implemented system of local government at the city, district and Jamoat levels, followed by defining the property and its value in accordance with fiscal decentralization principles.

In the area of ensuring the effectiveness of anti-corruption mechanisms:

- Improved system of declaration of income and expenditure of civil servants in accordance with international standards;

- The level of wages in civil service is comparable with the private sector and provides a competitive advantage for employment in the civil service;

- A transparent system of public procurement is operational;

- Effective operation of ethical control and prevention of conflict of interests system in the civil service;

- Mechanisms for reducing corruption are implemented in the judicial system;

- Effective law enforcement agencies' operation on investigating large-scale and complicated cases of corruption;
- Mechanisms of interaction between the public sector and civil society with involvement of community councils and other advisory platforms are widely used in order to fight against corruption;
- The Republic of Tajikistan is a part of the group of countries with a low level of corruption.

### **3.2. Development of regions**

The basis of balanced sustainable development of any country is the development of its regions. The analysis showed that reforms, implemented by the Government of the Republic of Tajikistan, have been largely concentrated at the central level, and therefore a lot of unresolved issues accumulated at the «ground» level (in the regions), which adversely affects total indicators of socio-economic development of the country. A striking proof is the fact that most of the Millennium Development Goals (MDGs) related to Tajikistan have been mainly achieved only in the capital - the city of Dushanbe.

The development of regions of the country is the most important for the implementation of economic reforms and is regarded as the end point of Government's efforts taken in the following priority areas: ensuring an adequate energy and food security, development of country's communication capabilities and expansion of productive employment.

The need for and targeting reforms in the context of regional development is associated with the following aspects:

- Alignment of regional differences and ensuring equal access to essential basic services for the whole population throughout the country (basic education, primary health care, the supply of all types of energy and fresh drinking water, adequate sewage systems, etc.);
- Development of highly qualified human capital;
- Creating favorable conditions for life and business operation in the regions of Tajikistan.

Programme of development of individual regions still does not serve as a real territory management tool for the following reasons:

- Low level of methodological analysis of the development status, available resources, risks and factors of development of the region;
- Insufficient link between development programs and the financial flows, investment and financial regional priorities and interests, tendencies of development of social sphere of the region.

#### **The key issues**

The key issues to be addressed in all relatively prosperous and the most underdeveloped regions of the country in the long term are the following:

- Low efficiency of public administration at the regional level, local government, as well as the use of available domestic resources and capacity for development in regions;
- Low quality of human capital at the regional level;
- The need for significant investment in the rehabilitation and development of infrastructure in the regions (housing and utility Infrastructure, education,

health, energy, transport, sport, leisure and environmental issues, in particular, the problems of chemical and uranium waste, etc.);

- Weak financial base of local budgets.

**The following priorities for the development of the regions** are identified as follows:

(1) **Balanced development of regions** with special emphasis on the territorial alignment of basic living standards and improving the quality of human capital in the regions;

(2) **Integrated development of rural areas;**

(3) **Urbanization and promotion of urban development processes, including in the small towns;**

(4) **Development of territorial and industrial clusters** (areas of new industrialization and integration, free trade zones, business incubators, technological parks, innovation centers) and the development of economic corridors;

(5) **Spatial expansion of the labor market.**

#### **The key areas of activity**

The main areas of activity for regional development are:

In the area of balanced regional development with special emphasis on the territorial alignment of basic living standards and improving the quality of human capital in the regions:

- ✓ Developing a comprehensive national strategy for the development of regions in Tajikistan based on the analysis of potential and needs of the regions, their investment and other opportunities, as well as the comparative competitive advantages;
- ✓ Coordination and synchronization of sectoral and regional programs / development strategies;
- ✓ Improving the efficiency of the system to ensure the quality of life and public health. In order to implement it conditions will be created to increase the availability and alignment of quality of social services in regions;
- ✓ Monitoring the quality of human capital through the regular assessment of the HDI and GII in regions of the country by using a common methodology.

In the field of integrated development of rural areas:

✓ Defining region's own priorities in each region, based on the available capacity, situation at the labor market and characteristics of the socio-economic and demographic development, a real possibility to take priority measures in the medium and long term;

✓ Implementation of measures to create an infrastructure that will connect the region through the construction of roads, railways, airports, communication systems that will facilitate the movement of goods, services, capital and people at the local, national and international levels;

✓ Development and implementation of effective regional environmental policies, which will focus on reduction of anthropogenic impacts on the environment, improving quality of land and drinking water.

In the area of urbanization and promotion of urban development processes, including the small towns:

- ✓ Development of the institutional framework for further urbanization, such as the planning of urban development, effective housing and land policy, streamlining land and property ownership rights and their registration;
- ✓ Development of housing market and promotion of construction of residential and commercial real estate and infrastructure in urban areas;
- ✓ Development of small towns as centers of innovative activity;
- ✓ Improving housing and communal services (HCS) in settlements (water supply, sewerage, gas, heat, electricity supply, collection and disposal of household waste), which will create new jobs in the regions, contribute to the solution of a number of environmental problems, and increase the attractiveness of the regions due to the improving the quality of life.
- ✓ Promoting the development of modern retail networks and provision of consumer services.

In the area of development of territorial and industrial clusters and economic corridors:

- ✓ Creating conditions for the development of different energy, industrial, transport and logistics, food and education clusters in regions of the country, which will serve as integral elements of the existing global and regional value chains and a factor of improving competitiveness of the national economy;
- ✓ Accelerating development of free economic zones and territories of new industrialization;
- ✓ Building capacity of economic corridors that connecting the regions of Tajikistan with Central Asian countries, China, Afghanistan, Pakistan, India, Southeast Asia, Russia, the Middle East and other regions.

In the area of the spatial extension of the labor market:

- ✓ Developing mechanisms in order to stimulate activity of the initiatives taking by the population, various social groups and organizations aimed at sustainable development in a particular area, district, town or village;
- ✓ Diversifying economic activities in the regions;
- ✓ Expanding short-term employment programs, taking into account the needs and interests of men and women, youth, persons with disabilities and other social groups.

#### **Expected results.**

The development of regions of the country is the most important level of implementation of economic reforms and is considered as the end point of Government's efforts taken in the priority areas. The expected results are the following:

- In all regions of the country implementation of fundamental human rights - the rights for decent life and good quality of life - is ensured due to the policy of alignment of regional differences and provision of access to the following essential basic services for the population in the regions: basic education, primary health care, the supply of all kinds of energy and fresh drinking water, proper sewerage systems etc.;

- All types of economic activities are taken into consideration in regions and these activities contribute to the stable tax revenues at the level of local government, which provides high-quality services, as well as in a fast manner and takes into account the opinion of population in order to address the emerging socio-economic and environmental problems;

- In the regions of the country institutional foundations are established for urbanization due to the improvement of the quality of urban development, implementation of sound land policy, strengthening right of ownership, as well as radical improvement of housing and communal services and facilities of engineering and technical infrastructure of settlements;

- Regions of the country have a continuous access to all kinds of energy resources at a reasonable price and good quality. All regions of the country are connected with paved roads and are accessible all the year-round. Broadband Internet and stable mobile communication create an opportunity to work based on a remote access;

- Multi-structural rural economy is developed in rural areas. In the framework of this economy agricultural enterprises and farms together supply food to the city and successfully interact with private farms that supply high quality organic agricultural products to the local markets;

- Regular monitoring of effectiveness of planned activities and assessment of public administration's performance is conducted at the local level and local governance of settlements and villages level, including independent monitoring performed by active civil society;

- In the regions there are improved environmental conditions: the area of forests and gardens is increased, rivers and reservoirs are clean; emissions of industrial and mining enterprises are detected and neutralized; urban waste is recycled and is a valuable source of raw materials for further processing;

- A comprehensive state program of regional development is implemented in Tajikistan.

#### 4. DEVELOPMENT OF HUMAN CAPITAL

Human capital is an important factor in the development of production and economy. Its quality is closely linked to the development of all sectors. It is the top factor of the long-term development of economy in the future (compared to the natural resource, real and financial capital). In this regard, the development of human capital is defined as the priority of the Government of the Republic of Tajikistan.

The key principles of this course of action are associated with the aim of a comprehensive problem solving in the area of human capital development and ensuring quality of life, as well as the establishment of sustainable preconditions for the development of knowledge-driven economy. Key objectives for the development of human capital in the long term will be:

- Promotion of social inclusion by improving an access to quality services, including education, health, social welfare, water supply and sanitation;
- Creating a favorable investment climate in the social sphere.

The vision of the desired future development of human capital is specified as follows:

a) the number of resident population is about 12 million people. The average life expectancy is at least 76 years. Not less than 99% of adult population has at least general secondary education. At least 50% of population, employed in the economy, has higher education. In all major sectors of the economy, including in the public sector, better performance and wages, occupational health and safety are ensured;

b) Concerning the main characteristics of the quality of life such as health, material well-being, employment, gender equality, social safety and social security, the country has achieved the level of middle-income countries. The share of low-income population is less than 12%;

c) Development of the processes of services' customization, maintaining the diversity and opportunity to make a choice in education, medicine, through stimulation of competition, institutional reform;

g) A breakthrough in the field of education, fundamental and applied science is ensured. Established system of continuing general and vocational education contributes to «strong» staff and meets the needs of the economy. Profile universities, recognized within the global scientific - educational space, are available and «knowledge - driven economy» is emerging;

d) Increased cultural level of population and ensured modernization of cultural space. Support is provided to creative initiatives and interaction of traditional culture and innovative projects is ensured. Investments are made for the development of infrastructure of art and cultural activities;

e) Environment contributes to the improvement of public health, the extension of active life period.

**Priorities in human capital development are:**

(1) **Education system and science reform**, which will be aimed at ensuring equality and access to education; improvement of the quality of education at all

levels; financial stability and efficiency of the education sector; creation and development of national professional network of research and development with an emphasis on resource-saving technologies in the conditions of labor intensive and mountainous country; strengthening and effective implementation of the country's scientific potential.

**(2) Ensuring public health in the context of quality of life** involves a systemic change in health care; improving the availability, quality and efficiency of health care services; development of health care resources; implementation of healthy lifestyle models.

**(3) Improving social welfare of the population** involves institutional modernization of social welfare systems; ensuring long-term sustainability of the pension system; combination of courses of action to protect and stimulate opportunities to ensure social welfare of vulnerable stratum of population.

**(4) Increasing cultural values and behavior** based on modernization of the state support of culture and art system, preservation of cultural and linguistic diversity, human capital growth of young people, increasing their creative potential and facilitating their introduction to the achievements of culture and art; creating a culture of innovative entrepreneurship; ensuring the development of common cultural space based on the preservation, revival and development of national traditions and cultural achievements over the years of independence, universal human values.

**(5) Creating favorable environment for living** through improving an access to housing; the development of public utilities; availability of drinking water supply systems, sanitation and hygiene, strengthening incentives among population and businesses in order to protect the environment; development of disaster risk management system.

**(6) Reduction of social disparities**, including the development of a system to ensure inclusive development and reduce inequalities, gender inequality and ensure the welfare of children.

#### **4.1. Education and science**

The need for the development of sustainable competencies and innovations becomes a crucial prerequisite for true and lasting progress. At the same time, it is not just about improving an access to education and innovation, but also the quality of education and productivity of science.

Long-term prospects of the republic education system development should be based on the following key principles and requirements:

- All levels of education must meet quality standards;
- Pre-school education should contribute to the early development of children, be affordable for the general public;
- School education, laying the foundation of human capital, should not only provide knowledge but also shape the competence, skills, ensure the formation of innovative type of thinking and patriotic education;
- The quality and scope of vocational education should ensure competitiveness of the country's economy;

- A close relationship should be between the education system and the labor market, which provides a balance between the supply of experts of different level with the labor market requirements;
- Capacity-building for innovations and self-sustaining research and development, closely connected to production;
- Intensification of research work on biodiversity, climate change adaptation and resilience of mountain (flow generating) ecosystems;
- Education system at all levels should contribute to the development of knowledge and skills, essential to promote sustainable development.

Continued population growth will increase the number of children and young people. The number of children from 3 to 6 years old will amount to 1137.4 thousand by 2030. This number will increase by 255 thousand people, compared to 2015. The coverage of children with pre-school education should increase from 12% to 50%, including in urban areas - 70%, and in rural areas - 30%. The average annual growth rate of the number of children in the age of primary and secondary education will be 2.3%. Their number will reach 2.58 million people by 2030. Not less than 30% of high school graduates (annually about 58 thousand people) should be involved in primary and secondary vocational education, which would require strengthening the capacity of this level of education almost by twofold. Since the need to develop the system of retraining / professional development of mid-level professionals, workers according to their specialties, and migrant workers will have a twofold increase in the load on the network, and taking into account the requirements for improving the quality of teaching, the need for serious modernization of the system becomes obvious.

Higher education should be balanced with other levels, reflecting labor market needs. The need for resource and energy efficiency, the introduction of new environmentally friendly technologies for sustainable development requires appropriate education and training. In the framework of education structure optimization it will be essential to increase the number of graduates with engineering, technical and natural sciences background. In general, the coverage of higher education should be increased by 30%.

The development of sectoral retraining programs will help to prepare people to work in the priority areas. At present, skills of at least 35-40% of employees, on average, do not meet the labor market requirements. It will be necessary to involve not less than 115 thousand people, on average, per year to go through the retraining programs over the next 5 years.

Upgrading national capacity of research and development, development of national «research schools» will be aimed at ensuring innovative and technological breakthrough.

#### **Education system and science provide for human capital development.**

The key resources of the education system development and the science should be: innovation and competence; involvement of the private sector in the educational process; participation of parents in the educational process; effective control based on the feedback, as well as a close link with the real sector of the economy.

The breakthrough institutional growth points will be:

- Alternative forms of pre-school education (including non-state);
- Children and Youth Creativity Centre as extra-curriculum educational institution;
- Inclusive educational system;
- Development of system for targeted assistance, provided to low-income households in order to stimulate children's education;
- Provision of support to the gifted young people and youth projects on capacity building;
- Scientific, educational and industrial clusters in the priority sectors of the economy - agriculture, energy and transport.

#### **The main problems of education and science**

- The level of objectives, set within the education system, does not meet its capabilities. It is not capable to fully function as a key resource of socio-economic development and improve the welfare of citizens;
- There is still a segment of school-age children, not covered by education (especially in the upper grades) and primary vocational education (especially in rural areas, particularly girls);
- Risks of increasing educational inequality, including gender inequality, remain;
- The increase of educational level by lengthening the duration of training and improvement of the efficiency of educational process require greater amount of resources, which suggests search for appropriate support model and development of the system;
- The need for continuous professional development for all under the conditions of insufficiently developed institutional framework;
- R & D personnel age structure degrading towards the dominance of «aged» employees.

Among the factors, hindering the progress in education, are the following: low affordability of good quality school education, especially in rural areas, for vulnerable groups of population; underdeveloped regulatory framework aimed at creating a competitive environment in the education system; unattractiveness of primary and secondary vocational education institutions for young people; underdeveloped systems of the business community's participation in activities to reform vocational training system.

#### **Priorities.**

In order to ensure a breakthrough in the development of education system and science the following priorities are identified:

- (1) ensuring equality and access to education;
- (2) improving the quality of education at all levels;
- (3) enhancing financial sustainability and efficiency in the education sector;
- (4) development of national scientific - research and development centers;
- (5) strengthening and effective implementation of the country's scientific potential.

#### **The key areas of activity**

In the field of education and science the key areas of priority activity are defined as follows:

In the area of ensuring gender equality and access to education:

- A set of measures on construction and reconstruction of public pre-schools and schools in urban and rural areas is accompanied by the development of appropriate infrastructure (heat, power, water supply, sanitation and hygiene, information and road communications);

- Improvement of mechanisms to increase an access to different levels of education for girls and women, ethnic minorities;

- Creation of a competitive environment in the field of education;

- Stimulating the development of inclusive education support system, including the development of a barrier-free infrastructure, preparing appropriate teaching materials and developing personnel training systems;

- Development of incentives package and social welfare capabilities, including through the provision of food (to primary grades students) and updated textbooks (priority should be - orphans, children from low-income families and children with special needs), targeted assistance system aimed at provision of assistance to poor households in order to stimulate education of children;

- Development of a system to support the growth of technological equipment of the learning process;

- Organizing a system of supplementary vocational education, retraining and professional development for all age groups through the support of public-private partnership in the field of non-formal-education, funding professional development programs in the public sector, establishment of the body of educational consultants;

- Creating a system to identify and support gifted children and youth.

In the area of improving the quality of education at all levels based on the preparation, adoption and implementation of a new mechanism for evaluation of educational institutions performance, taking into account international best practice and a transparent system of financing, state support, provided to educational institutions, particularly higher educational institutions, based on the results of their performance evaluation:

In the field of general education:

- Ensuring the effectiveness of the system of professional development and retraining of teaching staff, promoting the attractiveness and efficiency of educational activities;

- Development of unified system of students' knowledge testing, including for the purpose of international comparisons;

- Development of mechanisms to evaluate the quality of education at the institutional level (social and professional expertise, the system of self-assessment of institutions and continuous monitoring of the state and trends in education development with regard to the criteria of inclusiveness and competitiveness);

- Ensuring introduction and monitoring of state requirements and state standards on the quality of pre-school and general education;

- Ensuring broadband access to the Internet in all schools and improving availability of computers in classrooms;
- Providing online content of most of the subjects, and the widespread introduction of interactive learning by using information and telecommunication technologies;
- Development and implementation of programs aimed at improving the knowledge of foreign languages;
- Development of extra-curriculum education for children through the establishment of Children and Youth Creativity Centers aimed at developing knowledge and skills, improving cooperation between the state and non-state supplementary education institutions, including sharing experience, implementation and use of best practices and techniques, and carrying out joint activities;
- Development of innovation support mechanisms, large scale competitions, contests and olympic competitions in the school system.

In the field of vocational and higher education:

- Development of teaching staff certification and accreditation of educational institutions;
- Ensuring flexibility of educational programs, including through the introduction of module based programs;
- Ensuring the link between professional knowledge and practical skills (development of educational and qualification standards for professions in various fields with the involvement of enterprises and organizations, implementation of education system on the basis of large-scale enterprises, establishment of production based learning platforms);
- Support for the development of primary and secondary vocational education, coordinated with the priorities of the country's economic development (strengthening material-technical base, relations with enterprises and organizations - future employers of graduates, developing and enhancing the effectiveness of the youth career counseling system, establishment of regional competitions system based on technical specialties - World Skills Tajikistan);
- Strengthening sectoral specialization of universities with the development of powerful potential for the scientific - practical developments;
- Identifying the needs and introduction of new educational programs, aimed at training and retraining for the use of technologies related to the environment, energy and resource efficiency, in order to develop personnel for «green employment»;
- Development of sustainable package of actions /incentives towards ensuring access to quality professional education for people with disabilities;
- Strengthening scientific components and international integration of vocational education.

In the area of financial sustainability and efficiency in the education sector:

- ✓ Development of stable regulatory framework and practice of public-private partnerships in education sector;
- ✓ Formation of sustainable system to stimulate the growth of investment at all stages / levels of education;

- ✓ Introduction of management based on results mechanism, i.e., enable procedures to ensure performance based education development programs, financed by the budget;
- ✓ Ensuring transparency of financial - economic management processes in educational institutions, including through the introduction of mechanisms and forms of public reporting on performance of institutions. In the area of the development of national research and development centers:
  - ✓ Creation and support of integrated scientific and educational institutions, universities and inter-university complex, scientific-educational and industrial centers;
  - ✓ Development of innovative infrastructure - technology transfer network, technological intermediaries, systems of expertise, certification, standardization and accreditation;
    - ✓ Formation and implementation of the system of international education and research cooperation;
      - ✓ Support for cooperation between science and business;
      - ✓ Formation and operation of public-private R & D consortium, promoting dissemination / transfer of applied innovation and development, commercialization of research results;
        - ✓ Inter-sectoral actions aimed at strengthening scientific - research work - expanding mechanisms to stimulate innovation (both in large and small enterprises), development and implementation of the system of priorities of country's own technological policy.

In the area of strengthening and effective implementation of the country's scientific potential:

- ✓ Development and implementation of the long-term concept to strengthen capacity of science in the country for the period to 2030;
- ✓ Sectoral prioritization of fundamental research with an increase in the concentration of scientific potential;
- ✓ Development of incentives package to involve young professionals in science and the highest possible extension of scientists' and experts' of the older age groups employment period;
- ✓ Supporting the development of international scientific cooperation;
- ✓ Taking the necessary measures to bring the scientific capacity in line with international requirements and the elimination of barriers related to the recognition of academic degrees of graduates of foreign institutions and universities.

#### **Expected results.**

- Ensured growth of enrollment in preschools and schools, regardless of place of residence and the level of household income;
- 100% of children (boys and girls) of an appropriate age will have a completed secondary education by 2030;
- 20% increase in the number of qualified teachers, including through international cooperation in the framework of training of teachers by 2030;

- Free supplementary education services are provided for at least 50% of children from 5 to 18 years old;
- Reduced gap in the level of professional education of men and women, rural and urban population;
- Ensured participation of at least 30% of working age population in the continued learning;
- Introduced independent evaluation of the quality of education;
- Improved qualifications of teachers and ensured better motivation for the teaching staff, especially in rural areas;
- Strengthened and improved school infrastructure, laboratories and other teaching equipment;
- Provided better access and quality of education for children with disabilities and special needs;
- Ensured more effective use of public funds for education;
- The most important standards are complied with in the scientific area. These standards are the proportion of total expenditure in science in relation to GDP (not less than 1.5%), the ratio of wages of employees in science and scientific services and the economy as a whole (not less than 1,25: 1), the share of employed in research and development is maintained at the level not less than 0,6-0,65%, the share of companies leading in R & D is not less than 15%.

In general, the expected results will help to create conditions to expand mechanisms for «knowledge driven economy» development.

#### **4.2. Health and longevity**

The reforms in the health care system are aimed at providing population with access to health care and nutrition. Special efforts are being made to introduce new high-tech services. In 2015, average life expectancy at birth is 73.5 years (including 71.7 for men and 75.5 for women) in Tajikistan.

The Republic of Tajikistan state budget expenditures on health care increased by 6.3-fold over the period 2007-2015. At present the aggregate government spending on health care is 2.1% of GDP, which is comparable to the costs of countries with a similar per capita GDP.

Revenue growth and the number of middle-class will increase requirements for the quality and diversification of medical services.

The burden of non-communicable diseases will increase due to the aging of the population, and in case of persisted problems of the negative effects of tobacco, decreased physical activity, poor nutrition and unhealthy alcohol use.

The task to improve and maintain 100% of coverage of population with primary health care is set for the long term.

Key in health care reform will be ensuring the sustainability and access of all groups to recreational, therapeutic and rehabilitative medicine. In order to achieve national development priorities in the health care, the level of total expenditure in this sector will have to be increased up to 2-2.5 percentage points of GDP by 2030. At the same time the objective will be to improve the quality of diagnosis and all types of medical care radically, as well as to reorient the industry towards the preventive medicine.

Ensuring health of population is a cross-cutting issue, the solution of which depends on the health at birth, literacy of population, life-style, the ecological state of environment, working conditions, adequate nutrition, well-being and efficiency of the health system. Therefore, integrated approaches and solutions will be important.

**The breakthrough institutional growth points (key decisions) will be:**

- Primary health care institutions;
- Development of public-private partnership system in health care sector;
- Development and implementation of a comprehensive approach in health care provision and biosafety in the framework of «One Health» Concept;
- Targeted healthy lifestyle program;
- Targeted children's sports development programs;
- Development of inter-territorial health rehabilitation cluster based on the recreational potential of the republic.

**Main problems:**

- Poor performance of the health system, which requires constant upgrading of technology and training of medical personnel;
- Poor staff motivation to work;
- State funding is not sufficient to maintain a high level of state guarantees, a significant proportion of private funding;
- The gap in access to and health care by the specialized types of assistance provided to rural and urban populations;
- Insufficient system of national system of veterinary and sanitary and phytosanitary control of food stuff;
- Low motivational activity of population to promote healthy lifestyles, prevent diseases.

**Priorities.**

An important factor in improving human capital in part of ensuring health and longevity will be the implementation of the following priorities:

- (1) system based change in health care;
- (2) improving the accessibility, quality and efficiency of health services;
- (3) development of health care resources;
- (4) introduction of healthy lifestyle models.

**The key areas of activity:**

The key areas of activity aimed at ensuring the health and longevity are the following:

In the area of system based changes in health care:

- Introduction of insurance based funding mechanisms;
- Establishment of a sustainable regulatory framework and development of public-private partnership practice in the health care;
- Development of competitive environment at the market of medical services;
- Creating a system of state guarantees for the provision of free of charge medical assistance, which will allow to cover the costs of emergency health care and treatment of socially significant diseases and provide an access to health services for vulnerable groups of population;

- Supporting the establishment of large high-tech specialized scientific-practical medical centers, which will operate on the basis of mixed financing;
- Development and implementation of mechanisms for the protection of the rights of the patient and medical staff.

In the area of improving the availability, quality and efficiency of health care services:

- ✓ Preparation, adoption and implementation of a new mechanism for assessment of effectiveness of doctors' and hospitals' performance based on international experience, transparent system of financing and state support provided to health care institutions based on evaluation of their performance;

- ✓ Modernization of primary health care institutions and emergency care, particularly in rural areas;

- ✓ Ensuring better coordination of health care with social welfare system;

- ✓ Modernization of infrastructure for drinking water supply, sanitation and hygiene, power supply, power supply systems, especially in rural areas and small towns as an important component in ensuring the quality of health care and access to it;

- ✓ Implementation of a set of measures aimed at enhancing children's health and reducing infant and child mortality;

- ✓ Strengthening the system of improving reproductive and maternal health;

- ✓ Development of preventive care system and the fight against infectious diseases and malnutrition;

- ✓ Formation and development of schemes / model of drug supply, improving the quality, effectiveness of drugs;

- ✓ Supporting the establishment of specialized centers for health rehabilitation /recovery, including for persons with disabilities (persons with disabilities);

- ✓ Encouraging the development of specific forms of small businesses, including measures to support individuals, who provide care to persons with disabilities;

- ✓ Development of target programs and broadcasting in the media to promote tolerance and respect for persons with disabilities in society.

In the area of health care resources development:

- ✓ Expanding and optimizing the development of outpatient system, diagnostic centers and hospitals across the country;

- ✓ Introduction of clinical audit as a quality assurance measure, including certification and licensing of health care institutions;

- ✓ Development and introduction of standards of medical services for the diagnosis and treatment of the most common diseases;

- ✓ Implementation of an effective system of monitoring financial flows in the health sector;

- ✓ Improving the system of training of personnel and payment for health care services provision in health facilities;

- ✓ Capacity building, improvement of the national surveillance system, including forecasting, early warning and response to the epidemic;

✓ Development and implementation of health management information systems for the collection, storage and sharing of data on patients (unified health management information system that operates on the basis of DHIS2 online at the village level; the electronic registers to monitor the health of pregnant women and socially significant diseases);

✓ Ensuring access of health care providers to resources and information so that they could carry out high-quality professional activity.

✓ Creation and development of a system of regional centers of tourist and recreational activities;

✓ Stimulating the growth of scientific research development, development of long-term financing model for research developments in the health care system.

In the area of implementation of healthy lifestyle models:

✓ Development and implementation of preventive measures promotion system;

✓ Encouraging investment flows in physical training and sports;

✓ Improving an access to information on nutrition in order to improve the care and nutrition practices, and the use of nutritional food and drink, such as iodized salt;

✓ Improving hygiene and sanitation practices among the population to prevent diseases and nutritional disorder;

✓ Developing national food safety practices, integrated into the global system, through which the development of veterinary and sanitary and phytosanitary services are ensured;

✓ Monitoring and encouraging reduction of water, air and soil pollution.

#### **Expected results.**

- Issues of combining paid and free of charge medical services, provided in public health facilities, are legally and methodically addressed and as a result, a better protection of patients' rights is ensured on the basis of the state guarantees program for the provision of health care services to population, introduction of health insurance system;

- Improved access to good quality health care, including to the low-income population and in rural areas;

- Approximately more than 90% of justified and approved standards for the provision of many kinds of medical services are in place;

- Reduced morbidity and mortality from infectious diseases and parasitic diseases, including vaccine manageable and the most common zoonotic diseases (especially among the population in rural areas);

- Reduced premature mortality from non-communicable diseases, including among the low-income population and in rural areas;

- Reduced prevalence of chronic and acute malnutrition (stunting and wasting) and micronutrient deficiency among the population, especially among children and women of reproductive age;
- Improved feeding and care practices at the household level, such as exclusive breastfeeding of children under 6 months old;
- Improved system of training of medical personnel and significant increase in the level of training of professionals;
- Improved mechanism of drug supply, quality and efficacy of medicines and pharmaceutical activities;
- Enhanced the role of medical science in the improvement of public health practices;
- Innovative technologies are implemented in the health care system;
- Rehabilitation and social integration of people with disabilities are ensured;
- The number of children with disabilities, who have received rehabilitation services in specialized institutions for children with disabilities, will be at least 50% of the total number of children with a disability by 2030;
- Maternal mortality rate will be reduced to 20 cases per 100 thousand live births.
- The amount of health funding is increased up to 4.4% of GDP and further selection, development, training and retention of health personnel is ensured;
- The number of people, who don't have a sustainable access to safe water supply, waste water disposal and improved sanitation is halved.

In general, obtaining expected results will contribute to the development of mechanisms for the increased life expectancy of the population, regardless of the region of residence.

### **4.3. Social welfare**

The social welfare system creates conditions for the development of human capital.

#### **The main problems**

- An increase in the social burden for the budget and posing threats for fiscal sustainability in the long term;
- Limited opportunities for social security of poor families, including children;
- Undeveloped minimum social standards for the provision of social services;
- Underdeveloped institutional framework of the pension insurance system.

## **Priorities**

The main priorities in **social welfare system** development are:

- (1) institutional modernization of social welfare systems;
- (2) long-term sustainability of the pension system;
- (3) combination of lines of activities to protect and stimulate opportunities in order to ensure social welfare of vulnerable groups of population.

### **The key areas of activity**

In the area of institutional modernization of social welfare systems:

- Formation and development of mechanisms for strengthening efficiency and increasing the level of social welfare of low-income families;
- Development of unified electronic database of recipients of social benefits;
- Development and introduction of a «single window» system in the process of registration and management of certain forms of social security, development and introduction of social services financing mechanism;
- Development and implementation of social minimum standards, including taking into account regional specificities;
- Development of mechanism to stimulate orientation of cash transfer system to the investment in human capital;
- Development of the system for non-public assets use (both organizational and financial) in social welfare;
- Development and implementation of sustainable system of psychological, medical and educational consultations.

In the area of ensuring the long-term sustainability of pension system:

- Improving the system of regulation of pension savings market participants, including through the introduction of risk-based supervision elements;
- Creating legal and institutional conditions for pension savings' investment into the long-term financial instruments, including investment in infrastructure in the framework of public - private partnerships projects;
- Ensuring the transition to the insurance based accumulative pension principle, including pensions for migrant workers.

In the field of combination of courses of action to protect and stimulate opportunities in the social welfare of vulnerable groups of population:

- Development of social welfare system for older citizens by improving the quality and accessibility of social services for the elderly people, the introduction of minimum social standards of social services, provided to senior citizens, the creation and implementation of gerontological services for health care and other specialized services provided to elderly people, the development of per capita financing system for social services provided to senior citizens in residential institutions, the development of flexible employment arrangements for senior citizens;
- Development of the social security system for persons with disabilities through the establishment of a system for the prevention of new child disability growth, the development of medical genetic services for the early detection of congenital malformations, the development of programmes for integration of people with disabilities into the society – creating barrier-free environment in the

framework of urban development projects, including the possibility of sports and recreational activities, encouraging measures to support individuals, who provide care to disabled people (development of special forms of small business);

- Social protection of families and children in difficult life situations, in particular children – orphans, by providing social benefits and social services, on the basis of evaluation of needs, development and implementation of minimum standards of social services, development and implementation of child socialization programmes for students of residential institutions, boarding schools and provision of support to them after graduation from these institutions; the development of social housing construction / provision system.

#### **Expected results**

- The tools and mechanisms are in place for poverty monitoring, identification of low income and under-privileged persons, including at the local level;

- Developed unified electronic database of recipients of social benefits and services, with the breakdown by gender, age of the recipients and a type of settlement;

- Formed and effectively functioning of accumulative part of the pension system;

- Created “single window” system of registration and management of services for the social security of the population;

- Increased pensions and benefits, while maintaining fiscal sustainability; ensured ratio between pension / salary, not lower than the minimum level - 40%, set by international standards;

- Enhanced targeting of and increased access to social welfare and social services to socially vulnerable categories of citizens;

- Barrier-free environment is designed to ensure inclusion and active participation of vulnerable groups in the economic and social life of the society;

- Created conditions for socialization and integration of vulnerable groups into the society (senior citizens, graduates of boarding schools, and others) through rehabilitation at the community level;

- Created sustainable system of training of specialists in the social area.

#### **4.4. Culture**

Raising the cultural level of the population, development of a network of institutions of culture and the national system of art will be the key objectives of social progress.

The breakthrough institutional growth points will be:

- Establishment and effective functioning of the Council for Culture under the President of the Republic of Tajikistan;

- Regulatory legal framework, taking into account the development of the processes of globalization and socio-cultural changes in the country;

- Development of creative cluster - a group of businesses, including television, press, movie production, sound recordings;

- The system of supporting the inflow of investment into the development of culture;

- Cooperation and integration of institutions of general, extra-budgetary (supplementary) education, culture and tourism;
- Establishment of the Youth Community Foundation - a non-profit Foundation, which main function is the accumulation of extra-budgetary funds for the provision of support and implementation of youth projects and initiatives.

#### **The key issues.**

- Due to the increase in the share of persons with higher education, developed cultural demands and interests, available database of cultural institutions does not meet the demand;
- The rich national heritage, which has a great educational potential and valuable elements of the world literature, is not adequately reflected in the national literature, movies, animation, scientific and educational programs;
- Underdeveloped system of production of cultural products for children;
- Reduction of human capital of young people, according to the quality criteria to a greater extent, increasing its differentiation within the country, the “brain-drain” of talented and initiative young people to other countries;
- Underdeveloped behavioral patterns, based on the positive values of innovation, legal consciousness, as well as development competencies in demand that enable to adapt to changing living conditions.

#### **Priorities.**

The main priority areas of actions aimed at **enhancing cultural values of conduct** are:

- (1) upgrading the state support system for culture and art, preservation of cultural and linguistic diversity;
- (2) growth of the human capital of young people, increasing their creative potential and encouraging introduction to the achievements in culture and art;
- (3) creating a culture of innovative entrepreneurship;
- (4) ensuring the development of the country's cultural space in terms of preservation, revival and development of national traditions and cultural achievements over the years of independence, universal values.

#### **The main areas of activities.**

In the field of modernizing the system of state support in the area of culture and art:

- ✓ Development of regulatory and legal framework on safeguards to protect and maintain conservation of cultural heritage;
- ✓ Promoting introduction of public-private partnership to finance major projects for the development of cultural infrastructure and creative industries, including with the participation of foreign investors;
- ✓ Supporting the accelerated growth of institutions in culture and art in rural areas, remote regions of the country;
- ✓ Development of programs for the conservation and development of cultures of national minorities;
- ✓ Development of support systems and promotion of national brands of the republic in the field of art;

✓ Preparing a package of incentives to develop creative teams, the system of identification and support provision to talented people.

In the area of young people human capital growth, increasing their creative potential and facilitating introduction to the achievements in culture and art:

✓ Development and implementation of institutional reform in the area of implementation of youth policies, taking into account gender aspect;

✓ Development and implementation of a series of trainings and special programs and innovative methods of civil and patriotic education;

✓ Implementation of targeted programs aimed at strengthening social cohesion among young people, religious extremism prevention programs;

✓ Development and implementation of programs to shape public opinion condemning all forms of violence against women and girls.

In the area of innovative entrepreneurship culture development:

✓ Development of information and consultation support system for innovative entrepreneurship;

✓ Modernization of innovation infrastructure (technological parks, technopolicies), development of infrastructure conducive to the emergence of start-ups;

✓ Popularization of the advantages and innovative development logic.

In the field of development of the country's common cultural space in terms of preservation, revival and development of national traditions and cultural achievements over the years of independence, universal values:

✓ Development of legal and regulatory framework, institutional and economic basis of development of the industry through drafting and implementation of targeted programs;

✓ Development of the system of popularization of tangible and intangible cultural heritage of the Tajik people - historical and cultural monuments, oral traditions and means of their expression, including language of arts, traditions, rituals, knowledge and skills related to traditional craftsmanship, unique manuscripts - and adding it to the list of UNESCO cultural heritage.

#### **Expected results.**

- Strengthening culture and arts infrastructure;
- Development and expanding capabilities to save, multiply cultural heritage / traditions of the country;
- Development of competitive young generation with demanded competence in social and cultural areas of the country;
- Increased potential of proactive youth and youth's contribution to social stability and progress;
- Improved conditions for the preservation and development of cultures of national minority;
- Improved conditions for the preservation and development of minority cultures;
- Increased level of innovative entrepreneurial culture of the population.

#### **4.5. Environment for life.**

Important demographic and environmental challenges faced by the country include growing demand for housing and living conditions, pollution of

the environment and the low level of ecosystem management, biodiversity conservation, land degradation, vulnerability to climate change, access to fresh water and sanitation, as well as household waste disposal.

The main long-term policy objectives are the increase in provision of housing by 2030, expansion of opportunities for access to independent housing, especially for young families, improving the quality of housing, both due to the good quality construction of houses and overhaul of the existing residential properties in order to improve the living conditions of the population. Improving the living conditions of the population through better access to public services, with emphasis on rural areas, increasing the stability and improving the quality of public utility services provided to population, improving the financial stability of the enterprises of housing and communal services, the establishment of security areas from the perspective of preventing the risk of natural disasters.

#### **Enabling environment for life.**

The long-term vision of housing and communal services development strategy is to ensure full access for all citizens of Tajikistan to sustainable, affordable in terms of price and quality, services, based on the principles of market economy, which meet modern health and environmental requirements. Issues of natural disasters risk management system and the effective management of natural resources are also an integral part of this Strategy. At the same time, revitalization of activities aimed at resource saving and adaptation to climate change and taking into account the provisions of Sendai framework program for natural disasters risk reduction will be important.

#### **The key problems.**

- Only a small proportion of families with the highest income can really take advantage of the housing market in order to improve their living conditions;
- Residential sector, despite all the efforts to reform it, haven't become a sector of the economy yet in order to be attractive for private business to invest in;
- Deterioration of infrastructure, housing and communal services;
- Provided services do not meet the needs of the population; provided services are resource- and energy-inefficient;
- Inequalities in access to safe drinking water supply systems, sanitation and hygiene, heating and electricity supply in residential sector for urban and rural populations;
- High risk of natural disasters, including as a result of climate change.

#### **Priorities.**

The main priority areas of activity aimed at **creating comfortable living conditions** are:

- (1) Increasing an access to housing;
- (2) Development of public utilities system;
- (3) Increasing the availability of drinking water supply system, sanitation and hygiene;
- (4) Strengthening incentives for the protection of the environment among the population and economic entities;
- (5) Development of disaster risk management

### **The main areas of activities.**

In the area of increasing an access to housing:

- ✓ Development of the primary market for mortgage lending, including through the development and implementation of mortgage lending standards, promotion of technical and financial soundness of the banking activity;
- ✓ Creation of conditions for the development of a secondary market for mortgage financing and securitization of mortgage loans;
- ✓ Promoting the targeted formation of population's savings to purchase houses, including with the help of construction and savings cooperatives;
- ✓ Integrated development of the real estate market, which includes the need to improve the regulatory and legal framework to vest ownership rights for land for housing construction, increasing the supply of urban land for housing, ensuring the availability of its sufficient portion thereof for households with middle level income, development of national standards and funding programs for urban planning, land management and zoning to ensure sufficient supply of affordable housing;
- ✓ Creating support system for an access to housing, including for young families, young professionals;
- ✓ Revision of the principles and rules of urban development (reconstruction and new construction, centralized and autonomous sources of public services, monitoring of safety standards, energy efficiency and earthquake resistance).

In the field of development of public utilities system:

- ✓ Gradual restructuring of the existing public utilities service management system, taking into account ownership of objects of municipal services;
- ✓ Development of regulatory and legal framework to promote the development of competition in the area of residential properties maintenance in order to reduce the cost of services;
- ✓ Establishment of mechanisms to stimulate mobilization of long-term financial resources for the development of urban and rural engineering and utility infrastructure through different sources;
- ✓ Improving the system of tariff regulation in the housing and utilities system in order to increase its investment attractiveness and implement public-private partnership projects;
- ✓ Formation of accumulative funds to finance capital repairs of apartment buildings; development of the system of involvement of local governments in regulating the housing and municipal relations;
- ✓ Development of a set of arrangements to ensure financial sustainability of housing and utility services, taking into account affordability for all citizens.

In the area of increasing the availability of drinking water supply, sanitation and hygiene, with a focus on the needs of women and girls, as well as vulnerable individuals:

- ✓ Development of a system of regulatory legal and policy developments in the area of management of drinking water supply, sanitation and hygiene, with a focus on the needs of women and girls, as well as vulnerable persons;
- ✓ Development and promotion of investment projects to finance the construction / rehabilitation of water supply and sewerage systems, on-farm

water supply systems and wells, expansion of urban water supply networks;

- ✓ Expansion of international cooperation and provision of support to strengthen national capacities in the field of water supply and sanitation (including rainwater harvesting, desalination of water, increasing water use efficiency, wastewater treatment and the use of water recycling and reuse technologies);

- ✓ Strengthening measures to improve sanitation and hygiene education.

In the area of strengthening incentives for population and economic entities in order to protect environment:

- ✓ Formation of a package of incentives to conserve water, gas and electricity;

- ✓ Developing and managing the implementation of environmental requirements in the use of private transport, food, waste management;

- ✓ Creating and disseminating the Code of nature protection, mechanisms of adaptation to climate change, with the expansion of international cooperation in this area.

In the field of the development of natural disaster risk management system:

- ✓ Building national institutional capacity for natural disasters forecasting, preparedness, mitigation;

- ✓ Integration of actions to reduce the risk of natural and environmental disasters in the system of management of country's sectors of;

- ✓ Development and implementation of mechanisms to reduce social vulnerability due to natural disasters;

- ✓ Formation and implementation of gender - sensitive system based information provision and training of the population in the area of forecasting, protection and recovery after natural disasters;

- ✓ Development of the system of mainstreaming climate change issues, prevention of natural disasters in the regional strategic documents, strengthening local capacity for emergencies and natural disasters risk management.

#### **Expected results.**

All Tajik citizens have an access to sustainable, affordable and good quality housing services in line with modern sanitary and environmental requirements, and based on the principles of market economy;

- Improved access of population to water and sanitation, especially in rural areas;

- Reduced use of solid fuels for cooking, especially in rural areas;

- The average level of housing provision will be at least 17 m<sup>2</sup> per person by 2030;

- Lending and financial mechanisms for housing construction and development of municipal infrastructure are in place;

- Created competitive environment in the field of housing fund and facilities of communal infrastructure management;

- Improved environmental conditions of living, including for low-income people in rural and mountainous areas;

- Mitigation of acute environmental risks, enhancing resilience and the

ability to forecast natural disasters.

#### **4.6. The reduction of social inequality.**

Social inequality has extremely negative economic and political consequences. It reduces the quality of growth and prevents investment activity. Moreover, social inequality hinders implementation of industrial and industrial-innovative development scenarios. The level of income inequality and social inequality remains high in Tajikistan. Location greatly affects the ability to access the services, education, health care, self-fulfillment. Addressing the causes of inequality and structural barriers transformation to new opportunities in order to overcome it is a key condition for strong, sustainable, balanced and inclusive economic growth.

At the same time, women and children are vulnerable due to the insufficient effectiveness of existing arrangements to ensure and protect their rights and interests. Inequality in opportunities is especially high for rural women not only because of higher gender stereotypes and limited choices in the area of employment, but also a relatively low quality of infrastructure, which affects access to resources and opportunities. Activities focused on children, who are in difficult life situation - orphans and children with disabilities, minors in conflict with the law, need to be further strengthened.

Ensuring inclusive, stable and sustainable economic growth is an important goal of sustainable development.

#### **Ensuring equality of opportunities and the reduction of social inequality in Tajikistan.**

##### **The main problems.**

- A high level of polarization of income and opportunities in society, unsustainable growth and uneven geographic distribution of economic opportunities;

- Foreign labor migration of men has direct gender implications, including the problem of abandoned women and children, particularly in rural areas;

- Significant amount of unpaid domestic labour of women is due to their performing reproductive functions, insufficient development of social infrastructure, especially in rural areas;

- Expressions of various forms of violence against women, which cause enormous physical and psychological harm to women and girls, limit their possibilities for personal fulfillment, but also entails great economic costs both for themselves and for society as a whole;

- Limited social inclusion of vulnerable categories of children (orphans and children without parental support, children with disabilities and children at risk).

##### **Priorities.**

The following priorities are identified to ensure **equal opportunities and to reduce social inequality**:

- (1) development of a system to ensure inclusive development and reduce inequality;

- (2) reduction of gender inequalities by improving the policy to promote de facto gender equality; prevention of all forms of violence against women and girls;

(3) ensuring welfare of children.

**The main areas of activity.**

In order to ensure **equal opportunities and reduce social inequalities** the following main areas of activities have been identified:

**In the area of development of system to ensure inclusive development and reduce inequality:**

- ✓ Development of system of universal access to quality public social services (taking into account the needs and capabilities of the poor and middle class);
- ✓ Promoting the system of transparency and accountability of public authorities, supporting public monitoring of implementation of commitments on redistribution of social services and their quality, development of social dialogue system;
- ✓ Establishment of mechanisms to support regional initiatives, including the human capital development programs and inter-regional integration;
- ✓ Development and implementation of the practice to draft national reports on the diagnosis of growth and inclusive development.

**In the area of improving the actual policy on gender equality:**

- ✓ Improvement of the legislation in order to introduce the state guarantees for equal opportunities of women and men;
- ✓ Development of institutional mechanisms to incorporate national and international commitments on gender equality and women's empowerment in sectoral policies;
- ✓ Mainstreaming the mechanisms to ensure legal literacy and social inclusion of women, including from rural areas;
- ✓ Increasing capacity in the area of gender sensitivity of the employees of all branches of government;
- ✓ Introduction of gender aspects budgeting in the budget process.

**In the area of prevention of all forms of violence against women and girls:**

- ✓ Development of the legal and regulatory framework for the prevention of violence against women and provision of assistance to victims of violence;
- ✓ Development of institutions to coordinate and expand the activities of state bodies in the field of violence prevention and assistance provision to victims of violence;
- ✓ Expanding the range of activities in order to ensure access and quality of services provided to women and girls, affected by violence;
- ✓ Improving gender statistics and establishment of consolidated database for all types of violence;
- ✓ Development and implementation of programs to change the perception and behavior that justifies violence against women and girls.

**In the field of child welfare:**

- ✓ Develop a practice to draft national reports on child welfare and social inclusion of children with disabilities, orphans, children from low-income

families, children in conflict with the law;

✓ Institutional development of the state system of protection of children's rights, policy of improving the situation of children (introduction of the concept of “justice for children” to the legislation);

✓ Development of child ill-being prevention system;

✓ Establishment of the Institute for the Protection of Child Rights (Ombudsman) and implementation of legal reforms related to juvenile justice system.

**Expected results.**

- Mechanisms to ensure inclusive development are developed (including tax and budget preferences);

- Social dialogue system is developed;

- Effective legal, institutional, organizational and financial mechanisms are in place in order to promote gender equality and empower women and girls;

- National and international commitments on gender equality and the empowerment of women and girls are incorporated in the sectoral policies;

- New structures to coordinate and enhance the activities of government agencies are set up in partnership with the civil sector in the field of violence prevention and assistance provision to victims of violence;

- Reduced number of cases of all forms of violence and improved an access and quality of services for women and girls, affected by violence;

- State and non-state media is effective in shaping public opinion to overcome gender stereotypes and change the perception and behavior that justifies violence against women and girls;

- A system of child ill-being prevention is formed;

- Institutes for the protection of child rights and juvenile justice are successfully functioning.

## **5. QUALITY OF ECONOMIC GROWTH AND EFFICIENCY OF THE REAL SECTOR OF ECONOMY**

The global economy is entering a period of slower growth that affects the largest trade, economic and investment partners of Tajikistan. The trajectory of their development changes, which poses new challenges and offers additional opportunities for the further development of Tajikistan's economy. Under these conditions, the preservation of sustainable economic growth rate, ensuring the diversification and competitiveness of the national economy are the most important tasks. At the same time, today the country needs a new model of development based on investments promotion and new technologies in the **real sector of economy (RSE), productive employment policies, resources-generating financial system and, most importantly, adequate investment climate**. In the upcoming years these sectors will determine the quality of future growth and areas of structural reforms aimed at improving the efficiency of the use of national wealth represented by the human, natural, physical and financial capital. The new model of development should provide accelerated growth of industry, agriculture and the financial sector, create conditions to enter new export markets, limit inefficient consumer imports and reduce dependence on remittances.

### **5.1. The real sector.**

In order to ensure successful transition from stabilization policy to the policy of sustainable long-term socio-economic development of the country, it is particularly important to draft a sound strategy for the development of the real sector of the national economy that will reflect qualitatively new managerial culture and social consciousness in general and guarantee taking an effective, preventive measures to respond to the challenges of modernity.

Sustainable, consistent and preventive functioning and development of all segments of the RSE is a guarantor of energy, food, transport and communication security and, as a consequence, the economic security of the country.

Implementation of strategic objectives in the real sector of economy will create a material basis for productive employment, diversification of production and exports, improving the accessibility and quality of social services for all segments of the population, which is directly related to the level of accomplishment of all objectives of MDGs in Tajikistan.

The development of the real sector of the national economy requires the efficient use of national wealth represented by the human, natural and physical capital, as well as the expansion of innovative activity.

#### **The main problems.**

Despite the progress, achieved in the reconstruction and development of RSE, a number of problems maintain its relevance and scale, which increases the risk of transition to high-tech and efficient sectors of the real sector, and creates preconditions for new challenges and threats to energy, food, transport and, as a consequence, economic security of the country. Underdeveloped level of RSE does not allow Tajikistan to position itself in the ranking of global

competitiveness, even at the level of transition from resource based competition to performance based competition.

The most significant **general and specific problems of RSE**, which maintain its relevance and scale, are as follows:

Common problems:

- Continuing difficulties of rigorous market transformation period;
- Inefficient management of natural resources, expressed in growth of natural resource intensity production, environmental pollution and a high level of non production related losses of products, especially electric energy;
- The shortage of electricity in the autumn-winter period of time due to the limited capacity to collect water during this period;
- Initial phase of the transition to integrated water resources management;
- Increasing the negative environmental impact of the mining industry;
- Continued technical and technological underdevelopment, a high degree of physical and moral depreciation of industrial and agricultural equipment and infrastructure in the context of rising energy prices and other material and technical means;
- Insufficient investment attractiveness of RSE (except for the production of aluminum, electricity and cotton, mining, transport communications);
- RSE sectors are characterized by the low level of innovative activity. They do not create demand for new knowledge and technology, which does not encourage activity of scientific and educational institutions, as part of the national innovation system. The exclusive role of the state and international funds to support the research activity does not provide proper dynamics of innovative growth in the economy;
- The trend of growth in the volume of accumulated industrial emissions and pollution of land and water resources in the industrial regions, the negative environmental impact of the mining industry enterprises remain;
- Underdevelopment, insufficient competitiveness and weak diversification of the processing industry;
- The lack of qualified professionals as senior managers and middle level managers remain caused by the educational problems and the continuing migration of qualified personnel;
- Poor coordination of activities of state management bodies and regulation of RSE as a whole, and its segments in particular, to coordinate sectoral energy subsystems, rural producers and processing companies, which leads to inefficient use of energy resources, undeveloped system of processing of agricultural products, disruptions in the supply of raw materials and its low quality. Agribusiness recycles only 20% of the agricultural products of the country;
- Forecasts of climate change in the medium and long term and its impact on sustainable development of the country and sectoral economy in the future are not taken into account.

**Specific problems:**

In the fuel-energy complex:

- The continuing isolation of the energy systems of Tajikistan from Central Asian energy system exacerbates seasonal shortage of electricity (capacity) in

Tajikistan, and considerably limits the possibility to fulfill the export potential of the electric power, which is a destabilizing factor of energy and economic security of the country. Damage as a result of imposing restrictions on the supply of electricity in winter is 200 million dollars USA per year, according to the estimates of the World Bank;

- A low level of reliability of electricity supply and barriers to connect new consumers;

- Insufficient use of local energy resources to fill in the seasonal shortage of electricity;

- Low energy efficiency of production and the consumer sector;

- Ineffective legal and regulatory framework in the energy sector of the country;

- Inadequate tariff policy in the energy sector, which is a barrier to the development of private businesses in RSE. It creates a prerequisite for the expansion of shadow business and does not encourage energy conservation and efficiency;

- Weak diversification of power generation sources (hydroelectric power station produce 96% of the total installed capacity of power plants), and the use of solar, wind and biomass energy in the economic turnover.

In the agricultural sector:

- A weak mechanism for public financial support of agricultural enterprises;

- Obstacles to the consolidation of land that impede investment in the development of large highly productive agribusinesses;

- Outdated material and technical base of agrarian and industrial complex with limited access of its enterprises to information on potential sales markets, lengthy and costly foreign trade operations pose a threat to food security;

- Imperfect mechanism of regulation of land related relations in the agricultural sector, including unequal access of women to land and weak irrigation system, which lead to soil fertility degradation, deterioration of land-reclamation, and inefficient use of pastures led to deterioration of their ecological condition;

- Inadequate management of water resources in agrarian and industrial complex, including integrated water resources management;

- Continuing high dependence of country's economy on imports of food products, equipment, accessories, fossil fuels, wood, etc .;

- Significant risks for the development of agribusiness due to the long-term global climate change;

- Low level of environmentally sustainable development of agriculture, associated with increased degradation of land and water resources, especially arable land due to erosion, pollution, salinization, water logging, increased groundwater levels, reduction of forest areas, land withdrawal from agricultural use, as well as climate change factors.

In industry:

- Imperfect tax system, and inadequate mechanisms for financial and lending support of investment and innovative activity;

- The low level of intra, inter-sectoral and inter-territorial cooperation and integration, lack of development of the cluster approach;
- Poor quality and high energy, labor consumption and materials/output ratio, which determines its low competitiveness;
- Imperfect industrial waste management mechanisms.

In the transport and telecommunication sectors:

- Non-compliance with international safety standards and operation of transport to ensure the accelerated development of enterprises in RSE;
- Poor development of local air traffic and ground infrastructure for it;
- The limited capabilities of the budget for the development of the industry and, as a consequence, its dependence on foreign financing due to the difficult geographical terrain;
- Remoteness from the sea routes and developed transport corridors;
- The high cost of cargo transportation and transportation tariffs;
- Virtual lack of transport and logistics centers network;
- Poor development of public-private partnership system in the transport sector;
- Road transport structure in the context of low density and quality of roads;
- The growth of urban air pollution (in industrial areas) is accompanied by the lack of relevant authorities' control over the emissions of vehicles and quality of checks of vehicles' conformity with environmental standards and regulations;
- Continued restrictions in the development and spatial expansion of communication and information services market.

#### **Priorities in the development of RSE.**

A common priority aimed at RSE development is an effective contribution to ensuring energy and food security in the country, the development of communication capabilities of the country, increasing the competitiveness of the national economy and enhancing social stability through integrated development of natural resources potential of the country, including integrated water resources management, promotion of preventive sustainable development of sectors, their modernization and diversification, including the use of innovative technologies.

Specific priorities are:

(1) In the energy sector:

- Ensuring reliable energy supply of the country's economy based on efficient use of energy resources;
- Ensuring transition of country's hydropower to the budget forming industry of the country, its crucial role in poverty reduction, boosting not only its own development, but also the development of other sectors of the economy;
- Further development of small hydropower and other renewable energy sources for both poverty reduction and ensuring access of population, especially in rural areas, to social benefits, as well as for the overall development of the economy, small business primarily;

- Ensuring Tajikistan's transition from the regional and global leader in the area of hydropower reserves potential to the leader in the development and utilization of the country's energy potential and on this basis promoting the interests of national power economy at the foreign markets through both appropriate energy diplomacy and the use of market mechanisms.

(2) In AIC:

- Expansion of the contribution to ensure availability and adequacy of food, their quality and safety based on the transition to a high level industrialization and sustainable preventive development of the agricultural sector, through the introduction of innovative and environmentally friendly technologies;

- More efficient use of land and water and human resources through better reclamation-irrigation of agricultural lands and ensuring productive employment of the rural population;

- Reconstruction and rehabilitation of irrigation infrastructure and introduction of modern energy-saving irrigation technologies.

(3) In the industry:

- Improving competitiveness and value chain in industrial sectors;

- Growth in the volume of production and sale of industrial products, competitive at the domestic and foreign markets;

- Establishment of an effective system of personnel development, who is able to create and develop industrial technology to produce innovative products;

- Development of institutional framework for sustainable and preventive development of industrial sectors, development of innovative highly productive clusters.

- Development of national system of selective import substitution based on the processing of local resources, primarily in the agricultural sector (processing of fruit and vegetable products and increasing their production), building complex, light and food industries.

(4) In the transport and telecommunication sectors:

- Effective use of financial resources, including resources attracted from foreign sources for the construction of new and reconstruction of existing transportation facilities, which cover not only the domestic demand for transportation services, but also the acceleration of the country's integration into the global economy;

- Maximizing the benefits from the development of transcontinental transit infrastructure;

- Comprehensive expansion of the network of all types of transport and rationalization of rolling stock structure, optimizing its operation for the industrial and innovative development of the national economy and meeting human needs;

- Ensuring development in accordance with up-to-date requirements of transport and logistics centers network and maintenance system;

- Establishment of an independent regulator, in line with WTO obligations, in the telecommunications sector;

- Bridging the digital divide (gap) in different regions, particularly in rural and remote areas;
- Institutional strengthening of telecommunications sector in order to attract private sector investment.

**The main areas of activity.**

In order to solve the major problems in the framework of RSE strategic priorities, carrying out activities will be ensured in the following areas:

- ✓ Creating attractive tax, regulatory and legal conditions for investment projects implementation in the real sector of the economy;
- ✓ Development of effective system to facilitate the implementation of investment projects;
- ✓ Formation and development of clusters of industrial-innovative orientation, within which interaction of educational institutions and enterprises of RSE will ensure the development of research and innovative activities, and membership within the cluster will facilitate access to new technologies;
- ✓ Promoting national interests in the generation of optimal energy flow in Central and South Asia through the development of the hydropower potential, rehabilitation of earlier operational and establishment of new energy infrastructure and ensuring its efficient use on the basis of economic and technological integration with the system of power supply in the regions;
- ✓ Development of legislation and regulations aimed at energy conservation and increasing energy efficiency;
- ✓ Promoting modernization and technological upgrade, innovation, energy and resource saving innovative technologies;
- ✓ Development of electric power industry through diversification for seasonal leveling of power generation, including through the use of renewable energy sources;
- ✓ Modernization of electric grid in order to reduce losses, improve the reliability of power supply and the increased use of various renewable energy sources;
- ✓ Transition to integrated water resources management;
- ✓ Development of logistics infrastructure;
- ✓ Practical implementation of measures for deep processing of local raw materials;
- ✓ Stimulating innovative and investment activity, increasing the efficiency of R & D;
- ✓ Encouraging the development of national brands and enhancing the image and marketing products of enterprises of the RSE of Tajikistan at the domestic and international markets;
- ✓ Development of certification systems and the introduction of international standards of quality;
- ✓ Simplification of export-import procedures;
- ✓ Promoting the establishment of non-governmental institutions to promote exports;
- ✓ Development and implementation of measures to reduce the level of industrial and transport emissions and pollution of land and water resources,

improving waste management mechanisms of industrial production and use of chemicals;

- ✓ Promoting the development of competitive production chains and clusters in the RSE that provide import substitution and export promotion;

- ✓ Creating the required conditions for further rapid development of construction sector and building materials industry, including through the use of local mineral resources base and extractive industry waste;

- ✓ Facilitating RSE enterprises integration processes through the creation of conditions for equal cooperation in the area of high technologies through the establishment of joint ventures, industrial parks and expanding the activities of the FEZ;

- ✓ Organizing an effective system for the development of personnel, capable of effective management, creation and development of competitive innovative technologies in such sectors as energy, agriculture, industry, transport and communications;

- ✓ Protection and provision of support to domestic producers based on WTO regulations, development of the system, measures for the protection of the domestic market from counterfeit products, used in the energy, industry, agriculture and by the public;

- ✓ Development of competitive production chains and clusters in agro-industrial complex to ensure import substitution and export promotion;

- ✓ Adaptation of agro-industrial complex to the long-term climate change and implementation of measures to promote international certification of quality of exported agricultural products;

- ✓ Development and implementation of measures aimed at creating additional demand for electricity in agro-industrial complex in summer;

- ✓ Development and implementation of measures on construction and reconstruction of transport and communications lines to expand the communication capabilities of the country;

- ✓ Bringing rail, road, air lines and all types of transport in line with international standards, including the development of alternative and special types of transport communications and ensuring accelerated development of enterprises in the RSE;

- ✓ Strengthening cross-border telecommunications infrastructure.

#### **Expected results**

- ✓ It is expected that implementation of planned activities in RSE will achieve the following results:

- ✓ Increased share of industry in the structure of country's GDP, which provides for transition from agrarian-industrial based economy to the industrial-agrarian based economy;

- ✓ Increased share of processing industry in the structure of the industry;

- ✓ The number of new jobs increased by 3-fold in the industry;

- ✓ Development of electric energy sector is ensured in the country, based on the concept of 10/10/10/10, including:

- 1) Design capacity of the electric power system increased to 10 GW;

- 2) Annual electricity export to neighboring countries reached 10 billion kilowatt hours.;
- 3) Ensured diversification of country's electric energy system capacity on 10% at least through the increase of capacities of other energy sources, including coal, oil, gas and renewable energy sources;
- 4) Power losses reduced to 10% in the country.
  - Created conditions for domestic energy diversification based on the development of coal, oil and gas, thermal power station subsystems and the development of renewable energy sources;
  - Ensured high level of reliability of energy supply to the population and production industry; seasonal lack of power capacity has been addressed; dependence on import of basic foodstuffs has been substantially reduced;
  - Enhanced energy efficiency and manageability of all sectors of the national economy through energy saving technologies introduction and increasing energy efficiency. Energy saving is 500 million kWh of hours of electricity;
  - Developed the required human resources for the modern energy and industrial management, effective management of RSE;
  - Ensured financial stability and transparency of the energy sector and increased investment attractiveness of RSE;
  - Preconditions have been created for the optimal structure of the fuel and energy balance of the country with the decreased share of imported energy resources in the structure of domestic consumption, and increased share of non-fuel energy resources through wider use of renewable energy source (solar, wind, biological, geothermal);
  - Created conditions and transport and logistics infrastructure for the development of industrial, energy, agriculture and tourism businesses in rural areas, in the areas of decentralized energy supply and regions of the country with unique natural conditions, which will provide new jobs, availability, accessibility and adequacy of food, decrease in the number of migrant workers, form and develop middle class in the rural areas;
  - A positive experience in the implementation of social programs aimed at the energy supply efficiency and food security of vulnerable stratum of population, mitigation of energy poverty of rural population and ensuring productive employment on the basis of diversification of energy sources is spread in regions of the country;
  - Reduced RSE industries' negative impact on the environment through increasing their innovative activities and the use of the cluster approach in their development;
  - Created conditions for the formation of eco-oriented model of socio-economic development;
  - Ensured growth of import-substitution and export-orientation production in RSE through measures aimed at provision of assistance to the potential investors, development cooperation, value chains and clustering;

- Ensured growth of the volume and the quality and accessibility of transport services in the area of domestic and international transportation, increased safety of transport system as a whole;
- International service, transport and economic corridors and logistics centers are created, and communication capabilities of the country are expanded;
- Services of rail, road, air lines and other types of transportation are brought into conformity with international standards;
- Developed network of cable railways and monorails in mountainous regions of the country in order to accelerate the development of enterprises in the extractive industries and tourism sector;
- Expanded capabilities of pipeline transport; developed network of existing power lines and construction of new power lines was ongoing in regions of the country and abroad for the purpose of industrial development of deposits of energy resources and other mineral resources, implementation of export potential of RSE;
- Set up an independent and transparent regulatory authority in the electricity, telecommunications and broadcasting industries;
- Developed cross-border telecommunications infrastructure through multi-use of infrastructure of transport corridors and electricity networks;
- Enhanced implementation of telecommunication transit potential of the country and the capacity of the Internet traffic.

Achievement of expected results will help to ensure that Tajikistan's RSE will become modern, high-tech, efficient, sustainably developing, capable of effective innovation, modernization and technical re-equipment, producing competitive products of new generation, demanded by the market, with minimal impact on the environment, and prepared to face challenges of the new technological wave of the upcoming period.

Fuel and energy complex and transport sector should be growth drivers for RSE and the national economy as a whole. Overcoming electricity shortages and reducing the cost of freight and transport tariffs will create opportunities for sustainable economic growth of the country and, above all, for the real sector of economy. Energy and transportation services should become more accessible geographically. It will be especially important for the development of export potential of the country, development of productive entrepreneurship and development of country's transit potential.

RSE must be a sector, where the most important component will be not only the natural resources, but also the industrial-innovation, and human potential.

## **5.2. Productive employment**

The reality of the republic is that there is a „three-component “ labor market, which almost equally and proportionally forms an official employment, informal employment and labor migration (largely informal and uncontrolled).

The need for simultaneous quantitative growth of sustainable productive employment and productivity, ensuring effective social protection will be the **main development objective** in the sphere of labor in the long run in Tajikistan.

In the given Strategy productive employment is considered and presented in accordance with the position of „ILO Convention on employment promotion and protection against unemployment.“ At the same time productive employment considers the relationship between economic growth and poverty reduction, protection of the interests and rights of workers as an important and effective tool in the area of improving the standards of living and quality of life of the population. The concept of productive employment foresees employment, which generates revenues in the form of salary or revenue from business activities related to production of goods and services.

Ensuring productive employment will contribute to increase in consumption, savings and investment. The population of working age will be 6.8 million people by 2030. Total employment is expected to increase up to 70% of the working population by 2030. The shift from predominant employment in agriculture should become an important part of the employment reform and labor productivity growth, and should be related to the restructuring of the real sector of economy (according to industrial or industrial-innovative scenario). The share of employment in the service sector will increase from 27.6 to 60%, in industry - from 3.3 to 15-20%. This means that about 70% of labor force increase in the rural areas of the republic will be employed in industrial sectors, social sphere, and will be enrolled in vocational schools during the period from 2016 to 2030. Formal employment will increase from 40 to 70% of total employment in the country.

Ensuring rational patterns of production will be achieved through the introduction of new energy-saving and resource saving technologies, reducing waste and CO2 emissions, thus developing capabilities for «green employment» (i.e., a combination of decent work and the use of clean technologies).

New model of growth generation will create conditions for widespread creation of new high-end jobs, faster growth of formal employment and registered sector of the economy. It is important to ensure productive employment in export-oriented industries, which can have a significant multiplier effect on other sectors such as textile and food industry, chemical and machine-building industry, transport and communications, education and health care, tourism and the economy as a whole. Institutional breakthrough points of growth in this case could be targeted territorial employment programs; effective short-term employment programs, particularly for youth and women; facilitating training of migrants; creating employment centers with the development of the social contract arrangements.

**The key problems:**

- Discrepancy between the high growth of working population and insufficient pace of creation of decent jobs;
- Large volume of informal sector employment and low wages in the formal sector;
- Gender disparities in employment and the increase in child labor;
- Lack of balance between the education market and the labor market;
- Low quality of education and skills of the workforce, especially among women and rural population;

- High dependence on labor market condition in one or two foreign countries;
- High foreign labor migration «washes out» country's skilled workers and specialists.

**In the area of productive employment policy the following priorities have been identified:**

- (1) encouraging the creation of productive jobs;
- (2) development of competitive domestic labor market;
- (3) improving the impact of vocational education;
- (4) increasing the share of formal employment in the economy;
- (5) diversification of foreign labor migration.

**The key areas of activities**

The following is defined as the main areas of the labor market and employment development:

In the area of promoting the creation of productive jobs:

- Provision of support to small and medium sized enterprises in order to create employment in high-tech innovative industries, social sphere, taking into account empowerment of the youth and women;
- Development of benefits package and opportunities for productive employment of persons with disabilities;
- Cross-sectoral actions, aimed at building national capacity for evaluation and forecasting labor market (including in the regional context), development of population resettlement and distribution of production system, stimulating the development of a network of local transport communication, facilitating the creation of new industries and jobs especially in regions with high levels of unemployment and poor population.

In the area of creating competitive domestic labor market:

- Introduction of public-private partnership tools and the principles of program based earmarked financing of regional employment promotion programs;
- Improving the quality of competitive environment through optimization of sectoral privileges and preferences;
- Development of national system to promote the growth of labor productivity;
- Development of labor market infrastructure;
- Implementation of special programs aimed at increasing employment prospects for people with special needs (women, persons with disabilities, low skilled returning migrants);
- Strengthening social support mechanisms for unemployed people.

In the area of increasing vocational training impact:

- Creation of competitive environment, including the development of educational institutions;
- Development of engineering - technical education system;
- Development of programs and mechanisms for specialists' competence evaluation (national competency mapping system);

- Development of sustainable mechanisms to ensure an access of youth / graduates of educational institutions to the systems of employment promotion/ job search.

In the area of increasing formal employment in the economy:

- Development of incentives package for legal business activity, including the development of tax support system for legal labor activity growth;

- Cross-sectoral activity aimed at improving the business environment, including towards the development of regulatory and legal framework to protect the rights of owners and hired labor, development of «public order» system, and corporate social responsibility.

In the area of diversification of foreign labor migration:

- Development of gender-sensitive system of pre-departure training for migrant workers and their families, including legal and information support, short-term vocational and language training based on resource centers;

- Development of labor migration legal and social protection programs.

### **Expected results**

It is expected that implementation of planned measures to promote employment, which ensures productive employment and creates conditions for the development of human capital, will lead to the following results:

- Ensured balance of quantity and quality of the working population and jobs; reduced number of population without job (unemployed or inactive);

- Increased level of employment of men and women in sectors of advanced development prospects;

- Strengthened mechanism of analysis and forecasting of labor market, taking into account the demographic structure of gender groups; labor market information is updated at least twice a year;

- A national system is set up to promote sustainable growth of labor productivity;

- Ensured reduction of territorial disparities of employment; reduced pressure on internal migration;

- Improved employment of people with special employment problems (people with disabilities, parents with children with disabilities, single mothers, people close to retirement age, single mothers, returning unskilled workers, etc.);

- Reduced level of youth unemployment;

- Ensured consistent reduction of informal employment, where the share of formal employment is at least 70% of total employment;

- In 2030 not less than 50% of men and women of total employed people will have professional education;

- The level of working people with disabilities will be at least 15% of total number of people with a disability by 2030;

- Increased awareness and professional skills to work at the foreign labor markets;

- Increased social welfare of migrant workers and their family members.

### **5.3. Financial sector**

In 2030 Tajikistan's financial sector is a modern dynamic system of competitive financial institutions that can provide a wide range of high-quality and innovative financial services and products to consumers. It creates favorable conditions for stable development of the national economy and resistance to external shocks.

**The main problems:**

- Financial sector has not yet emerged as a foundation of financing the national economy;
- Inefficient use of internal capacity to mobilize domestic savings, and the mechanism of their transformation into loans and investments;
- Low level of capitalization of existing financial institutions (banks, MFIs, insurance companies, etc.). They offer mainly a narrow range of short-term financial products, which do not comply with the needs of the real sector to upgrade its productive capacity;
- There is a reduced architecture of the financial sector, dominated by banks, limited securities market. There is no secondary segment, including the circulation of corporate securities;
- Available channels to finance RSE enterprises are limited and poorly diversified;
- High level of dollarization remain in the financial sector;
- High degree of cash based settlement of payment between economic actors;
- Sectors' sensitivity to currency fluctuations in the world limits access to external financial resources;
- There is a regional inequality in access to financial services;
- There are high prices for financial services, including high interest rates on loans.
- There are high levels of risk inherent in the activities of financial institutions;
- There is a low level of corporate governance.

The following priorities are identified for the **development of modern financial sector** as a system of competitive financial institutions that can provide a wide range high-quality and innovative financial services and products, create favorable conditions for the stable development of the national economy and be resistant to external shocks:

- (1) Building capacity and competitiveness of financial institutions and development of financial sector infrastructure;
- (2) Ensuring the availability and diversification of channels of the long-term financing of RSE;
- (3) Expanding the list of offered financial products and services of innovative nature;
- (4) Developing human resource capacity of financial institutions at all levels of the banking system;
- (5) Deepening institutional reforms in the financial sector.
- (6) Improvement of financial and economic management mechanism of environmental resource management and protection.

### **The main areas of activity.**

The following key areas of activity are identified in the area of financial sector reform:

In the area of capacity building and competitiveness of financial institutions and development of financial sector infrastructure:

- ✓ Developing capacity of banking system through the growth of its capitalization and improvement of human resources management system;

- ✓ Introduction of modern risk management systems and monitoring methods based on risk assessment in financial institutions;

- ✓ Improving the system of prudential regulation, consolidated supervision, gradual transition to inflation targeting mode;

- ✓ Improving the effectiveness of used instruments of indirect regulation in the area of price stability maintaining policy and balanced monetary policy;

- ✓ Creating a mega-regulator in the financial sector;

- ✓ Strengthening capacity and competitiveness of financial and lending institutions (banks, Microfinance Institutions, insurance and leasing companies, stock exchanges, etc.) through the introduction of international standards of activity system, increasing minimum requirements to capital, tighter reserve requirements to boost financial stability, development of up-to-date risk management system;

- ✓ Creating a framework to reduce fees for the provision of financial services and reduction of operating costs through the introduction of innovative business processes, transition to flexible organizational structures, upgrading the technical base of financial institutions, the widespread use of modern innovative methods of management of bank accounts (remote, including internet banking and mobile communication and payment systems), the widespread use of electronic means of payment, increasing the availability, safety and quality of payment services and payment systems, and the development of technical base and infrastructure of payment systems;

- ✓ Expanding consolidation process in all financial market segments, increase in mergers and acquisitions in order to enhance stability of financial institutions;

- ✓ Recovery of large banks;

- ✓ Facilitating the restructuring of existing weak banks;

- ✓ Improvement of lending system and culture;

- ✓ Introduction of Credit Guarantee Fund and its new mechanisms, including with the participation of the IFIs;

- ✓ Establishment and development of securities market, including secondary market, Defined Contribution Pension System, infrastructure of venture financing of progressive enterprises and sectors of RSE;

- ✓ Development and implementation of incentives for wider dissemination of non-cash payments, especially in the retail trade;

- ✓ Facilitation of lending institutions' branches and other types of operating regional branches opening up;

✓ Promoting the spread of retail banking services in rural areas and their coverage of low-income families, including the provision of financial services via cellular mobile phones;

✓ Strengthening financial market liberalization and simplification of licensing and facilitation of entry to the market by foreign participants;

✓ Deepening integration of financial sector into the effective mechanisms of global partnership, access to the regional and global financial markets, participation at the various regional stock exchanges;

✓ Strengthening preventive activity of lending institutions in order to reduce systemic risks at the financial market;

✓ Intensifying efforts in order for Tajikistan to obtain international country credit rating;

✓ Based on the development of agriculture, the long-term financial capability, with the lowest interest rates in RSE, should be discussed by certain and international banks.

In the area of accessibility and diversification of channels of the long-term financing of RSE:

✓ Development of inter-bank credit market;

✓ Formation of a three-tiered lending system;

✓ Creation of conditions for the operation of the primary and secondary securities market, as the main channel of the long-term financing of RSE development;

✓ Rapid development of leasing companies.

In the area of expanding the list of offered innovative financial products and services:

✓ Development of new tools of refinancing and liquidity management, both at the level of the NBT, second-tier banks and MFIs;

✓ Development and widespread use of innovative tools to attract savings deposits;

✓ Ensuring development of securities market, the use of IPO tool for placing securities at the domestic and foreign stock exchange and innovative types of securities as financial derivatives;

✓ Development of the market of government bonds, with different maturity, including foreign exchange-denominated, in order to create risk free market yield curve and develop currency hedging instruments;

✓ Development and widespread use of tools for insurance of currency and other risks of long-term lending of the real economy, including hedging and co-financing;

✓ Development and wide use of Islamic banking and equity instruments of financing;

✓ Improving availability of financing services for the vulnerable stratum of population, especially women and youth.

In the area of strengthening human resource capacity of financial institutions at all levels of the banking system:

- ✓ Training of professional personnel for the financial sector in accordance with international standards through the system of universities, taking into account the revision of curriculum;
- ✓ Developing training courses, expanding operation of training centers under financial institutions;
- ✓ Strengthening relationships with foreign financial and lending institutions in the field of banking with involvement of leading experts;
- ✓ Development and implementation of the state program on increasing financial literacy of the population.

In the area of deepening institutional reforms in the financial sector:

- ✓ Further improvement of the legal framework of financial sector aimed at increasing transparency and credibility of financial institutions, the rights of consumers of financial services, especially banking system;
- ✓ Adoption of new legal documents on the establishment and implementation of the system of compensatory mechanisms for the development of defined contribution pension system;
- ✓ Development of independent auditors market and strengthening evaluation of small and medium sized enterprises, conducted by independent auditors;
- ✓ Improving prudential regulation and supervision of insurance organizations in accordance with international standards;
- ✓ Gradual increase in the minimum amount of guaranteed compensation for individuals' statutory deposit insurance, taking into account the stage of the banking system stability;
- ✓ Expansion of the collective guarantee system (insurance) for individuals' deposits in order to increase public confidence in the banks and other financial institutions;
- ✓ Strengthening fair competition in the financial sector, protection of rights and interests of investors, consumers of financial services, increasing public awareness of services provided in the financial sector;
- ✓ Revision of tax legislation aimed at shaping new investment behavior of the population;
- ✓ Strengthening public financial and economic support provided to businesses, taking into account environmental requirements, development of «environmentally clean» production and innovation (development of environmental insurance, taxes, loans, subsidies, tariffs, duties, and etc.);
- ✓ Deepening integration processes in the banking sector.

#### **Expected results**

Conduction of planned activities will achieve the following results:

- ✓ Enhanced competitiveness of financial institutions, given financial services market liberalization in the framework of the WTO obligations;
- ✓ Ensured comprehensive financing of the national economy on 55-70% of GDP, including through the increase of the proportion of the bank loans on 40-50% of GDP;
- ✓ Achieved growth of long-term financing of RSE by 3-4 fold; eliminated its critical shortage;

- ✓ Ensured growth of loans and reduction of market interest rate, extension of loan terms and increasing issuance of securities by RSE companies;
- ✓ Not less than 50% of households are covered by banking services;
- ✓ The share of non-cash payments is at least 50% in the retail trade;
- ✓ Not less than 30% of houses is procured at the primary market through mortgage, used as a lending tool.
- ✓ Financial framework is set up for the transition to the industrial-agrarian type of economy;
- ✓ Introduced early detection and preventive measures system in case of systemic risk increase at the financial market;
- ✓ Increased international credit ratings of the country;
- ✓ Formed three-tier lending system, consisting of banks, Microfinance lending institutions and non-banking organizations;
- ✓ Reduced the proportion of direct financing through the channel of public expenditure and increased share of indirect support through the establishment of development banks and support provision to the priority sectors of RSE in Tajikistan;
- ✓ Expanded IPO financial instrument and derivative financial instruments (DFI).
- ✓ Islamic banking tool for financing RSE is widely used;
- ✓ The state program is developed and implemented in order to improve financial literacy of population;
- ✓ The amount of guarantees related to the long-term bank deposits has been increased in the legislation and additional measures have been expanded for the protection of depositors through the insurance arrangements;
- ✓ Improved the mechanism of attraction of budgetary and extra-budgetary funds in order to achieve sustainable development parameters and ensure environmental safety;
- ✓ Improved mechanism of compensation for damage, caused to the environment as a result of production and business activities;
- ✓ Improved mechanism for widespread use of electronic payment instruments in order to increase the share of non-cash payments;
- ✓ Harmonized country's legislation in the financial sector in line with the countries of the Eurasian Union the region.

#### **5.4. Investment climate**

In the context of economic slowdown, many countries have resorted to improve the investment climate as a mean to enhance economic growth and its quality. In such conditions state authorities act as agents of competition for investments and offer investors their «product», which is the «investment climate».

With this in mind, the government will continue institutional reforms in order to improve the business environment and investment climate by strengthening the legal framework, developing a system for contracts execution and corporate governance, ensuring ownership rights, eliminating unnecessary administrative barriers, as well as increasing the investment potential and reducing investment risks.

The effectiveness of the business environment is largely dependent on the actions of the local executive bodies of state power. It will be enhanced by the establishment of Ombudsman Institute to protect the rights of entrepreneurs in order to address the issues at the national level.

**The main problems in the area of boosting business environment and investment climate are:**

- Limited domestic market and weak international trade and economic integration, due to the relative remoteness from the world's largest consumer markets and key trade and transport routes;

- Insufficiently developed industrial infrastructure and seasonal problems with electricity and a high level of bureaucratization of public administration;

- Administrative barriers to the development of business and the lack of self-financing mechanism (credit unions, mutual insurance companies, and others.);

- Underdeveloped investment infrastructure (banking, information and analytical, consulting and other) and deficiencies in mechanisms to ensure property rights, poor development of the contractual relationship;

- Imperfect system of tax incentives and inadequate mechanisms for the provision of financial and credit support and insurance of business risks, the volatility of the foreign exchange market and inflation;

- Low effectiveness of state support mechanisms and regulation of business at the national and regional levels;

- The complexity of the procedures (tariff and non tariff barriers) for imports and exports and the lack of appropriate regional cooperation in trade and exchange of environmental information;

- Insufficient link of foreign assistance projects with the priority measures of national and sectoral Strategies and regional development programs.

**Investment climate enhancing priorities are the following:**

- (1) Development of the production based business and industry for the processing of domestic raw materials, implementation of investment projects, followed by the introduction of advanced technologies and increasing the country's export potential;

- (2) Reduction of administrative barriers and creating infrastructure for the development of small and medium-sized enterprises and provision of support at the national and local levels;

- (3) Development of entrepreneurship information system in industry and promotion of business incubators development, taking into account the needs of men and women, rural entrepreneurs;

- (4) Strengthening protection of property rights, development of competition and establishment of Ombudsman Institute in order to protect the rights of entrepreneurs;

- (5) The use of public-private partnership mechanism in energy sector, construction and reconstruction of roads, railway infrastructure and reconstruction of airports, housing and public utilities, education and health sectors;

(6) Improvement of mechanisms of cooperation between the Government and development partners through the use of best practices of international process of the Global Partnership for Effective Development Cooperation (GPEDC) in Tajikistan;

(7) Provision of support and motivation of manufacturers and exporters of domestic products.

**Key areas of activity** in the field of business environment and investment climate development include:

- Legislation improvement in the area of investment, international trade and the introduction of international standards of quality and safety of products;

- Improving targeting mechanisms and targeted attraction of foreign aid to address national, sectoral and regional priorities through increased and better use of foreign aid management information system;

- Increased funding through the state institution «Entrepreneurship Support Fund», including female entrepreneurship support and capacity building of the authority, involved in raising investment, improving the efficiency of the PPP Council and the PPP Projects Implementation Unit (PIU);

- Development and implementation of programs, concepts and strategies for the development of entrepreneurship from a gender perspective, investment and exports;

- Improvement of the Tax Code of the Republic of Tajikistan in order to simplify tax administration and reduce the tax burden on businesses;

- The formation of a multi-level institutional business support system based on the development of territorial - industrial clusters for entrepreneurship development, specialized funds and provision of support to the development of infrastructure organizations;

- Implementation of policies to promote direct foreign investment as one of the basic condition of industrial-innovative development of the economy;

- Improving protection of the rights of entrepreneurs, both at the level of the judiciary, as well as through the establishment of the Ombudsman Institute in order to protect the rights of entrepreneurs;

- Consistent implementation of administrative burden reduction policy for business operations and development of administrative support system for the medium and large investment projects in the private sector according to the «single window» principle;

- Development of small businesses in rural and mountainous areas of the country through the use of local raw materials and integrated processing of agricultural products;

- Establishment and development of a full-fledged stock market;

- Improvement of normative legal acts and regulations on the development of environmental friendly business and increasing the attractiveness of environmental investments;

- Improvement and strengthening Investment Activity Management Institute at the national and regional levels;

- Introduction of VAT payment by installments for machinery and technological equipment, significant expansion of the list of imported industrial goods, exempted from VAT;
- Development of public-private partnership (PPP) development program, which provides a clear goals, objectives and priority areas of its development;
- Improving the legal framework in the field of PPP and incorporation of the Law «On concessions» and the Law «On the PPP»;
- Development of methods and procedure to track PPP projects as well as monitor indicators of projects, implemented according to the public-private partnerships;
- Provision of incentives to initiate and implement projects through PPP by representatives of local executive bodies of state power;
- Establishment of PPP projects development fund (preparation and support), including through extra-budgetary sources, not prohibited by law;
- Introduction of economically justified system of setting tariffs for transport services and other infrastructure, built according to PPP schemes;
- Development of investment agreements templates and establishment of a clear procedure to reach these agreements;
- Development of arrangements to publicly offer projects to investors;
- Development of an adequate system to protect socially vulnerable groups of population in the framework of PPP projects implementation.

**Expected results in the area of business environment development and investment climate are the following:**

- Stable and efficient competitive environment is created in order to attract private investment, develop entrepreneurship that promotes export of domestic products;
- Administrative barriers are reduced for small and medium-sized businesses, and the most favorable environment is created for these businesses development;
- Ombudsman office is established for the protection of rights of entrepreneurs;
- Developed financial market, the secondary market of securities, insurance markets are liberalized and diversified;
- Sovereign lending market is established in Tajikistan;
- Effective system of state regulation of the economy is in place and liberalization of economic sectors is ensured in order to attract investments;
- Tajikistan is integrated into the global economy through membership in the WTO, ratification of the New York and Apostolic conventions, promotion of regional projects such as the CASA 1000, construction of gas pipelines, regional rail roads and highways;
- Food safety management system - HACCP (Hazard Analysis and Critical Control Points) is implemented in Tajikistan. It provides control over all stages of food production, any production processes, storage and sale of products, which might trigger hazardous situations.
- Multi-level institutional framework is established to support entrepreneurship, including women entrepreneurs, based on territorial - sectoral

clusters of business development, specialized funds and support provided to the development of infrastructure organizations;

- Improved system of tracking environmental concerns (costs) during the development of business environment and improvement of investment climate;

- Increased efficiency of interaction between businesses and public authorities through the introduction of simplified system of administrative support provision and supporting investment projects of the private sector;

- Comprehensive program for the development of the PPP is developed and the Law «On PPP» is adopted;

- A system of incentives, government supports and guarantees to attract private sector resources in the implementation of PPP projects, was set up;

- Mechanisms for PPP projects co-financing by the state are in place;

- Administrative and transaction costs and risks of PPP are minimized, including with regard to initiation, preparation and implementation of PPP projects;

- Experts are trained in the field of PPPs and can prepare and support potential projects;

- Institutional development of such institutions as SUE “PPP Projects Implementation Unit (PIU)” and organizations - customers (central and local executive bodies of state power) is ensured;

- Development Fund (preparation and support) is established for PPP projects;

- PPP projects register was created;

- Indicators and methodology for PPP projects evaluation are available;

- Costs of doing business are reduced in order to comply with tax liabilities.

## **6. MONITORING AND EVALUATION OF NDS - 2030**

The main purpose of monitoring and evaluation (M & E) is to continue and intensify the process of ensuring independent and transparent, aimed at achieving the outcomes, implementation of activities in order to achieve the goals and objectives of the NDS-2030. In general, experience of NDS-2015 and mid-term Strategies implementation (PRS 2007-2009, PRS 2010-2012, Strategy of improving the well-being of the population of Tajikistan 2013-2015) demonstrated an overall efficiency of adopted and implemented M & E system. Majlisi Namoyandagon of the Majlisi Oli of the Republic of Tajikistan, the Executive Office of the President of the Republic of Tajikistan, the Government of the Republic, the executive authorities of the various sectoral and territorial levels, local authorities, civil society organizations, businesses and development partners of Tajikistan took part during the process of its implementation.

In order to ensure coordination of cooperation of all stakeholders for purpose of the national development of the Republic of Tajikistan, the National Development Council under the President of the Republic of Tajikistan has been set up according to the Decree of the President of the Republic of Tajikistan. The National Development Council determines overall reform strategy and it was established in order to ensure interaction between government agencies, the private sector and civil society during the implementation of the country development strategies. This measure ensured the unity of interrelated elements such as evaluation of progress and implementation of the proposed actions; the mechanism of progress monitoring; collection of all required data, as well as drafting interim and final reports.

There is a better coordination of donor activities on provision of technical and financial support to the country, as well as contributing to the development of strategies and reforms, facilitated by the establishment of the Donor Coordination Council.

M & E of previous development strategies experience has shown that despite the significant improvements in this area, there are some shortcomings left, such as:

- The lack of a coordinated approach to building the national development system, reflecting the hierarchy of strategic documents, programs and plans;
- The lack of coordination of the legal and regulatory framework, governing the activities of the various agencies;
- The lack of systemic cooperation between all local stakeholders and development partners at the business level;
- Insufficient and delayed development of preventive measures in pre-crisis situations;
- Poor mainstreaming of gender aspects and the lack of gender indicators;
- Inadequate attention to the «green» economy indicators and inclusive growth;
- The lack of sources of information, needed for planning and monitoring of performance indicators.

Therefore, the need for the formation of several levels of monitoring is obvious at the project / program level (to compare planned outcomes with actual

outcomes), at the sector level (to monitor the specific sectoral indicators), at the regional level (to assess the regional development indicators), at the national level (to consolidate monitoring and evaluation results at other levels).

M & E should be based on regular monitoring of approved indicators that meet the criterion of measurability, efficiency, low cost of gathering information, direct reflection of interim results, in order to answer the questions as follows: whether the planned activities have been implemented; whether the targeted forecasted parameters have been achieved; what were the interim results of the policy measures, contained in the Matrix of Actions.

Majlisi Namoyandagon of the Majlisi Oli of the Republic of Tajikistan provides the appropriate legitimacy of NDS-2030.

M & E of NDS-2030 is carried out under the supervision of and in coordination with the Ministry of Economic Development and Trade of the Republic of Tajikistan.

Ministry of Economic Development and Trade of the Republic of Tajikistan, jointly with the relevant sectoral and territorial governments, civil society organizations and business structures, as well as with involvement of development partners, conducts M & E and submits the five-year progress reports on the progress of implementation of NDS-2030 to the National Development Council.

**M & E objectives of NDS-2030 are:**

(1) Demonstrate how much the country has progressed in achieving its goals.

(2) Show how effective were the results achieved in relation to the costs.

(3) Identify the advantages (to strengthen) and disadvantages (to eliminate) of the results of Medium Term Development Programmes implementation within the NDS-2030.

(4) Determine the degree of involvement of all stakeholders in the implementation of the NDS - 2030.

(5) Evaluate capacity, built for the development of the country after 2030.

NDS-2030 M & E Reports are considered by the Government of the Republic of Tajikistan in the framework of the National Development Council with the participation of Tajikistan's development partners.

M & E Reports are drafted according to the analysis of the dynamics of the two levels system of indicators:

a) International level indicators for international comparisons;

b) National indicators (macro-indicators and indicators, approved by the state statistical reports, as well as nationalized MDGs to compare with the main priorities of blocks and sections of the NDS-2030) will be used to identify specific changes, trends and challenges in the implementation of the NDS -2030 as well as to identify strengths and weaknesses, opportunities and threats.

National indicators will include: indicators to measure (time-bound and actions based) the process of implementation of the measures; and impact indicators (evaluation indicators), used for qualitative and quantitative assessment of changes, which will serve as a base for decision-making and justification of new priorities.

Indicators to track NDS-2030 (every five years) will be based on indicators of the results of medium-term development programs implemented in Tajikistan (2016-2020, 2021-2025, 2026-2030).

The bulk of the data, especially quantitative (with the breakdown by gender), will be submitted to the Agency on Statistics under the President of the Republic of Tajikistan (the specific reporting forms will be developed for the relevant governmental and non-governmental organizations), as well as other ministries and agencies (based on their respective areas of operation), which will be fully responsible for the accuracy of collected data. At the same time the use of expert's studies findings will play an important role.

The tasks and role of the local executive bodies of state power in M & E system are the following: collection of information on implementation of the NDS-2030 activities in their territories of responsibility; analysis of the process of implementation of national priorities and strategies in the regions; suggestions submission to the Government of the Republic, the Local Development Committee under the President of the Republic of Tajikistan, as well as the relevant line ministries and agencies.

Involving civil society and self- government bodies will be a prerequisite of M & E of NDS -2030, particularly in those areas that are not covered by official statistics.

Receiving the feedback from the public concerning all areas of the NDS-2030 policy and implementation experience is open and transparent process. An access to the results of NDS-2030 monitoring and evaluation will be ensured (including through the media) for all stakeholders and the whole society.

**M & E system will also include an appropriate system of reporting on the results of NDS-2030 implementation and its stages.** Reports on the implementation of the medium-term development programs in Tajikistan (2016-2020; 2021-2025; and 2026-2030) will be the interim reports on NDS-2030 progress of implementation in both the sector, as well as in the region. The relevant local executive bodies of state power will provide sector related reports on the implementation of Medium Term Development Program of Tajikistan to the line ministries and agencies.

In order to ensure this, all sectoral and regional management bodies will determine responsible agencies / persons in charge and responsible for coordination of M & E in their agencies, as well as summarizing information and preparing reports on the implementation of the Medium Term Development Programs in order to submit it (after management approval) to the Ministry of Economic Development and Trade of the Republic Tajikistan. **The Ministry consolidates and analyzes all received information**, with the involvement of all stakeholders (representatives of civil society, business organizations and international development partners). If needed, the Ministry of Economic Development and Trade of the Republic Tajikistan can carry out random monitoring of submitted reports on the implementation of the medium-term development programs of Tajikistan (with the involvement of representatives of civil society, businesses and international development partners).

Finalized reports on the implementation of the medium-term development programs of Tajikistan (as a result of the monitoring of progress of implementation of NDS-2030 stages) and the report on NDS-2030 implementation evaluation should be submitted for discussion and approval to the National Development Council.

M & E activities will be financed by the state budget. It is also advisable to attract donor funds and receive contribution of civil society organizations and business structures to strengthen institutional capacity of M & E system.

The Government of the Republic of Tajikistan, in cooperation with all relevant stakeholders, will take a number of measures to further strengthen and continuously build the capacity and effectiveness of M & E system.

The Government of the Republic of Tajikistan, taking into account an annual monitoring and evaluation of changes at the global markets and their impact on diverse sectors of the national economy, will finalize the provisions of the NDS-2030.

## Key benchmarks of NDS-2030

Benchmarks	Unit of measurement	2015	Industrial scenario			Industrial-innovative scenario		
			2020	2025	2030	2020	2025	2030
The number of population (end of year)	Thousand people	8547,4 (до 01.01. 2016)	9500	10490	11580	9500	10490	11580
GDP per capita	Somoni	5663	8430	12297	17754	8869	14302	23131
Real GDP growth rate on average per year	%	6,0	6,7	6,9	7,8	7,5	8,9	9,6
Gross domestic savings to GDP	%	18,0	22	26	28	30	35	40
The share of private investment in GDP	%	5	10	15	18	12	20	25
The share of industry in GDP	%	12,3	12,5-13,2	16	20-20,5	13-13,5	16-16,5	20-21,0
<b>Including:</b>								
- Extractive industry	%		11-12	11-11,5	9-10	11-11,5	10-10,5	8-9
- Processing industry	%		72-74	74-75	76-75,5	73-74	75-76	78-78,5
- Production and distribution of gas, water and energy			15-16	14,0-14,5	14-14,5	15-15,5	14-14,5	13-13,5
The share of agriculture in GDP	%	23,3	21	20,1	19-19,5	19,5-20,5	18-18,5	17-18
The share of services in GDP (excluding construction)	%	-	37-37,5	34-34,2	28,5-29,5	38-38,5	35-35,5	30-30,6
Including construction	%		16-16,5	17-17,6	18,5-19,5	16-16,5	18-18,5	19,2-20,2
Net indirect taxes in GDP	%	13,4	12,6	12,5	12,5	12,3	12	12

<b>Electricity generation, total</b>	<b>bln. kW. hour</b>	17,1	26,2	37,5	40,7	26,2	37,6	45
<b>Electric power generation at HPP</b>	<b>bln. kW. hour</b>	16,8	24,5	34,4	37,6	24,5	34,5	41,6
<b>Electricity generation per capita</b>	<b>thous. kW. hour / person.</b>	2,02	2,78	3,64	3,67	2,78	3,65	4,06
<b>The growth of industrial production (2015)</b>	<b>%</b>	100	160	260	400	200	400	510
<b>c/ч-</b>								
<b>Monetization (according to the broad money to GDP)</b>	<b>%</b>	22,3	32-34	36-38	40-42	44-46	48-50	52-56
<b>Loans to GDP</b>	<b>%</b>	23,2	30-32	34-36	38-40	39-41	43-46	48-50
<b>Capitalisation (securities) to GDP</b>	<b>%</b>	0	6-8	8-10	10-12	8-10	12-14	16-20
<b>Oil extraction</b>	<b>thous. tons</b>	24,6	25,0	30,0	36,0	30,6	37,5	45,0
<b>Gas production</b>	<b>thous. m<sup>3</sup></b>	4102	4600	5000	6000	5750	6250	7500
<b>Coal mining</b>	<b>mln. tons</b>	1,04	4,05	6,9	10,4	5,3	10,3	15,1
<b>Cargo turnover</b>	<b>bln. t. Km</b>	6,32	7,9	9,2	12,3	8,0	10,2	14,9
<b>Passenger traffic</b>	<b>billion. passengers. km</b>	10,6	13,2	15,5	20,6	13,3	17,0	24,8

#### Social sector indicators of NDS -2030

<b>Benchmark</b>	<b>Unit of measureme nt</b>	<b>2015</b>	<b>Forecast</b>		
			<b>2020</b>	<b>2025</b>	<b>2030</b>
<b>Life expectancy at birth, including - Men - Women</b>	<b>years</b>	73,5	75,7	77,8	80,0
		71,7	73,8	75,9	78,0
		75,5	77,7	80,0	82,2

<b>The share of middle-class</b>	<b>%</b>	22,4	30	40	50
<b>Creating a new full-time productive jobs</b>	<b>places</b>	61 thousand	Annually not less than 100 thousand.		
<b>The share of persons with vocational education among the working population, including women</b>	<b>%</b>	26 20	Not less than 30 Not less than 24	Not less than 50 Not less than 40	Not less than 60 Not less than 50
<b>Real wage growth (average annual growth)</b>	<b>%</b>	0,6	5		
<b>The ratio of women's wages to men's wages</b>	<b>%</b>	62	65	70	75
<b>Developed (available) standard specifications and standards for the provision of services to the vulnerable population</b>	<b>units</b>	6	10	12	15
<b>The share of social security and health care institutions, which buildings are adapted for people with disabilities</b>	<b>%</b>	50	100	100	100
<b>Coverage of children from three to six years old with pre-school education</b>	<b>% of the age group</b>	12	30	40	50
<b>The average number of years of study in school</b>	<b>years</b>	9,6	10	11	12
<b>Total expenditure on science</b>	<b>% of GDP</b>	0,15	Not less than 0,8	Not less than 1,2	Not less than 1,5
<b>The share of people, employed in R &amp; D, in total employment</b>	<b>%</b>	0,15	Not less than 0,3	Not less than 0,5	Not less than 0,6-0,65
<b>The proportion of regions that use per capita financing in the health care system</b>	<b>number /%</b>	18/28	60/92	65/100	65/100
<b>The growth of real pensions (average annual growth)</b>	<b>%</b>	-	6		
<b>The level of housing provision</b>	<b>m2 / person</b>	12	13	15	17

### Cross-sectoral indicators and international comparisons

Indicators	Unit of measurement	2015	Forecast		
			2020	2025	2030
<b>The poverty rate</b>	%	31	20	18	15
<b>The extreme poverty rate</b>	%	15,7	-	-	0
<b>Development of human capital</b>	<b>index</b>	67,24 (ranked 65)	Not below 60	Not below 55	Not below 50
<b>The Human Development Index (HDI)</b>	<b>index</b>	0,624	0,667	In the group with high levels of human development	
<b>Gender Inequality Index</b>	<b>rating</b>	69 out of 155 countries	Not less than 60	Not less than 55	Not less than 50
<b>Gender Development Index</b>	<b>group</b>	3d group according to the level of development	In the 2d group according to the level of development	In the 2d group according to the level of development	In the 2d group according to the level of development
<b>Losses in the Human Development Index as a result of the inequality</b>	%	19	18	17	16
<b>The share of employment in the informal sector</b>	%	40	37	35	30
<b>The level of food self-sufficiency</b>	%	55	60	65	70
<b>Economic affordability of food</b>	%	55-56	22-50	47-45	42-40

<b>(public expenditure on food of the total revenue)</b>					
<b>Doing business</b>	<b>Rating</b>	132d out of 189 countries	Not below 80	Not below 70	Not below 60
<b>The quality of public administration:</b> <b>Consideration of public opinion and public accountability</b> <b>Political stability and the lack of violence</b> <b>Government effectiveness</b> <b>The quality of legislation</b> <b>The rule of law</b> <b>Control of corruption</b> <b>Ensuring the transparency of the state budget</b>	<b>Index</b>	7,11 14,69 14,83 14,83 9,95 10,05 25 out of 100 requirements	In the group of reformers	Leader of the Central Asian countries	In the group of leaders of the CIS countries
<b>The competitiveness of the national economy</b>	<b>index</b>	4,03 (Rating of competition based on resource)	Rating of transition from the competition based on the resources to competition based on performance	Rating of competition based on performance	

<b>The ratio of men and women among loan recipients of Microfinance Institutions</b>	<b>%</b>	34	36	40
<b>Environmental sustainability</b>	<b>index</b>	31,34 (154 out of 178 countries)	In the group of leaders of Central Asian countries	