

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Republic of Tajikistan	Project Title:	Investment Climate Reforms Program - Subprogram 1
Lending/Financing Modality:	Policy-Based Loan and Grant	Department/ Division:	Central and West Asia Department Public Management, Financial Sector, and Trade Division

I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY

Poverty targeting: general intervention

A. Links to the National Poverty Reduction and Inclusive Growth Strategy and Country Partnership Strategy

The policy-based programmatic approach includes policy actions that promote private sector development and expansion of economic opportunities. The programmatic approach is aligned with the National Development Strategy for 2007–2015.^a The government is developing a new strategy for 2016–2030, which is expected to focus on the development of the real economy, diversification of production, productive employment, expansion of the export potential of locally produced goods and services, improvement of the investment climate, and support to entrepreneurship. The programmatic approach is aligned with (i) the ADB interim country partnership strategy for 2015, which includes support to private sector reforms as one of three operational priorities;^b and (ii) the forthcoming country partnership strategy 2016–2020, which is expected to focus on support to government-led reforms to achieve macroeconomic stability, improve the investment climate, diversify the economy, and increase competitiveness.

B. Results from the Poverty and Social Analysis during PPTA or Due Diligence

1. **Key poverty and social issues.** Sustained growth since 1997 resulted in a drop in poverty—from 81% in 1999 to 47% in 2009 based on the Living Standards Survey, with a further decline to 36% in 2012 using the Household Budget Survey that factors in seasonal changes.^c Data for 2003–2009 show that labor earnings—wages and self-employment income—and significant remittance inflows were the top enabling factors for poverty reduction and rise of the nascent middle class.^d Tajikistan's human development index rose from 0.529 in 2000 to 0.607 in 2013, placing Tajikistan in the category of medium human development countries. Income inequality as measured by the Gini coefficient widened only marginally—from 0.29 (1999) to 0.31 (2012).^e The government estimates that in 2015 a significant share of the 1.2 million migrant workers in the Russian Federation returned to Tajikistan because of the downturn in the Russian economy, and stricter procedural requirements that make it more difficult for Tajik workers to seek or retain employment there. Remittances in dollar terms were down by 32% in the first 6 months of 2015. This raises the urgent need to improve employment opportunities in Tajikistan.

2. **Beneficiaries.** The primary beneficiaries are current and future entrepreneurs and investors who will benefit from an improved business environment. Women entrepreneurs are specifically targeted under the program. The reforms are expected to provide indirect benefits to the working population, both employed and unemployed, as investment opportunities result in the creation of jobs and increased wages.^f

3. **Impact channels.** Policy reforms are expected to have indirect medium- and long-term impacts on poverty, mainly through more sustainable economic growth and increased employment opportunities. Reduced costs of doing business, improved access to electricity among businesses (and more equity in tariffs charged to different businesses), and a better protection framework for investors are expected to attract more private investment. Reduced regulatory costs are also expected to attract businesses to the formal sector, and increase formal jobs. Improved business innovation and productivity are expected to increase profits and wages.

4. **Other social and poverty issues.** Tajikistan's domestic labor market has yet to undergo a structural transition that expands job opportunities in non-farm sectors. While official statistics reflect a low unemployment rate of 2.4% for 2014, the unregistered unemployment rate (estimated on the basis of the 2009 Living Standards Survey) is about 21%. Young people are especially affected by unemployment. With 31% of the population aged 15–29, employment generation is a critical policy imperative. Tajikistan population grew at an average rate of 2.5% during 2010–2014, fed by a high birth rate (33 births per 1,000 population per year).

5. **Design features.** Many entrepreneurs in Tajikistan are forced into self-employment because of the lack of jobs. These small entrepreneurs are among those most exposed to poverty risks. Reduced business inspections and lower tax compliance costs have particular benefits for low-income entrepreneurs, who are disproportionately affected by these fixed costs. The business service centers supported under the program are in areas outside Dushanbe, where poverty is higher and the need for business support is greater.

C. Poverty Impact Analysis for Policy-Based Lending

1. Impact channels of the policy reform(s). The program supports overall economic growth through reforms that increase investment opportunities and improve the capabilities of firms to set up and expand higher value-added production. The reforms are expected to raise revenues from products made in Tajikistan and to reduce the costs of doing business, thus increasing expected returns by businesses based in Tajikistan. This increases employment opportunities, which will have an indirect medium- and long-term impact on poverty reduction. More direct, short-term links to poverty reduction include the provision of grants to low-income women entrepreneurs for co-financing of investments.

Subprogram 1 is not expected to have negative impacts on vulnerable groups. Potential increases in electricity tariffs that may arise from the new tariff policy eliminating cross-customer subsidies should not affect households and private businesses, because their tariffs are substantially above the average tariff. Low-income farmers that currently pay irrigation fees that are substantially below cost recovery should not be affected if the government continues to subsidize this customer group through allocations in the state budget as per the policy commitment. The new tariff policy will improve the sustainability of the energy sector and ultimately the availability of electricity, which will disproportionately benefit lower-income families.

II. PARTICIPATION AND EMPOWERING THE POOR

1. Participatory approaches and project activities. ADB missions fielded in October 2014, January 2015, March 2015, May 2015, and July 2015 discussed the program reforms with private businesses, business associations, and development partners. Workshops with policy makers and private businesses were held from January to July 2015 in some of the reform areas. The new RIA system for newly proposed legal and regulatory acts—one of the reform areas in the program—foresees the use of systematic consultation mechanisms to find agreements and consensus with government stakeholders and other interest groups in civil society on an ongoing basis.

2. Civil society organizations. ADB staff missions will conduct consultations with civil society organizations (mainly non-profit business associations, research experts, and professional networks) on the program reform areas and on the expected impact of structural reforms.

3. The following forms of civil society organization participation are envisaged during project implementation, rated as high (H), medium (M), low (L), or not applicable (NA):

☒ Information gathering and sharing (M) ☒ Consultation (M) ☐ Collaboration ☐ Partnership

4. Participation plan. ☐ Yes. ☒ No. This is a policy-based program and the government is using existing forms of civil society participation in the design and implementation of reforms. The new RIA system for newly proposed legal and regulatory acts will further strengthen these forms of civil society participation.

III. GENDER AND DEVELOPMENT

Gender mainstreaming category: effective gender mainstreaming

A. Key issues. In the last decade women have adopted stronger roles in business and household assets management as male labor migration increased.⁹ Women work in the market, have small production units, and some travel as shuttle traders to neighboring countries. Evidence from 2011 shows that women dominate the informal agriculture sector.^h However their entrepreneurial progress is limited, especially in rural communities, by rigid notions of appropriate roles for men and women in society. Men and women have equal legal rights to land, property other than land, bank loans without the need for prior authorization, and contracts in their own names. Nevertheless women represent a small percentage of registered land use owners. Few women apply for loans, primarily because they are not aware of their rights and do not understand the underlying procedures. Women typically do not control household assets. While flexibility is an advantage of entrepreneurship (i.e., women can continue to fulfil their domestic responsibilities) negative aspects include the lack of social insurance, sick and maternity holidays, pension, and paid holidays.

B. Key actions. The programmatic approach includes policy actions designed to address obstacles faced in particular by women entrepreneurs, and to promote equality between male and female entrepreneurs. The program will monitor the changes in the proportion of entrepreneurs who are women, the number of female taxpayers filing tax declarations electronically, and the number of women entrepreneurs that receive grants from the government for support to their investments.

☐ Gender action plan ☒ Other actions or measures ☐ No action or measure

For subprogram 1 the government (i) included the requirement for gender analysis in the new RIA system for newly proposed legal acts to understand the potential impacts on women, (ii) allocated resources to business women for co-financing of investments, and (iii) supported two business services centers that have a gender balance among their staff.

IV. ADDRESSING SOCIAL SAFEGUARD ISSUES	
A. Involuntary Resettlement	Safeguard Category: <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI
1. Key impacts: no impacts; activities include country-wide policy reforms, but no civil works requiring resettlement. 2. Strategy to address the impacts: not applicable. 3. Plan or other Actions. <input checked="" type="checkbox"/> No action	
B. Indigenous Peoples	Safeguard Category: <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI
1. Key impacts. The program includes country-wide policy reforms to improve the investment climate and employment opportunities. The reforms are not expected to have impacts on minority ethnic groups. Is broad community support triggered? <input type="checkbox"/> Yes <input type="checkbox"/> No. Not applicable. 2. Strategy to address the impacts. Not applicable. 3. Plan or other actions. <input checked="" type="checkbox"/> No action	
V. ADDRESSING OTHER SOCIAL RISKS	
A. Risks in the Labor Market	
1. Relevance of the program for the country's or region's or sector's labor market, indicated as high (H), medium (M), and low or not significant (L). <input checked="" type="checkbox"/> unemployment (M) <input checked="" type="checkbox"/> underemployment (M) <input type="checkbox"/> retrenchment (L) <input type="checkbox"/> core labor standards (L) Unemployment and underemployment in Tajikistan remain high and are estimated at more than 20% of the workforce, even though a significant share of the increasing number of labor market participants migrate to the Russian Federation for work (section B.4). The program is expected to indirectly increase employment opportunities in Tajikistan (section C.1). 2. Labor market impact. The reforms are expected to provide indirect benefits to the working population, both employed and unemployed, as investment opportunities translate into job creation (section C.1). The program does not have any direct impact on labor market policies or practices.	
B. Affordability	
The government is expected to establish a transparent subsidy mechanism that can support the capacity of low-income customers, particularly farmers, to afford potential increases in electricity tariffs that may arise from the new tariff policy that eliminates cross-customer subsidies (section C.1). By improving the sustainability of the energy sector and equity in payment of electricity costs, the new tariff policy is expected to improve access to electricity in the medium- to long-term. Other structural reforms under the program are expected to reduce the costs of regulatory compliance.	
C. Communicable Diseases and Other Social Risks	
1. The impact of the following risks are rated as high (H), medium (M), low (L), or not applicable (NA): NA Communicable diseases NA Human trafficking <input type="checkbox"/> Others (please specify) _____ 2. Risks to people in project area: there is no project site and no risk of communicable diseases or other social risks.	
VI. MONITORING AND EVALUATION	
1. Targets and indicators. The program will monitor the proportion of entrepreneurs who are women, which is expected to increase to 30% in 2016–2019 from 19.9% in 2010–2014. The data will be collected from the Gender Analysis report of the Tajikistan National Statistics Committee. 2. Required human resources. ADB staff missions will monitor program implementation at least twice per year and prepare the program completion report for the programmatic assistance. 3. Information in the project administration manual. Not applicable. 4. Monitoring tools. ADB staff will use the design and monitoring framework to monitor the program's outcome.	

ADB = Asian Development Bank; RIA = regulatory impact analysis.

^a Government of Tajikistan. 2007. *National Development Strategy of the Republic of Tajikistan for the Period to 2015*. Dushanbe.

^b ADB. 2014. *Interim Country Partnership Strategy: Tajikistan, 2015*. Manila.

^c The Household Budget Survey is less subject to bias because households are visited four times per year, instead of only once per year as in the Living Standards Survey. Statistical Agency of the Republic of Tajikistan. <http://www.stat.tj/english/home.htm> [Accessed on 3 November 2015].

^d The World Bank Group. 2014. *Poverty Reduction and Shared Prosperity in Tajikistan - A Diagnostic*. Dushanbe.

^e United Nations Development Programme. 2014. *Human Development Report 2014*. New York.

^f In 2012, there were around 206,000 registered firms consisting of 29,000 companies and 177,000 individual entrepreneurs working with a patent or certificate. The majority of entrepreneurs are small traders and service providers. The private sector employs over 1.5 million of Tajikistan's 2.3 million workforce, including those in the informal sector and excluding migrants.

^g ADB. Forthcoming. *Country Gender Assessment*. Manila.

^h United Nations. 2012 Committee on the Elimination of Discrimination Against Women (CEDAW). *Consideration of reports submitted by States parties under article 18 of the Convention on the Elimination of All Forms of Discrimination against Women*. New York.

Source: Asian Development Bank.