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CASE STUDY ON AID EFFECTIVENESS IN TAJIKISTAN

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ABBREVIATIONS AND ACRONYMS

ACU	Aid Coordination Unit
ADB	Asian Development Bank
CIDA	Canadian International Development Agency
CPA	Country Programmable Aid
DAC	Development Assistance Community
DMCFF	Department of Monitoring And Coordination of Foreign Aid
ACPMS	Aid coordination and project monitoring system
FAR	Foreign Aid Report
GDP	Gross Domestic Product
GOT	Government of Tajikistan
HHI	Herfindahl-Hirschman index
IFI	International Finance Institution
IMF	International Monetary Fund
JCSS	Joint Country Support Strategy
MDG	U.N. Millennium Development Goals
NDS	National Development Strategy
NGO	Non-Governmental Organization
ODA	Official Development Aid
PIP	Public Investment Program
PIU	Project Implementation Unit
PMU	Project Management Unit
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
SCI	State Committee for Investments and State Property Management
TA	Technical Assistance
TJS	Tajik Somoni
UNDP	United Nations Development Programme
\$	U.S. Dollars
USAID	United States Agency for International Development
WB	The World Bank

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ABSTRACT

This case study aims at presenting Tajikistan's perspective of, experiences with, and challenges to foreign aid. The objective of the study is to raise awareness about different dimensions of aid fragmentation, volatility and associated costs to help define the way to better coordinate official development assistance and private aid flows in Tajikistan. This study is targeted for development practitioners, government officials and all development partners focusing on aid effectiveness

METHODOLOGY

Tajikistan was selected as a case study based on three main criteria: (1) there is a significant degree of fragmentation in aid; (2) the amount of aid is sizable and there are both public and private aid providers; and (3) the country has experimented with the mechanisms of aid coordination.

The focus of this case study is, accordingly, placed on two major issues: (1) fragmentation of projects and volatility of disbursements; and (2) public aid coordination efforts, including interactions between developing country government programs, official aid and the private nonprofit/NGO sector. The study looks at the overall experience with aggregate aid, as well as the specific experience of the health sectors.

This research has two methodological components: quantitative and qualitative. The quantitative component entailed collecting and analyzing data from relevant research reports and databases, including OECD-DAC and in-country sources. Additional information was gathered from the government and other sources. For the qualitative information, interviews with senior officials from relevant government ministries (e.g. Ministry of Health, Ministry of Finance, Ministry of Economic Development and Trade, etc.) were carried out, in addition to an extensive review of related reports and studies commissioned by the donor agencies.

The case study begins with a brief quantitative overview of total aid and its components, providing a breakdown into “country programmable aid” and other aid (such as technical assistance). A brief introduction to achievements in development indicators (MDGs/NDS/PRSP) helps set the stage for an examination of the quality of aid. Sector composition of aid and overall country needs are also reviewed to bring

out a more detailed feel of three key issues: aid fragmentation, volatility and coordination.

Fragmentation is looked at in terms of: the number of projects and average size; the number of active donor agencies; time spent by government officials in discussions with donors; number of visiting missions; number of studies/reports; alternative procurement and financial management systems; the percent of projects that are on-budget and off-budget; and the number and cost of project management units.¹

Volatility of aid disbursements is calculated for aggregate aid, as well as by sector and aid instrument.² An alternative approach is also addressed in terms of the predictability of aid, as predictability differs from volatility.

The descriptive statistics on fragmentation and volatility is assessed in terms of impact, with reference to key development outcomes: the integration of donor projects with the government’s plan and/or budget; flexibility in responding to client requests/needs; and the deviation from priorities set by government etc.

Coordination issues are looked upon from all of the relevant players’ points of view. The study focused on four key aspects of coordination: information systems; planning processes; participatory and consultative activities; and monitoring and evaluation of outcomes. Semi-structured interviews, desk reviews, and personal observations were used to highlight the interaction between public and private/non-profit programs; the differences in approaches and issues that arise between private and public programs; the degree of coordination between private donors; and, the behaviors in terms of transparency, accountability, scalability, and results-management.

Data sources and limitations

Given the scope of the work and data requirements for this study, as well as to ensure data completeness and comparability, the following *sources of information* are used: the OECD-DAC database; annual foreign aid reports and donor profiles prepared by the Aid Coordination Unit (subsequently by the State Committee for investment and state property management), the State Statistical Agency, as well as various reports and assessments prepared by development partners working in Tajikistan. Finally, information was also obtained from the Government's development strategies (NDS, PRSP), MTEF, and the U.N.'s MDG report and needs assessment. In addition, consultants' own estimates and observations have been used as an outcome of numerous meetings and consultations with various stakeholders. While data from both multilateral and bilateral donors (with some notable exceptions) is quite comprehensive, data on private aid and non-DAC donors is limited to official statistics only. All actual data provided in the tables and graphs (disbursements/commitments etc), unless otherwise stated, is in constant 2006 U.S. dollars. For comparability purposes, the average OECD-DAC deflator is used for the purposes of this study as it applies to non-DAC and private donors' aid flows. Other aid figures use donors' corresponding deflators.

Background

Since the government's concerted focus on reforms toward market economy, foreign aid has substantially grown from around \$100 million a year (around 80 projects) in 1997 to over \$270 million (and over 400 projects) in 2006; with a cautious expectation of further increase provided that the recommendations described in this study are implemented. Development partners have been quite generous given their mandates and the limited development resources available

and they have stood by the government's side during the years following independence, conflict and post-conflict reconstruction. Given the challenges faced by the country, since 2001 both the government and development partners are trying to move toward a "development agenda" in order to sustain the growth patterns of the last 3-5 years. This move assumes actions in difficult reform areas that require substantial resources. The government has been trying to develop strategic directions and reform plans within the PRSP and the National Development Strategy agenda, taking into account global commitments and goals to improve the wellbeing of the Tajik people. In this respect, consistent and efficient assistance from development partners, both financial and technical, is vital if Tajikistan is to succeed given its weak capacity and capabilities to tackle enormous challenges.

With growing foreign assistance, however, has come additional challenges for the government as it tries to manage ever increasing and complicated aid flows. Tajikistan, like many other developing countries, has confronted many challenges related to complicated foreign aid architecture. It has seen increasing fragmentation, with a rapidly growing number of donors, including multilateral, bilateral, and especially non-government private aid givers and non-traditional development partners—each with different approaches, methods, resources, interests and vision.

This case study aims at presenting Tajikistan's perspective of, experiences with, and challenges to foreign aid. The main objective of the study is to raise awareness about different dimensions of aid fragmentation, volatility and associated costs to help define the way to better coordinate official development assistance and private aid flows in Tajikistan. This case study is targeted for development practitioners, government officials and all development partners focusing on aid effectiveness

This case study is structured in the following way: following the executive summary, the first section highlights the links and synergies between foreign aid and national strategic documents. The following section provides an overview of foreign aid and its key dimensions. A third section analyses the degree and specifics of aid fragmentation and volatility and its impact on aid effectiveness. The fourth section covers key issues of aid coordination. The following section highlights constraints and problems for aid effectiveness. A sixth section focuses on key challenges faced by the country. The country case study finishes with conclusions and recommendations for both the development partner community as well as the government.

Executive Summary

The core question addressed in this case study is to provide background data and define how and to what extent foreign aid takes part in the socio-economic life of Tajikistan. The problem of aid coordination is also reviewed and considered.

The study is based on data collected by the team of consultants from national institutions, international financial institutions, as well as other development partner organizations.

This case study reviews the dynamics and trends of foreign aid in Tajikistan which consists of three main phases: (1) emergency, reconstruction and rehabilitation assistance that took place during the civil armed conflict (1991-1996); (2) post-conflict reform assistance (1997-2001); and (3) assistance rendered to National Development Strategies.

The same trends also apply to the nature of aid provided to country. During the last 15 years it has changed both quantitatively and qualitatively: Official

Development Aid grew from \$16 million in 1992 to \$300 million in 2006; and transformed from mostly humanitarian aid and food assistance to financing the reforms and development of Tajikistan.

Humanitarian aid and food assistance was provided on a regular basis up to 2002 and accounted to approximately half of the total ODA. At present, the nature of humanitarian aid to Tajikistan has changed. Development partners react to appeals from the government during natural disasters, humanitarian crises and/or calamities. The severe winter of 2007/2008 is the best example of this when the international community allocated nearly \$25 million.

While the nature of aid has changed, the issue of fragmentation and volatility remains. The increase in aid fragmentation results in a decrease of aid effectiveness and moreover it leads to slow down the process of institutional capacity building, weakens the ownership of recipient country, raises intermediation costs, and results in inefficient management of aid flows.

Unfortunately, before the government adopted several national strategic documents, including PRSP-1 (2003) and PRSP-2 (2007), and the National Development Strategy (2007), foreign aid was mainly supply-driven, although there were some efforts to adjust and coordinate the incoming aid better.

The development agenda of development partners and national government differed. There was big gap in what the development partners were willing to provide assistance for and what the country really needed. A large number of projects financed by the development partners were not included in the Public Investment Program and did not completely match with the priority areas identified in the above documents.

In the context of Tajikistan, aid coordination is a very complex issue, considering four key dimensions:

- Coordination and information systems;
- Planning processes;
- Participatory and consultative mechanisms; and
- Monitoring and evaluation of outcomes.

Efficient aid coordination and aid effectiveness in Tajikistan faces at least four constraints and problems: (1) institutional constraints; (2) weak capacity and lack of proper skills for efficient aid coordination; (3) systemic constraints; and (4) financing constraints.

Furthermore, the challenges that Tajikistan faces needs the close and focused attention of those at all levels: the government, development partner agencies, as well as international and local implementers. First, the government needs to clearly distinguish the differences between public and private investments. Involvement of non-DAC Countries is growing. Russia, China, Iran and Kazakhstan provide a substantial amount of funds on private/commercial basis, albeit there are concessional components in these investments. Second, significant overhead costs for the administration of foreign aid and projects and the ultimate use of funds. The overwhelming majority of

projects use up to 60 percent of funds allocated for their administrative costs; these funds never “reach” the country. The third challenge is the time-consuming and cumbersome procedures on the part of development partners as well as time needed to get all necessary approvals. Often this leads to projects becoming outdated or facing difficulties. The last, but not the least challenge is the competition between the government and international development partners for professional personnel and specialists.

This study sets out a number of important measures for the government to consider in the context of designing a mechanism for the efficient use and administration of donor funds, the efficient coordination of donor activities in the country, as well as for the improvement of absorptive capacity of the country. There are two sets of recommendations, one to the government of Tajikistan and another to Development Partners. The Implementation of these recommendations would help counterparts to improve the process of aid coordination and to decrease the level of fragmentation and volatility. At the same time, it is crucial for these recommendations to be implemented across the board and in an appropriate manner keeping in mind the overall objective: foreign aid efficiency that considers the whole complexity of different motives.

TAJIKISTAN DEVELOPMENT STRATEGY AND KEY DEVELOPMENT INDICATORS

Once Tajikistan embarked on a reform path after 2000, the country's development indicators showed rather good progress, with some caveats. Overall growth could be explained as a "rebound effect," as it followed a sizable drop in output and living standards. Initial reforms made it possible for the economy to recover. Operating in a difficult economic, political and institutional environment, foreign aid has been instrumental for this recovery. However, Tajikistan is still vulnerable to external and internal shocks and consistent support from the international donor community is still required if Tajikistan is to sustain its development path.

Moreover, being party to the Paris Declaration, the government of Tajikistan demonstrates its strong commitment and overall support of development partners in the country's development agenda.³

The Paris Declaration is organized around the five key principles: ownership, alignment, harmonization, managing for results, and mutual accountability. All these serve as "a practical, action-oriented roadmap to improve the quality of aid and its impact on development. There are 12 indicators of aid effectiveness that are used as a way of tracking and encouraging progress against the broader set of partnership commitments."⁴

Another issue is accountability.⁵ Since the "Paris Declaration promotes a model of partnership that improves transparency and accountability on the use of development resources, it recognizes that for aid to become truly effective, stronger and more balanced accountability mechanisms will be required at different levels. At the international level, the Paris

Declaration constitutes a mechanism which donors and recipients of aid are held mutually accountable to each other and with which compliance in meeting the commitments will be publicly monitored. At the country level, the Paris Declaration encourages donors and partners to jointly assess mutual progress in implementing agreed commitments on aid effectiveness by making the best use of local mechanisms."⁶

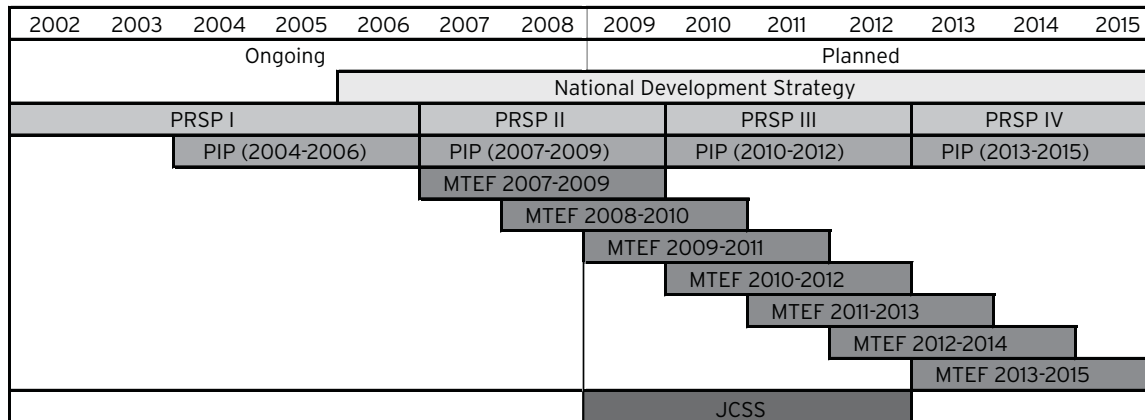
The graph below visualizes the ongoing and upcoming Tajikistan strategic development documents and their interrelation between each other; altogether, this represents a fundamentally new approach toward setting and implementing broadly agreed upon national goals and development objectives in a coordinated and streamlined fashion. These documents include (1) the National Development Strategy (NDS) (2) the Poverty Reduction Strategy (PRS) and associated sector strategies; (3) the Public Investment Program (PIP); and (4) the Mid-Term Expenditures Framework (MTEF). Another important consideration to take into account in terms of strategic documents is the ongoing process of developing a Joint Country Support Strategy (JCSS) that would cover 2009-2012. It will also be an important milestone (in addition to separate individual strategies of donors) in terms of matching government and donor strategies going forward.⁷

Prior to 2006, when the government of Tajikistan adopted its National Development Strategy (NDS), it had to deal with over 60 various strategic and programmatic documents that guided national and sector development and priorities in Tajikistan.

Links to national strategic documents

The National Development Strategy (NDS) that covers 2005-2015 and the Second Poverty Reduction Strategy (PRS-II) for 2007-2009 are the two main documents for the development of Tajikistan in the

Figure 1: Timeline of Tajikistan development strategies



Source: *Matin Kholmatov, CAREC CAP progress report*

near future. The NDS is intended to define the priorities and direction for the long-range strategic outlook while the PRS is an action plan that outlines the implementation of the NDS over a three-year period.⁸

Both documents emphasize that Tajikistan, being the poorest country among the former Soviet states, cannot succeed without foreign aid, humanitarian assistance, and concessional loans. Therefore, these documents were developed to allow foreign aid to be an important catalyst for further reforms and to contribute to relevant sectors, including health, education, and public administration, among others.

National Development Strategy (NDS)

With the development of the NDS the government has created a platform that is based on the lessons learnt from the development and implementation of previous documents. The NDS also took the existing development situation into account and was set to serve as a long-term “vision” document providing a framework for the government’s priorities and the main thrust of the government’s public policy directions.

The National Development Strategy is a long-term tool for engaging in a dialogue with development partners, the business community and non-governmental organizations. It is also envisaged that the further development of technical and financial assistance programs for Tajikistan will be based on the National Development Strategy. Since the NDS is a vision document from the state that defines the country’s long-range development goals and tasks, it is expected that all development partners working in Tajikistan will try to focus their programs and plans on these priorities within the context of effective public-private and social partnerships⁹. See Annex 4 for details.

The Poverty Reduction Strategy (PRS-II)

The first Poverty Reduction Strategy Paper (PRSP), adopted by the government of Tajikistan for 2002-2006 did not manage to produce high-quality results in a timely manner due to following reasons: (1) the process of drafting and implementing the PRSP was somewhat isolated from other activities; (2) the fundamental principles and methodology of the PRSP were not defined clearly enough; and (3) there was

Table 1: Medium-term macroeconomic outlook

	Actual					Baseline		
	2001	2002	2003	2004	2005	2006	2007	2007-10 ¹
Gross domestic product, USD, millions	1,033	1,197	1,555	2,073	2,311	2,811	3,141	3,648
Real GDP growth, percent	10.2	9.1	10.2	10.6	6.7	7.0	7.5	7.9
Per capita GDP, USD	164	186	237	309	338	403	431	479
Annual inflation, percent change consumer price index	38.6	12.2	16.4	7.1	7.1	12.5	8.0	8.0
Exports goods and non-factor services, \$million	734.8	799.4	985.0	1,210.7	601.2	667.7	733.6	859.9
Imports goods and non-factor services, \$million	734.8	799.4	985.0	1,210.7	1,221.5	1,645.7	2,213.5	2,383.6
Net foreign direct investment, ² \$million	9.5	36.1	31.6	272.0	54.6	140.9	70.0	82.8
Overall revenues and grants, percent of GDP	14.9	16.6	17.3	17.9	20.1	23.4	20.7	20.3
External debt, percent of GDP	98.4	84.4	66.3	55.3	50.4	40.9	46.2	50.5
Poverty, percent of population	83		64		64			52

Note: 1. 2007-2010 weighted averages. 2. Including debt-for-equity swap with Russia (2004) of \$242 million. Source: World Bank staff calculations.

not enough coordination and harmonization of donor activities. However, from 2001-2005, the key development outcomes shown in Table 1 can be highlighted.¹⁰

Shortcomings in the PRSP (2002-2006), as outlined above come mainly from incomplete implementation of structural reform measures and despite progress in macroeconomic management. The PRSP did not manage to provide high-quality results in a timely manner. For example, public access to basic social services, being one of the factors for successful poverty alleviation, remained quite limited.¹¹

The second Poverty Reduction Strategy is intended to serve as a medium-term socio-economic development program for the country for 2007-2009. Taking into account available resources and additional needs, it outlines concrete actions to further implement institutional and economic reforms that will promote strong and sustainable economic growth and an im-

provement in the scope and quality of social services aimed at easing the burden of poverty in the country. At the same time, this document heavily relies on foreign aid as Tajikistan does not have enough resources to implement the activities embedded in the PRS (see Annex 4).

The PRS 2007-2009 will focus on: problems associated with reducing poverty, the sustained increase in living standards, particularly among socially vulnerable segments of the population through economic growth and an increase in human potential (see Table 2).

Links to Millennium Development Goals

The National Development Strategy and the Second Poverty Reduction Strategy are aligned with the U.N. Millennium Development Goals.

Table 2: Poverty reduction targets in Tajikistan for 2007-2009

Indicator	Baseline level (2005)	Target (2009)
Per capita GDP	402.1 (2006)	485.5
Average annual growth in GDP (percent)	7.0 (2006)	7.0
Average annual inflation (percent)	12.5 (2006)	6.0-7.0
State budget surplus/deficit (not including the PIP) (percent)	+0.3	-1.0
Poverty rate (\$2.15 PPP)	64.0 (2003)	52.0
Extreme poverty rate (\$1.08 PPP)	18.0 (2003)	10.0
Contribution of private sector to GDP (percent)	43.0	55.0
Annual increase in gross private investment (other than investment in the primary sector) (percent)	100.0	110.0
Growth in gross agricultural output (percent)	103.1	120.0
Growth in industrial output (percent)	100.0	125.6
Overall basic secondary education coverage (percent of total number of children of the relevant age)	97.0	98.0
Mortality rate among children under the age of 5 (per 1,000 live births)	79 (MICS-3)	75
Infant mortality (per 1,000 live births)	65 (MICS-3)	62
Maternal mortality (per 100,000 people)	97	70
Number of people infected with HIV	627 (2006)	not more than 2,500
Incidence of disease (per 100,000 people):		
Malaria	37.4	20
tuberculosis, according to WHO	177 (2004)	145
parasitic diseases	292.9 (2004)	not more than 292.9
Measles	0.0	0.0
Proportion of urban/rural population with regular access to high-quality water sources (percent)	93.0/ 49.0	96.0/ 51.0
Proportion of urban/rural population with access to basic sanitation and hygiene services (percent)	20.0/ 5.0	47.0/ 37.0
Area of land covered by forests as a proportion of total land area (2005 - 100 percent)	100.0	105.0
Percentage of economically active population by gender (m/f)	58.3/41.7 (2004)	57.8/42.2 (preliminary estimate)

Source: PRS for 2007-2009

As the government's 2003 Progress toward the Millennium Development Goals report indicated, Tajikistan is unlikely to meet the MDG targets if it continues along its current trajectory. Progress toward the targets will, "require a sustained government commitment" to policy reform and a major increase in national and international financial resources.¹² Although significant external financing will be needed for MDG-related investments, "calls for additional funding must be balanced with the imperative to manage the heavy burden of existing foreign debt."¹³ Thus it is important to carry forward profound reforms to, "improve the allocation of resources in the social [sectors] and strengthen the efficiency of public service delivery."¹⁴

The crucial value of the health sector is underlined by the Millennium Development Goals (MDGs). Although health is not considered a defined outcome in the MDGs, health itself was the target for three out of eight goals (MDG4, MDG5 and MDG6). Hence, health represents the biggest beneficiary of these efforts, and is seen as a prerequisite or a key factor for achieving other outputs¹⁵

- Goal 1: Eradicate extreme poverty and hunger
- Goal 2: Achieve universal primary education
- Goal 3: Promote gender equality and empower women
- Goal 4: Reduce child mortality
- Goal 5: Improve maternal health
- Goal 6: Combat HIV/AIDS, malaria and other diseases
- Goal 7: Ensure environmental sustainability
- Goal 8: Develop a Global Partnership for Development

Though Tajikistan remains the poorest country in Central Asia, through progressive economic, social, and political reforms it can prove its ability to move mountains and become an example of relative equality, modest prosperity and evolving democracy in the region. The government's commitment to achieving the MDGs offers a unique opportunity to foster equitable and sustainable development.¹⁶ If Tajikistan continues courageously down the path of reform and better national resource allocation, the international community should respond by providing greater support for national efforts to promote human development and equitable growth. At a minimum, donors will need to double existing aid to help Tajikistan meet its MDG targets by 2015.¹⁷ The financial needs for the MDGs are presented in Annex 4.

At the last Consultative Group (CG) meeting (now called the Development Forum), held in June 2007, both the government of Tajikistan and donors stressed that attainment of the MDGs should be a priority for Tajikistan. As the chairman noted in his concluding remarks, "participants expressed support for the inclusion of the MDGs in the PRSP targets. The President stressed that the achievement of the MDGs is a key priority for Tajikistan that will require increased and targeted donor assistance." Donors have agreed to prioritize investments in public administration reforms, reforms directed toward improving the business climate and promoting regional cooperation. These reforms, coupled with tax reforms and sectoral reforms are the core factors that contribute to promoting the MDG targets in Tajikistan. It cannot be overemphasized that the success of these reforms largely depends on the political will and commitment of the government to successfully implement them.

BRIEF OVERVIEW OF THE OFFICIAL DEVELOPMENT ASSISTANCE

Since independence in 1991, Tajikistan's official development assistance (ODA) can be divided into three distinct periods: (1) emergency and reconstruction assistance (1991-1996); (2) post-conflict reform assistance (1997-2001); and (3) assistance to the National Development Strategies (2002-2007). As we discuss further in this section, the patterns and composition of ODA are rather different during these three stages reflecting the circumstances in the country.

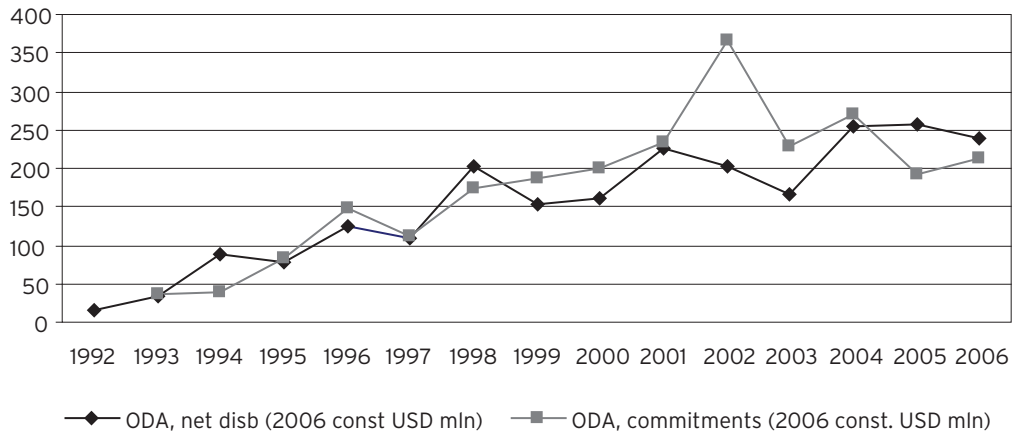
Both ODA commitments and disbursements show consistent increases and, for most of the time, disbursements match the amounts committed by development partners. Overall, from 1992 to 2006, Tajikistan has received over \$2.3 billion dollars in ODA out of close to \$2.5 billion committed by DAC donors, in constant 2006 dollars (see Figure 2). In the period following the immediate independence and through the civil war that ended in 1997, the level of ODA disbursements grew from \$16 million in 1992 to over \$100 million in 1996 averaging around \$68 million a year. From 1997 to 2001, when the government was first able to focus on the first generation reforms, the level of ODA disbursements grew both in relative and absolute terms, cresting in 2001 with over \$227 million and averaging over \$170 million a year. Since 2002, when the government first drafted and started implementation of its Poverty Reduction Strategy, official ODA disbursements consistently went over \$200 million per year (with the exception of 2003), peaking in 2005 with close to \$260 million and averaging almost \$225 million per year during this period.

Country Programmable Aid

Country Programmable Aid (CPA), that is the total amount of funds available for development purposes (loans and grants less interest payments and humanitarian aid, food and technical assistance), in Tajikistan was very low until the end of the 1990s, reflecting the post-conflict stage of development. CPA picked up in the early 2000s reaching consistent levels and surpassing non-CPA aid. Tajikistan's Country Programmable Aid, amounted to close to \$1.2 billion during 1992-2006. With the exception of the few years following the independence, 1995-97, and 2002-2003, CPA has always exceeded non-CPA aid but varied considerably in size from \$10 million in 1993 to over \$150 million in 2006. On average, from 1992 to 2003, Tajikistan received \$66.5 million of CPA per year. It is only during the last three years (2004-2006) when the total amount of development oriented aid amounted to an average of \$150 million a year on a consistent basis. Development aid has been consistently on the rise since 1999, from \$83 million to \$150 million in 2006 with only two decreases in 2002 and 2003 when it was nearly cut in half but was matched by the consequent increase in the non-CPA assistance (see Figure 3). For countries like Tajikistan, in order to succeed in meeting its poverty reduction targets, these balance between and trends in CPA and technical assistance needs to be at least maintained for meaningful capacity building.

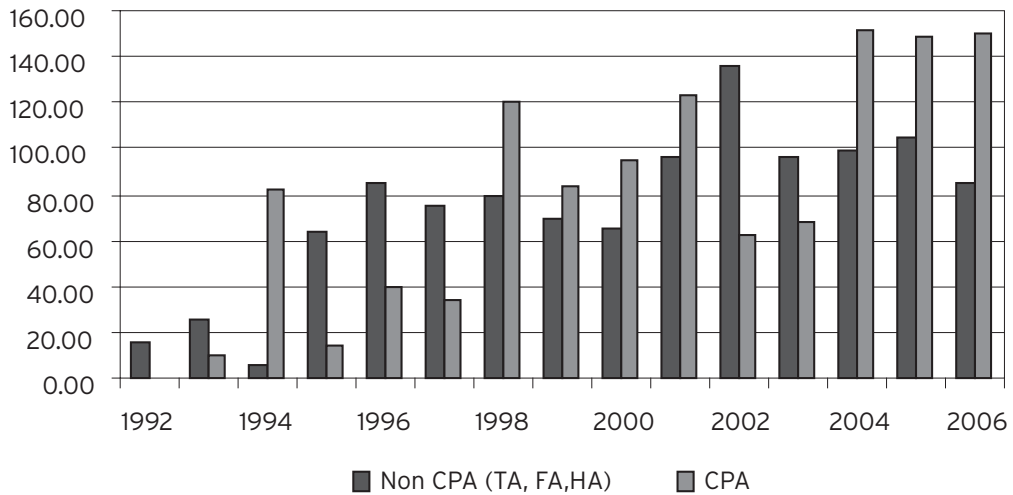
Available data also shows that Tajikistan received most funds on a concessional term as a grant or with a substantial grant component. The total amounts of grants received by Tajikistan is more than double the amount of loans (\$1.5 billion versus \$0.74 billion, respectively). All traditional bilateral donors provide aid exclusively on a grant basis and multilaterals provide a mix of both grants and loans. With the exception of

Figure 2: Tajikistan: ODA - net commitments and disbursements (1992-2006)



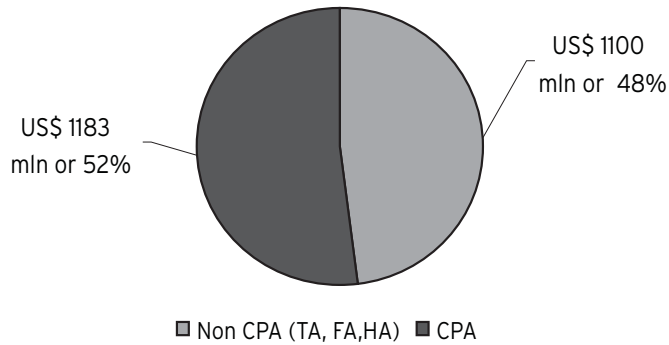
Source: OECD-DAC database

Figure 3: Tajikistan - Country Programmable and Non-programmable Aid (1992-2006, USD 2006, millions)



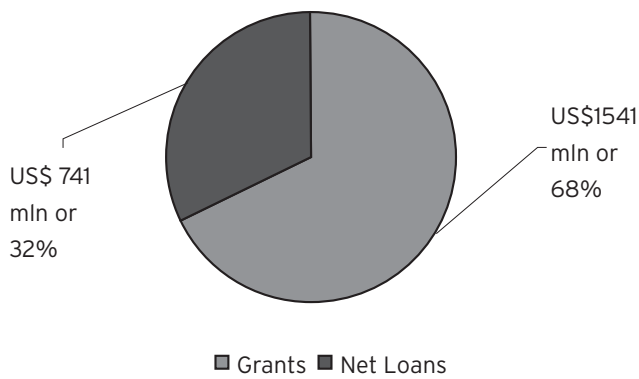
Source: OECD-DAC database and authors' calculations

Figure 4: Tajikistan - total CPA and non-CPA ODA aid (1992-2006)



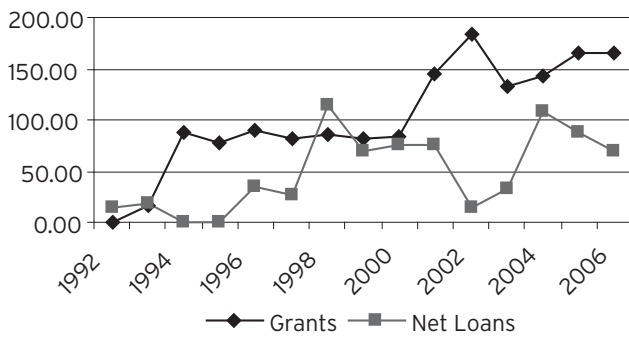
Source: OECD-DAC database and authors' calculations

Figure 5: Tajikistan - cumulative distribution between grant and loan ODA (1992-2006)



Source: OECD-DAC database and authors calculations

Figure 6: Tajikistan - trends in grant and loan ODA, 1992-2006 (in USD 2006, millions)



Source: OECD-DAC database and authors calculations

a few years, grant funding has always been higher in comparison to loans (see Figures 5 and 6). Given Tajikistan's borrowing absorptive capacity and main development indicators (e.g. per capital income, level of GDP), this trend needs to be maintained and adhered to by both the development community and the government of Tajikistan when attracting new funding for development purposes.¹⁸

Technical assistance, humanitarian aid, and food assistance

Non-CPA aid to Tajikistan was the main form of foreign aid to Tajikistan before 1998. Using existing data, it is clear that from 1991-1997 around 60 percent of all disbursed ODA constituted non-CPA (namely humanitarian, food, and technical assistance), while from 1997 onwards this kind of foreign aid accounted for around 45 percent of all disbursed ODA. The total amount of non-CPA assistance grew from \$15 million in 1992 to close to \$100 million in 2006, peaking in 2002 with over \$135 million and reaching an average of \$100 million a year since 2001. With the exception of 1994 (Tajikistan's civil war), the highest percentage of non-CPA assistance was in 1992 (95 percent of all disbursements), a share that has consistently decreased each year (the share in 2006 was 36 percent; see Figure 7). In total, technical cooperation, humanitarian aid, and food aid in Tajikistan from 1991-2006 amounted to \$360 million. However, the downward trend in share of aid indicates clear changes in the needs of the country (see Figure 8).

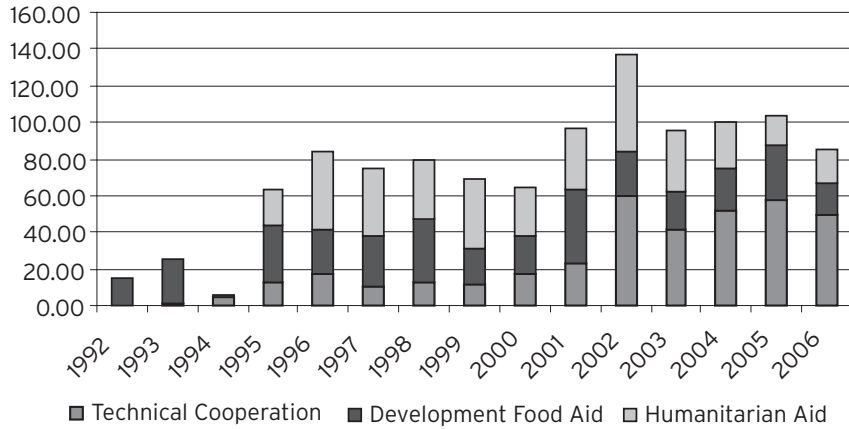
Technical assistance

Technical assistance constituted the third largest part of non-CPA assistance in Tajikistan before 2002, behind humanitarian and food aid. Since 1992, over \$370 million was given to Tajikistan in the form of technical assistance. By 2002, however, technical assistance ex-

ceeded humanitarian aid in both absolute and relative terms. Over the last five years it averaged \$52 million a year, showing a consistent upward trend. Technical assistance reached \$50 million in 2006, where it constituted over 60 percent of all non-CPA disbursements and over one-fifth of all ODA disbursements (see Figure 9 and 10).

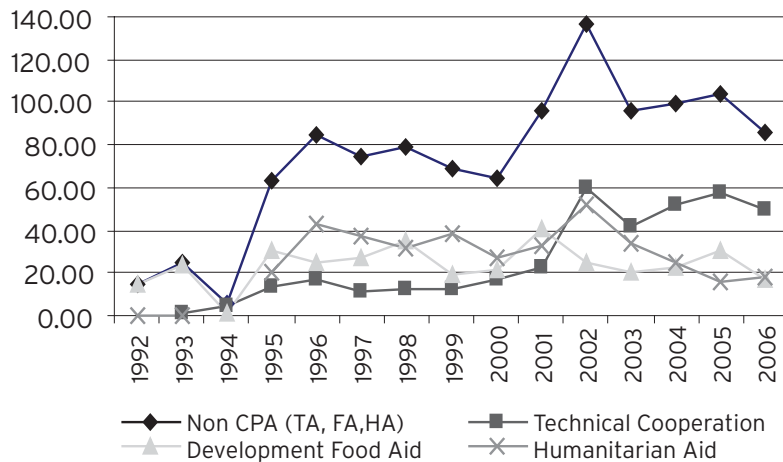
However, there are a number of important features that need to be highlighted when it comes to technical assistance projects. First, the lion's share of all technical assistance comes in the form of grants. Second, as a rule, technical assistance comes with larger projects or loans or it precedes them in order to develop a project or a loan. Third, given the nature of technical assistance being mainly funded through foreign sources, the biggest part of technical assistance funding is directly used to pay for services of international consultants/firms and does not "reach" the country. There are promising trends in attracting local skills and expertise; however, the overall share of locally procured consultants is still insignificant. Finally, the usefulness of technical assistance for the country as a whole is perceived in two different ways. On one hand, within the framework of some TA projects a series of important and key reform recommendations were designed and implemented. On the other hand, a broader review of TA projects suggests that the majority of these kinds of projects do not have a real impact on the ground due to the fact that even at the "terms of reference" stage they focus solely on the development of recommendations and are time-delimited. This gives a lot of flexibility to international experts to come up with template solutions without demanding further follow-up or ensuring that these outputs are actually applicable and applied to a country's specific conditions.

Figure 7: Tajikistan - share of humanitarian, food and technical assistance in total non-CPA ODA (1992-2006)



Source: OECD-DAC database and authors calculations

Figure 8: Tajikistan - non-CPA and within non-CPA trends (USD, millions, 1992-2006)

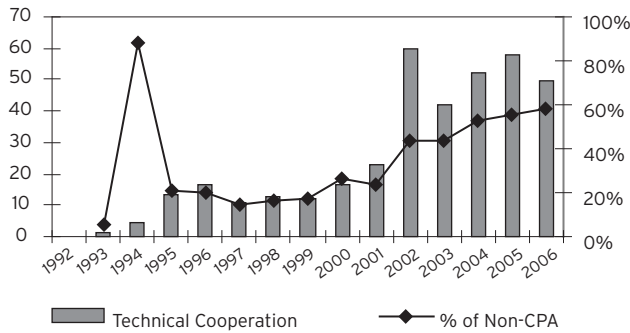


Humanitarian and food assistance

Before 2002, humanitarian and food aid assistance to Tajikistan accounted to close to 80 percent of all non-CPA assistance and, on average, close to 50 percent of all ODA. The amount of humanitarian assistance was on average over \$35 million a year from 1996-2003 before slowly decreasing by half by 2006. The

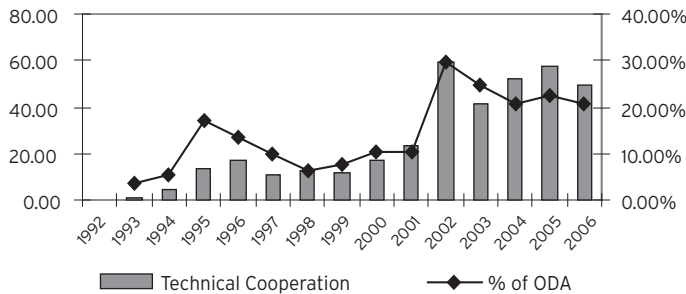
level of humanitarian assistance peaked in 2002 with over \$50million due to post-drought assistance in Tajikistan. Currently, given Tajikistan's vulnerability to natural disasters, the level of humanitarian assistance depends on the occurrence of natural calamities like the severe winter of 2007 and the development community is normally very quick to respond. Overall, the

Figure 9: Tajikistan - share of TA in non-CPA ODA (in USD, millions and %)



Source: OECD-DAC database and authors calculations

Figure 10: Tajikistan - share of TA in ODA (in USD, millions and %)



Source: OECD-DAC database and authors calculations

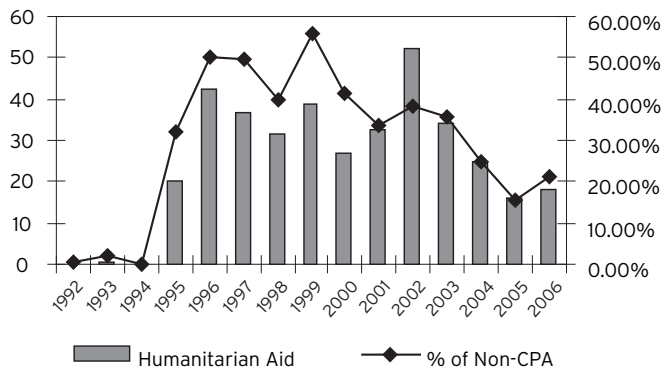
amount of humanitarian assistance to Tajikistan was only around 18 percent of all non-CPA assistance and 7 percent of all ODA in 2006. A similar trend occurs with food aid. After reaching a maximum of \$40 million in 2002 (representing over 40 percent of all disbursed non-CPA assistance and over 15 percent of all disbursed ODA), it decreased to \$17 million by 2006, or less than one-fifth of all disbursed non-CPA and less than 7 percent of all disbursed ODA. The severe winter of 2007 and ongoing food price hike are expected to contribute to an increased food and humanitarian as-

sistance to Tajikistan for 2008 but will still account to less than 10 percent of all aid (see Figures 11-14).

Other dimensions of foreign aid
Multilateral vs. bilateral assistance

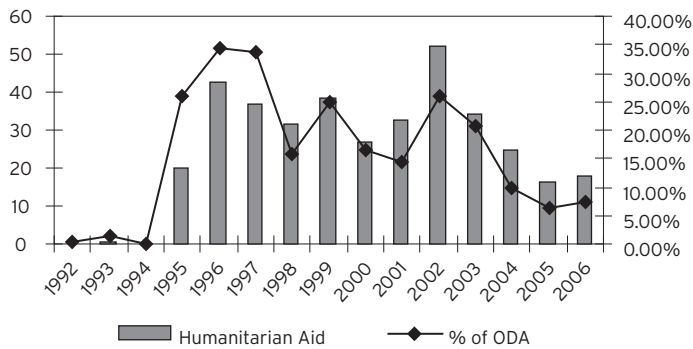
Before 2002, the level of ODA disbursements coming from multilateral sources has consistently exceeded that of bilateral assistance with the exception of 2002 and 2003. This period of increased bilateral assistance most likely reflects the increased com-

Figure 11: Tajikistan - share of HA in non-CPA ODA (in USD, millions and %)



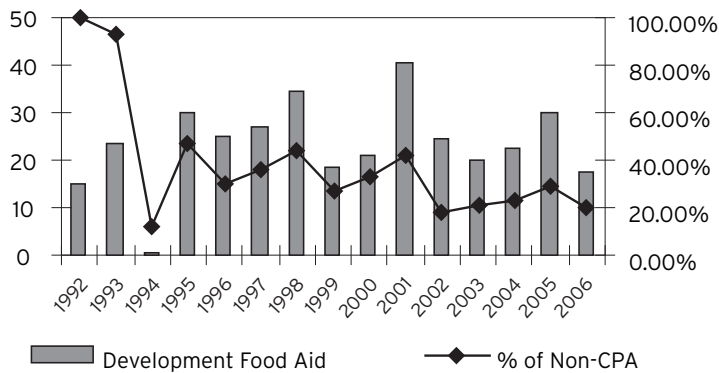
Source: OECD-DAC database and authors calculations

Figure 12: Tajikistan - share of HA in ODA (in USD, millions and %)



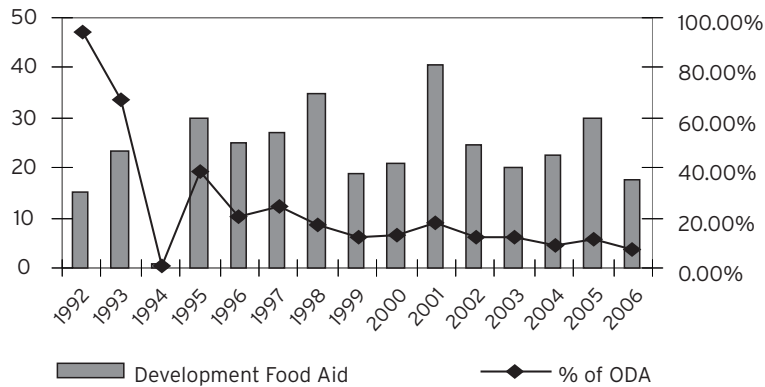
Source: OECD-DAC database and authors calculations

Figure 13: Tajikistan - share of FA in non-CPA ODA (in USD, millions and %)



Source: OECD-DAC database and authors calculations

Figure 14: Tajikistan - share of FA in ODA (in USD, millions and %)



Source: OECD-DAC database and authors calculations

mitments and disbursements on the part of bilateral development partners following the adoption and the implementation of the government's PRSP (see Chart 15 and Table 5). In the last five years, the amounts of bilateral and multilateral aid were consistently in the range of \$100 million and \$120 million per annum, respectively. Given the increasing pressure from both multilateral and bilateral aid agencies as well as from the government of Tajikistan to deliver better development results, low absorptive capacity, institutional weaknesses, and the equally important funding allocation criteria on part of multilaterals, it is expected that the levels of both multilateral and bilateral aid will slightly decrease or remain in the same range in the years to come.¹⁹

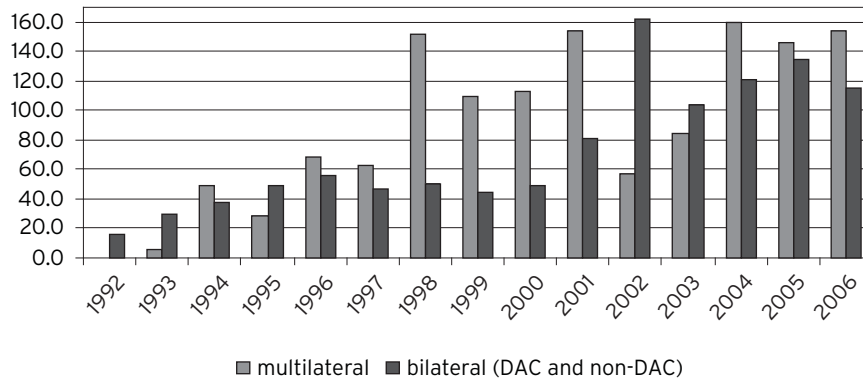
An interesting feature of bilateral aid to Tajikistan is that close to 85 percent of all aid provided from 1991 to 2006 comes from the top five aid givers, led, in large margin, by the U.S.(see Table 3 below).

The U.S. provided an average of \$36 million a year, a level compared to those of the leading IFIs, or more than five times more than the next largest donor,

Switzerland. It is also worth mentioning that the nature of involvement and the trends in bilateral aid are also different. The nature and intensity of donor involvement in Tajikistan depends on either political or diplomatic bilateral relations, affiliation to the membership in international financial institutions, and the presence of bilateral donors in the country. These interactions could be categorized as follows: U.S.: humanitarian assistance and program-related activities; Switzerland, Germany, and Japan: project-oriented; and the U.K.: policy oriented activities.

As far as trends are concerned, all five top bilateral donors have increased the level of their assistance in the last three years compared to their historic averages. It is also worth mentioning that some relative "newcomers" like Sweden and Canada, also follow this track. At the same time, the Netherlands and Finland have decreased their presence, providing a combined average of \$1 million year over the last three years, compared to \$7 million back in 1996. Norway in this respect is the most consistent bilateral donor, providing an average of close to \$2 million a year over the last 15 years.

Figure 15: Tajikistan - bilateral and multilateral aid disbursements (USD 2006, millions)



Source: OECD-DAC database

Table 3: Top 10 bilateral donors to Tajikistan (USD, millions, 1991-2006):

USD 2006, millions Disbursements	Total	Average 1991-2006	Average 2004-2006
United States	538.9	35.9	50.8
Switzerland	96.2	6.9	13.1
Germany	80.6	5.8	7.6
Japan	65.0	4.3	7.8
United Kingdom	49.6	3.5	4.4
Netherlands	38.9	2.6	0.7
Sweden	36.1	2.8	5.6
Canada	27.7	2.5	5.3
Norway	24.0	1.7	1.9
Finland	10.2	0.8	0.2
Total DAC	984.3	6.7	9.7
Total top 5	830.4	11.3	16.7

Source: OECD-DAC database and authors' calculations

A similar picture could be drawn from the aid provided by the multilateral development agencies. The top five IFIs and multilateral donors, led by the World Bank group and followed by the EC, the IMF, the ADB and U.N. agencies, account for well over 80 percent of all multilateral aid disbursements, which totaled

over \$1.3 billion between 1992 and 2006 (see Table 4). IDA of the WB group is both the largest contributor in absolute terms and on an annual basis followed closely by the EC. However, it is worth mentioning that the trends within top five IFIs are slightly different. Compared to historical averages, in the last three

Table 4: Top eight multilateral donors in Tajikistan (USD millions, 1991-2006)

USD 2006, millions Disbursements	Total	Average 1992-2006	Average 2004-2006
IDA	388.2	35.3	43.2
EC	356.6	27.4	31.1
IMF	168.3	18.7	15.9
ADB	149.5	18.7	27.5
WFP	55.2	3.9	1.6
Arab Agencies	47.9	6.0	10.0
IDB	46.9	7.8	8.4
UNDP	39.2	5.2	3.7
Total for multilaterals	1343.5	123.0	141.4
Total for top 5	1117.8	20.8	23.9

Source: OECD-DAC database and authors' calculations

years IDA, the EC and the ADB have actually increased their annual disbursements. However the IMF and U.N. agencies have scaled down their assistance for the last three years, albeit for different reasons, i.e. discussions around the IMF program and the shift toward development assistance from humanitarian aid bringing U.N. agencies assistance down. However, given rising prices for food and the winter and energy crises in Tajikistan (2007/2008), this trend needs to be revised with the latest data for 2007 and 2008.

It also needs to be highlighted that Arab development agencies (mainly Kuwait and Saudi Development Funds) and the IDB increased their involvement (usually complementing existing projects or stand alone well designed projects) from an average of \$13 million to close to \$20 million a year.

Bilateral DAC vs. non-DAC assistance

Bilateral assistance coming from non-DAC countries was very insignificant until 2001 but picked up considerably since then, driven by contracted loans from China. By 2002 non-DAC aid was measured at only

around 8.5 percent of all bilateral assistance (even less of the total ODA) but grew consistently each year reaching 20 percent of all bilateral aid in 2005 (and nine percent of all ODA disbursements). This is mainly due to substantial aid flows from Arab countries, Iran, as well as Russia. Roughly \$600 million of Chinese foreign aid has been committed (but yet to be disbursed), with another \$300-350 million in 2007-2008 for major infrastructure projects, as well as prospective projects to be funded by Russia, Iran and Kazakhstan. Should these amounts be disbursed, the amount of non-DAC aid will reach three-quarters of all ODA provided to Tajikistan in the last 15 years by all multilaterals (and surpass the level of all disbursed bilateral assistance to Tajikistan). Given the "shifting gears" mode in the reform agenda and a keen interest on part of government and the demand to undertake vital major investment projects, it is expected that the influence of non-DAC assistance will substantially increase in the next few years.

It is also worth highlighting that non-DAC donors and traditional bilateral donors do differ in the way they

Table 5: Tajikistan - net disbursements of ODA, 1992-2006 (in USD 2006, millions)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Total
Bilateral	15.3	29.0	37.6	48.6	55.9	45.8	49.7	43.5	47.7	77.7	148.4	89.1	96.8	107.3	91.8	984.27
Multilateral	0.3	5.2	49.5	28.5	68.3	62.7	151.8	109.9	112.5	153.5	57.0	84.5	159.7	146.2	154.0	1343.5
Private NGO												39.7	2.7	11.6	3.4	57.4
Non-DAC	0.3	0.6	0.0	1.0	0.1	0.8	1.1	0.7	0.9	3.2	13.9	14.4	23.7	27.6	23.6	111.7
Total	15.9	34.7	87.2	78.1	124.2	109.3	202.6	154.1	161.1	234.4	219.3	227.7	282.8	292.7	272.8	2496.9
Bilateral (DAC and Non-DAC)	15.6	29.5	37.7	49.6	56.0	46.6	50.7	44.2	48.6	80.9	162.3	103.5	120.4	134.9	115.4	

Note: 2003 disbursements for NGOs represent cumulative disbursements (1992-2003) based on available project information. Source: OECD-DAC database and ACU data.

interact with the government, among themselves, and with traditional donors. It is related to their different approaches toward development projects. Normally, non-traditional donors provide (soft) loans, but grant elements are almost non-existent. These donors are not part of formal donor coordination arrangements and prefer to interact only with the top level of the government when it comes to the discussions about priority projects.

There is also no interaction between non-DAC donors. This is primarily a result of the types of sectors involved, and the scope and magnitude of the projects in which they are involved (see below Table 6). At the same time, non-DAC donors do not usually participate in foreign aid coordination forums, though they are invited for participation (at, e.g., CG meetings). This is partly due to the ambiguous nature of aid they provide (i.e. the funds they provide could be treated as both investments and foreign aid) and partly because of differences in approaches to coordination arrangements. Non-DAC donors prefer to give the funds directly to a particular project with no (or very limited) conditions attached for the government to implement

and coordinate from within. Most often project procurement is tied to the country of origin.

Private non-government aid

Data on private non-government aid to Tajikistan is very limited and has been available only since 2002. However, even with this data, the total amount approaches a respectable \$60 million (around \$5-6 million a year) mainly coming from US-funded sources and bilateral aid projects being implemented by international NGOs. The Aga Khan Foundation is the largest private development partner in Tajikistan providing well over half of all private aid flows. The amount of private aid is expected to remain roughly at the same level given the limited sources available for non-governmental operations.

Budget, off-budget and externally-funded PIP

Some interesting features of aid could be also characterized by the distribution of actual state budget expenditures. Figure 16 shows the distribution of budget expenditures in the last four years (2005-2008) between budget, off-budget and Public Investment

Table 6: Commitments on part of the largest non-DAC donors (USD millions, 2004-2006)

	China	Iran	Kuwait Fund	Saudi Fund	OPEC	India	TICA	sector sub-total
transport		31.2	16.3	6.0				53.5
energy	322.4		13.0	4.9	2.4			342.7
Road	281.1				14.0			295.1
agriculture							0.6	0.6
education		1.3		3.0	0.0	1.9	0.1	6.3
health		0.4					2.5	2.9
Other		1.5					0.2	1.7
Total	603.6	34.4	29.3	13.9	16.4	1.9	3.3	702.7
o/w loans	603.6	21.2	29.3	13.9	16.4	0	0	684.3
grants	0	13.2	0	0	0	1.9	3.3	18.4

Source: PIP data, MoFinance, ACPMS (SCI)

Program (PIP) expenditures. While total budget expenditures have increased by more than 2.5 times from 1.7 billion to 4.5 billion somoni, budget expenditures have increased proportionally (around 2.5 times) from 1.3 billion to 3.2 billion somoni, while PIP-funded expenditures increased by more than four times, from 300 million somoni to close to 1.3 billion (mainly from loans from China), i.e. from 18 percent to close to 30 percent of all the expenditures. Off-budget expenditures have increased in size from 89 million somoni in 2005 to 129 million somoni in 2008 (projected) but percentage-wise have been decreasing from 6.4 percent of total expenditures to less than three percent of the total budget expenditures.

Table 8 gives a snapshot of social sector expenditures (including education and health), as well as economic sector expenditures, giving a breakdown between budget, off-budget, and externally-funded expenditures (PIP). A few important observations are worth highlighting:

- Total social sector expenditures, while growing in absolute terms, are actually decreasing percentage-

wise. Total budget expenditures remain at around 90 percent while externally funded expenditures, despite doubling in absolute size, decreased from 6.3 percent in 2005 to around 5 percent of total social sectors expenditures, while off-budget expenditures are on the rise in both absolute and relative terms.

- In education and health we see some opposite trends, in particular externally funded expenditures (PIP) have been on the rise in education from 2005-2007 then are expected to drop from 8.8 percent of total social sector expenditures to 4.3 percent, while externally funded expenditures in health will experiences a degree of volatility but are expected to actually double from 6.4 percent in 2005 to 15.8 percent of the total social sector expenditures in 2008. Extra-budget expenditures in education have been increasing while in the health sector they are decreasing (see Table 8).
- Economic sector expenditures, as opposed those from the social sectors, are dominated by externally funded expenditures (via PIP), accounting to two thirds of all expenditures in the sectors in 2007-2008.

Figure 16: Distribution of budget expenditures (2005-2008, millions Tajik Somoni)

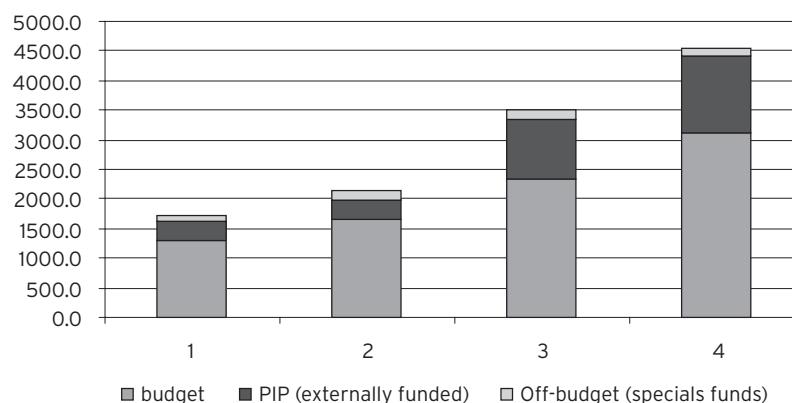


Table 7: Distribution of budget expenditures (2005-2008, in millions Tajik Somoni)

	2005		2006		2007		2008 (expected)	
	millions TJKS	%	millions TJKS	%	millions TJKS	%	millions TJKS	%
Total budget expenditures	1,712.7		2,126.8		3490.6		4,549.2	
o/w								
Budget	1,313.4	76.7	1,643.4	77.3	2,321.8	66.5	3124.0	68.7
PIP (externally funded)	310.2	18.1	348.0	16.4	1,025.8	29.4	1,296.3	28.5
Off-budget (specials funds)	89.1	5.2	135.4	6.4	143.0	4.1	129.0	2.8

Source: Ministry of Finance, MTEF 2009-2011

Foreign aid in the health sector

Foreign Assistance to the health sector of Tajikistan is outlined in the joint WHO and MOH "Report Externally Financed Projects in the Tajik Health Sector in 2006."

This inventory, in line with the purposes of the Joint Country Support Strategy, theoretically aims to help donor agencies plan future programs and to better coordinate their interventions.²⁰ This information is the first attempt to have a general overview of foreign financed projects in the Tajik Health Sector.

The current publication could be used as a starting point for future analysis of externally funded aid in the health sector in Tajikistan. Annex 2 illustrates donors and their relevant projects in the health sector.

From 2003 to 2006 there were 97 externally funded projects identified for inclusion. These projects combined bring a financial contribution to the Tajik Health Sector of \$136,002,353 for the entire period of analysis²¹.

Table 8: Tajikistan - some features of expenditures of the state budget

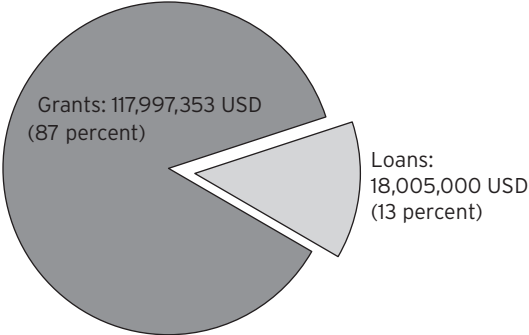
	2005		2006		2007		2008	
	millions TJKS	%	millions TJKS	%	millions TJKS	%	millions TJKS	%
Total budget expenditure	1,712.7		2,126.8		3,490.6		4,945.2	
Social sectors expenditures	676.1	39.5	907.2	42.7	1,151.9	33.0	1,566.0	34.4
o/w								
Budget	609.8	90.2	801.8	88.4	1,032.2	89.6	1,422.7	90.8
PIP (externally funded)	42.6	6.3	73.4	8.1	72.1	6.3	78.4	.0
Off budget	23.7	3.5	32.0	3.5	47.6	4.1	64.9	4.1
Education	290.2	42.9	372.7	41.1	524.3	45.5	691.2	44.1
Budget	253.1	87.2	317.7	85.2	437.2	83.4	604.4	87.4
PIP (externally funded)	18.5	6.4	30.9	8.3	46.2	8.8	29.8	4.3
Off budget	18.6	6.4	24.1	6.5	40.9	7.8	57.0	8.2
Health	90.4	13.4	125.3	13.8	164.9	14.3	255.5	16.3
Budget	82.4	91.2	105.4	84.1	145.3	88.1	212.7	83.2
PIP (externally funded)	5.8	6.4	17.7	14.1	19.0	11.5	40.3	15.8
Off budget	2.2	2.4	2.2	1.8	1.6	1.0	2.5	1.0
Economic sectors expenditures	517.8	30.2	605.0	28.4	1,430.4	41.0	1,802.1	39.6
o/w								
Budget	246.7	47.6	319.8	52.9	474.9	33.2	606.2	33.6
PIP (externally funded)	265.0	51.2	273.7	45.2	945.0	66.1	1,186.2	65.8
Off budget	6.0	1.2	11.8	2.0	10.5	0.7	9.7	0.5

Source: *Medium Term Expenditure Framework for 2009-2011, Ministry of Finance*

When sorted according to the type of funds, 95 projects, about 87 percent of financial contributions were grants. The two other projects were loans amounting to 13 percent of the contribution.

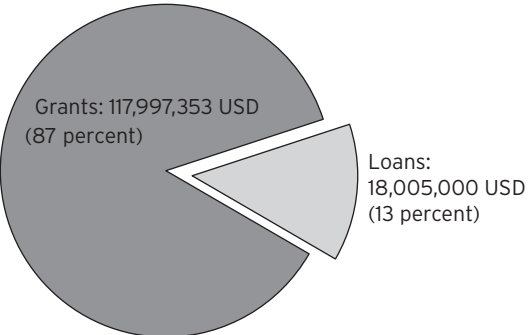
Sorted by project aims, 97 percent of the funds were allocated in 89 projects for development, while eight projects for humanitarian aid accounted for 3 percent of the total funds.

Figure 17: Tajikistan - share of grants and loans in health sector (2003-2006)



Source: World Health Organization (2006). *Externally Financed Projects in the Tajik Health Sector in 2006*, Dushanbe.

Figure 18: Tajikistan - type of aid in health sector (2003-2006)



Source: World Health Organization (2006). *Externally Financed Projects in the Tajik Health Sector in 2006*, Dushanbe.

AID FRAGMENTATION, VOLATILITY AND EFFICIENCY IN TAJIKISTAN

Aid fragmentation and efficiency

Increasing aid fragmentation is believed to contribute to reduced aid effectiveness overall and particularly hinders the process of building institutional capacity and strengthening ownership of host governments through raising intermediation costs that contribute to a lack of capacity to scale-up aid efforts and efficiently manage aid flows.²²

Aid fragmentation could be measured in a number of ways. For the purposes of this study, we will apply Herfindahl-Hirschman Index (HHI) which is a sum of squared shares of aid coming from each donor or put simply the number of donors and their relative share of contributions in total aid volumes. As aid becomes concentrated among a few, dominant, donors the HHI increases. When the HHI is low, on the other hand, it indicates that the number of donors is large and that their contribution is relatively small. Another index used in this case is Theil's index of fragmentation, which decomposes overall fragmentation into within- and across- sector fragmentation .

The results of the HHI calculation for the three main foreign aid periods (total ODA excluding non-DAC and private aid flows) are presented in Table 9.

The HHI has grown smaller overtime and quite rapidly. At the same time, the number of donors providing aid more than tripled, mainly at the account of increased number of international NGOs and bilateral donors operating in the country (see Table 10). Aid fragmentation worsened substantially, dropping by more than half, compared to 1991-1996, when the government was enjoying a relatively small number of donors with

active portfolios. After 1996, with the next stage of aid flows associated with post-conflict reform agenda, the number of active donors, multilateral and bilateral, increased as had the number of projects and volume of aid. As a result, aid became increasingly fragmented. With the introduction of the first PRSP in 2002, Tajikistan has further experienced dramatic increases in the number of active players and the number of projects implemented. Projects have also become smaller in size (see Tables 13 and 15).

Table 11 presents the HHI on a year-to-year basis. The table suggests that since 1992 (when the HHI in Tajikistan (0.108) was comparable with Oceanic recipients), fragmentation has trended upwards. Looking at the degree of fragmentation, more recent data shows that situation in Tajikistan could actually be comparable to that of Sub-Saharan Africa countries which are thought to have the highest degree of aid fragmentation.²³

With the inclusion of private aid flows and non-DAC aid resources (data available from 2003 only), the HHI for 2003-2006 falls even lower (from 0.14 in 2003 to below 0.10 in 2006). This downward trend is expected to remain in 2007 and 2008 and beyond unless measures discussed in this paper to address increasing aid fragmentation are taken (e.g. pooling resources etc).

Complete fragmentation metrics (HH and Theil indices) as well as volatility measures are presented in Annex 1. However, a few important observations that need to be highlighted include the following:

- Based on the OECD-DAC CRS data (which does not report on all donors), sector-wise fragmentation in economic infrastructure (0.24) and in social sectors (0.36) is the highest, while production and multi-sector are relatively better off.

Table 9: Tajikistan - Herfindahl-Hirschman Index (HHI) for aid volatility

	1991-96	1997-2001	2002-2006
HH index	0.35	0.16	0.14
Av. number of all donors	29	55	93

Source: Based on data from the ACPMS and development partner profile reports.

Table 10: Tajikistan - number of donors by years

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Bilaterals	5	12	14	15	15	18	19	19	19	22	25	25	25	25	27
Multilaterals	1	5	7	7	9	9	10	12	12	13	14	19	19	22	22
NGO	3	5	12	16	17	18	22	25	26	29	36	44	45	58	58
Total	9	22	33	38	41	45	51	56	57	64	75	88	89	105	107
Average number	29					55					93				

Source: Based on data from the ACPMS and development partner profiles reports

Table 11: Tajikistan - year-to-year HHI

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
0.73	0.44	0.27	0.15	0.17	0.16	0.21	0.15	0.13	0.14	0.23	0.16	0.12	0.12	0.10

Source: OECD-DAC database and authors estimates

- Within social sectors, education (0.38) and population programs (0.27) are among those with the highest degree of fragmentation.
- Aid is not highly fragmented across sectors. On average, when decomposed (Theils index), over 80 percent could be attributed to within sector fragmentation suggesting that all sectors face substantial fragmentation and that it is the “within” sector fragmentation that matters.

These results raise a few important considerations for both the government and the development community in Tajikistan when it comes to aid effectiveness.

Intermediation costs and costs to manage aid are high. Starting in 1992, when Tajikistan first joined the Bretton Woods and U.N. institutions, the number of aid agencies, including multilateral, bilateral, and private aid providers has increased every year. Tajikistan was quite active in this respect and joined the IDB by 1996 and the ADB by 1998. The governments of Switzerland, Japan, Germany and US, along with the governments of the U.K. and France, became very active after 2001. Since 2006, non-DAC donors have become very active and in the last two years committed aid that nearly matched all the disbursed aid from all bilateral donors in the last 10 years. Non-DAC assistance is mainly focused on a few major infrastructure

Table 12: Theil's Index decomposed

	Overall	Within Sectors	Across Sectors
1997	0.553	0.45	0.10
1998	0.72	0.46	0.27
1999	0.38	0.09	0.30
2000	0.88	0.71	0.17
2001	0.46	0.31	0.15
2002	1.34	1.07	0.27
2003	0.99	0.93	0.06
2004	0.95	0.88	0.07
2005	0.97	0.83	0.14
2006	0.90	0.70	0.20

Source: authors' estimates

Table 13: Tajikistan - aid fragmentation in health

	2003	2004	2005	2006
Number of projects	42	32	50	82
Number of donors	20	20	22	36
Total amount of active health sector portfolio (USD, millions)	58,164	26,761	21,902	27,757
Av. size of the project (USD, millions)	1.3	0.8	0.4	0.3

Source: ACPMS database and Health and WHO "Externally financed projects in Tajikistan's health sector 2006"

projects, with China involved in transport, road and power distribution, Russia and Iran in power station construction and Kazakhstan in the banking and mining industries. The government considers this engagement justified given the country's interests and at the same time realizes the need to carefully balance these projects within a macroeconomic framework and to ensure improved transparency of these projects.

As far as the health sector is concerned, the following table demonstrates the increasing fragmentation of the last four years, both in term of the number of active projects and the actors involved. The size of projects in the health sector has diminished, while overall coordination has also become an issue.

The number of PIUs has grown quite significantly. Most large-scale projects with investment components (over \$1 million) funded by multilateral development agencies (with the exception of budget support) require the establishment of an independent PIU. The practice of establishing PIUs was first introduced in 1997 within World Bank supported projects. By 2007, 23 PIUs had been established (see Table 14 for trends). However, it is worth mentioning that there are also substantial differences between the government's and donors' understanding of what a "PIU" is. The former understands a PIU as a unit or structure created by a special government decree to implement a particular project. All of the 23 PIUs mentioned were established in this way. However, project offices created for each project are not formally recognized as PIUs, but they

Table 14: Tajikistan - number of project implementation units

	1997	2000	2001	2002	2003	2004	2005	2006	2007
Number of PIUs	1	9	14	17	19	21	22	23	23
o/w in health	-	1	1	1	1	2	3	5	5

Source: ACPMS database, Ministry of Health

do perform similar functions as full-fledged PIUs. Besides, it needs to be highlighted that the majority of international NGOs (90 percent of over 60 agencies) also operate as implementing agencies for various multilateral and bilateral projects.²⁴

In many cases, especially those in agriculture, health, transport and energy, there are multiple PIUs established as a result of multiple donor involvement. However, despite this situation, there are encouraging signs of PIU mergers within one ministry (sector). The most recent example is the merger of PIUs in the energy sector, when projects funded by different development partners have used a singular agency to implement and monitor projects. These cases need to be looked at with a greater focus to see how different financial, fiduciary, procurement and other reporting

requirements by various partners could be synchronized to save on high intermediation, management, financial, human and coordination costs.

The average size of projects by both multilateral and bilateral agencies for both loans and grants has declined (with some important caveats). During the period 2003-2006, overall, over 170 projects were funded by bilateral donors with an average size of \$0.9 million (excluding projects funded by the Arab bilateral development agencies). Only 30 percent of all projects were over \$1 million while all top five bilateral donors' average projects cost over \$1 million. At the same time, average project costs fell by more than half during 2002-2006, from \$1.4 million to \$0.7 million.

Box 1

All overhead and administrative costs of the first PIUs were funded through grants; however, these costs are presently funded from the projects' resources. The amounts involved are quite substantial and are classified as administrative costs and are not used for projects needs. However, there is a positive trend emerging when an existing PIU takes the lead in implementing a few projects (including those funded by other donors). For example, a unified power sector's project management unit (PIU) implements five projects funded by five different donors (the ADB, the IDB, the Swiss government, the Kuwait Fund and EXIM Bank China). This approach allows for: (i) administrative cost savings; (ii) more efficient donor coordination within the sector; (iii) unified reporting, databases, and recommendations that ensure lessons are learned. One major shortcoming of this approach is that the managers of these PIUs/projects are appointed instead of selected based on professional achievements.

Table 15: Tajikistan - average size of the project (commitments, USD, millions)

	2002	2003	2004	2005	2006
Bilateral					
Av. Size	1.6	0.9	1.4	0.83	0.7
# of projects	21	52	62	88	
Multilateral*					
(loans/grants)	10.3/0.53	10.4/0.49	8.0/1.2	10.3/1.5	6.4/2.9
# of projects	7/5	6/13	10/10	11/32	16/45
Private NGOs	1.49	0.33	0.136	0.15	0.11
Non-DAC					
(loans/grants)	6.4/0.2	13.0/0.75	4.2/5.0	21.2/0.75	152.0/0
# of projects	6/9	1/15	2/1	1/2	4/0

* top 5 multilaterals only

Source: ACPMS database, data from websites and authors estimates

For multilateral agencies during the same time period, a total of over 150 grant project were funded with an average size of over \$1.5 million and over third of all projects above \$1 million. As far as loans are concerned, a total of over 100 projects have been approved, costing on average over \$9 million each and over 90 percent of all projects over \$1 million. It is also worth mentioning that the average size of grants provided by the multilateral agencies has been consistently on the rise since 2003 from around \$0.5 million to close to \$3 million.

Non-DAC partners do not run a lot of projects, yet those they contribute, on average, close to \$12 million each (excluding three large projects supported by China which amount to \$200 million). For private aid givers, the average size of the project decreased from \$1.5 million in 2002 to \$0.1 million in 2006. However, if one is to take only the largest and the most active NGOs (e.g. AKF, Save the Children etc), this average is at least three times larger.

Within sectors, the spread and intensity of involvement of foreign aid is becoming increasingly complex. From 2003 to 2006, an average of about 450 active projects funded by foreign aid were implemented by the government. Since 2004, the number of projects has been consistently on the rise, increasing by an average of 75 percent each year (doubling between 2005 and 2006). The most project-intense sectors are education and social welfare followed by health, multi-sector and government administration. The number of development partners involved in various sectors is also increasing with education, health, social sectors and multi-sectors leading the way as measured by the number of total donors involved in a particular year.

The time needed to "manage" aid projects is a heavy burden for the government (and officials) given its scarce and limited capacity. The number of missions is a particular issue. The majority of missions, given their large and active portfolios, are dominated by the multilaterals (WB, U.N., ADB, EBRD) with a very

Table 16: Tajikistan - number of active projects by sector (and active donors)

	2003	2004	2005	2006
Government administration	69 (26)	31 (17)	58 (31)	79(24)
Agriculture and irrigation	44 (17)	32 (17)	33 (18)	56 (17)
Environment	44 (15)	25 (14)	31 (16)	49 (16)
Mass media & communications	9 (7)	10 (8)	3 (3)	16 (8)
Energy	11 (5)	1 (1)	3 (2)	13 (8)
Transport	14 (10)	3 (3)	8 (7)	17 (10)
Water supply	12 (8)	5 (4)	9 (4)	13 (10)
Education	64 (25)	46 (24)	80 (30)	114 (40)
Health	42 (20)	32 (20)	50 (22)	82 (36)
Social welfare	51 (24)	31 (18)	40 (20)	143 (36)
Private sector	21 (8)	5 (5)	12 (11)	50 (17)
Multi-sector	61 (20)	35 (17)	34 (20)	93 (37)
Total	442	256	361	725

Source: Foreign Aid reports, (2002-2006)

conservative estimate of well over 200 missions per year in the last three to five years with an average of over two people per mission and 10 days visiting. Overall, IFIs are accountable for close to 70 percent of all missions during the project cycle (preparation, appraisal, negotiations and supervision). Detailed mission information is hard to obtain because only a few IFIs diligently maintain accurate records (which are mainly limited to recent years). Active bilateral donors also have a substantial number of missions, especially those involved in policy issues and a substantial portfolio. As far as private NGOs and non-DAC missions are concerned, there is a clear trend that most of the missions deal primarily with executing agencies at the mid-level, after high level negotiations are held and high level missions take place only when certain milestones are reached. The following other key aspects of high intermediation costs could be highlighted when it comes to reporting, overall dialogue and work approaches:²⁵

1. High level officials involved in reform processes supported by the Development Partner Community (the Executive Office of the President, the Ministry of Economic Development and Trade, the Ministry of Finance, the National Bank of Tajikistan, and sector Ministries) on average spend at least five to six hours a day interacting with donor agencies. This includes preparations for meetings, attending meetings, commenting on various documents, and negotiations. On average they have at least two meetings every day. Mid-level officials also spend up to 25 percent of their time on various interactions with the donors.
2. The extent, variety, and formats of reporting requirements (throughout the projects cycle) applied by different donors is a particular challenge. No efforts have been made so far to address this issue, but there is at least a clear need to look at this issue more systematically to help government agencies ease the burden of paperwork to the donors, to other government agencies, and to the public.
3. In addition to regular and routine meetings, another aspect is participating in various trainings, confer-

ences and regional events. This aspect is hard to quantify given the limited information available yet rough observations suggest that it also constitutes an important and time-consuming component.

4. Most of the development partners' missions try to meet with the top management of the country/ministry, and sometimes a few times during the course of the missions, without sufficient preparations, progress made and/or addressing outstanding issues.
5. There are cases when suggested programs, projects, methods, and approaches are "models" as applied in other countries without really sufficient consideration to another country's specifics, including current limitations and advantages or disadvantages.
6. The quality of translation and complicated terminology also bears costs as often this causes unnecessary and avoidable misunderstandings between the parties.
7. Difficulties in the coordination of hiring international consultants, the unjustifiably large number of them, as well as the practice of overemphasizing in-country experience (e.g. in Tajikistan) lead to a "migration" of consultants from one project to another without properly accounting for expertise.
8. Some international NGOs have monopolized the management of contracts in some areas. Development partners support projects only in cases where the funds will be administered by NGOs. This practice has a direct bearing on the actual projects funds spent on project needs.
9. The last issue is the interaction between task/program/project managers and the government. Without mechanisms to effectively supervise their activities, it is often the case that they misuse delegated powers when by doing the following: (a) wasting the time of government officials; (b) ignoring internal procedures (e.g. agreeing that resolutions will be adopted within one week while knowing that it takes at least one month); (c) forcing the hiring

of pre-selected international and local consultants; (d) providing clearances for certain actions or decisions that do not benefit the program they lead.

Systemic effectiveness needs to be a high priority and better monitoring and evaluation systems need to be put in place to counter aid fragmentation. Lessons learned from the implementation of the first PRSP adopted by Tajikistan in 2002 as well as the process of drafting the second PRSP in Tajikistan clearly shows that much needs to be done in order to streamline the overall and sector priorities of donors and the government. The PRSP process revealed that although broad consultations and participation took place, most of the projects and programs indicated in the PRSP were a simple compilation of ongoing and planned activities on part of the donors. Although these projects do come as an outcome of close consultations with the government, most of the projects—for the relevant reason of low domestic capacity—are "supply driven" and often pull the government in different directions. Given the needs of the country at that stage, this approach was partly justified. With the adoption of the National Development Strategy (NDS) and efforts to roll-out the second Medium Term Expenditure Framework (using policy-based budgeting as a first step) and the first comprehensive debt strategy/framework (MTDF), active development partners, including bilateral, multilateral, and private donors, need to ensure better synergies based on the priorities established within the NDS. Non-DAC donors in this respect are much more efficient (in terms of both speed and amounts of aid/conditions attached) when it comes to following the overall long-term priorities of the government and are looked at as engines of further growth in the country.

Finally, as an element of aid efficiency, a comprehensive donor and/or government project/program monitoring system needs to be formalized and insti-

tutionalized to enable all parties involved to draw conclusions on the efficiency and applicability of certain tools, pilots, or projects. The system could provide feed back on decision making when it comes to new aid flows.

Aid volatility in Tajikistan

The results of aid volatility calculations for Tajikistan are presented in Table 17. It is clear that different aid instruments will demonstrate different levels of volatility given their nature. However, with this mind, the volatility of loans, technical assistance, and non-CPA aid (including humanitarian aid and food assistance) all show a decreasing trend (both with and without HP filtering) when compared in two different time periods, from 1992-2006 and 1997-2006. The following observations and conclusions could be drawn:

- The volatility of investment loans is still the highest, despite showing improvement.
- The volatility of technical assistance is also improving and shows a decreasing trend, although very marginally.
- Non-CPA aid (i.e. humanitarian and food assistance) enjoyed a relatively low degree of volatility from the very beginning and also shows improvement.
- Similar calculations only for the last four years (2003-2006) also show declining trends for all different categories.

In terms of the contribution of different ODA instruments to an overall volatility, one can see clearly the following trends. In the last 15 years, volatility levels of loans and technical assistance have substantially increased from being the two smallest (15 and 12 percent respectively) to the largest and third largest (40 and 29 percent respectively). At the same, contributions of food and humanitarian assistance toward

overall volatility levels have actually decreased substantially.

The aid volatility trends described above suggest one important conclusion. If Tajikistan is serious about attracting a greater amount of foreign aid and making it more predictable and less volatile, and if donors are serious about meeting their aid commitments in Tajikistan effectively, the capacity to utilize existing levels of aid and to scale up aid needs to be improved. With the exceptions of a few multilaterals and some notable exceptions when it comes to few bilateral aid agencies, the share of aid committed for multi-year projects and programs is only around 50 percent (2006). Private NGOs, as executive agencies funded by either bilateral or multilateral agencies, have a greater degree of longevity, but on average can only plan, on average, for one year ahead, with most of the projects focused on getting quick results within a period of 6 to 18 months. Most non-DAC partners do not plan ahead and do not have any yearly commitments, let alone ones that last for multiple years, therefore is impossible to make any credible forecasts in this regard.

In addition, while the terms are often used (or referred to) interchangeably by most development partners, there is a low degree of use and sharing of analytical and analysis-related work (especially at the sector level) and an even lower degree of actual application (appropriation) on part of government agencies. High quality analytical work is time-consuming, expensive to conduct and requires a lot of data which is scarce and difficult to obtain in Tajikistan. There are instances when development partners continue to conduct similar work, increasing costs and time spent for themselves and their government counterparts, limiting the ability for actual reform actions (see Box 2).

Table 17: Volatility of aid in Tajikistan

	Without HP filter		With HP filter	
	1992-2006	1997-2006	1992-2006	1997-2006
Technical assistance	0.38	0.31	0.3	0.26
Loans	0.64	0.52	0.53	0.47
Non-CPA assistance	0.31	0.22	0.23	0.17

Table 18: Sector contribution to volatility

Period	General grants	Loans	Technical assistance	Development food aid	Humanitarian aid
1992-96	0.30	0.15	0.12	0.18	0.25
1997-06	0.38	0.40	0.29	0.04	-0.11

Source: authors' estimates

Finally, the flexibility of donors to reprogram aid varies from donor to donor but it is normally constrained by institutional procedures faced by each individual agency internally and the procedures needed to be followed on the part of the government. However, it needs to be highlighted that there are successful cases of aid being reprogrammed to better suit either the needs, project demands, or a given state of affairs (mainly during emergency situations). The most recent case with the emergency responses to the

severe winter of 2007/2008 and the energy crises in Tajikistan are good examples of it (see Box 3).

There are also cases on the individual project level when the course of project implementation is adjusted to yield better results. However these cases are rather rare as it involves high human and financial costs. On the same token, practices of stop-and-go activities need to cease (see Box 4).

Box 2

There are a number of examples within various projects funded by different donors addressing similar issues, sometimes simultaneously, and often following very similar terms of reference. As an example, the ADB supported a project called "Improving Aid coordination and external debt management" from 2002-2004. During the inception phase of this project it was found that the IMF and the Swiss government jointly initiated a separate project focusing purely on external debt management with the same objectives and expected outputs of the ADB project. Both projects were agreed upon by the government of Tajikistan. As a result of a long standing discussion, the debt management component was transferred to the IMF and the ADB project was adjusted to include a Public Investment component. This example is a vivid case of overlap among donors and despite the issue being resolved in the end, it required additional effort and time from all the parties concerned including consultants who had already started their work.

Box 3

As rapid response assistance to an appeal from the Government of Tajikistan in light of severe weather during winter of 2007 and energy crises, the development community was quick to provide short to medium term assistance, both as humanitarian aid and as projects related to help Tajikistan cope with the consequences. In particular, the World Bank was quick to reprogram two projects in the pipeline and shift them to another year while bilateral partners also contributed resources to provide much needed funds to proceed with an emergency energy project as well as helping to supply inputs to the most affected population.

Box 4

One of the most indicative examples of volatility stemming from stop-and-go practices is donor support for foreign aid coordination processes in Tajikistan. Starting 1996 a number of donors (UNDP, WB, ADB) attempted to support the government's efforts in this area through the funding of Aid Coordination Units (ACU). In total, over \$4 million were provided for this purpose and upon utilization of funds from the donor agencies at end of the project, ACUs were "successfully" closed every time and operations were completely stopped until another donor continued with the funding. When continued, the lessons learned and existing institutional memory were not capitalized on. If it occurs in an area such as donor coordination where continuity and sustainability is a must, one can only imagine what happens in other sectors. Another good example is the Dushanbe Water Supply project that had been under implementation for the last 10 years or so, first funded by the World Bank and then, given its enormous needs, by a number of other multilateral and bilateral partners (IDB, Japan, etc.) with real changes in the quality of water supply only becoming visible during the last year of implementation.

AID COORDINATION

Coordination and information systems

At present, after years of being in the domain of the Aid Coordination Unit (ACU) with the support of the development partners, an entire foreign aid information system is housed at the State Committee for Investments and Management of State Property (SCI). This database serves as a base for foreign aid coordination and project monitoring systems (ACPMS).

The database was created with the support of the Asian Development Bank and mainly operates with Microsoft Access. This database contains comprehensive information about all foreign aid projects starting in 2002. It is also capable of generating reports with breakdowns by commitments and disbursements, by year, by development partner, by sector, and by type of foreign aid (grants, loans), by region and by expenditure category. However, the capabilities of this database are not being fully utilized. This wealth of information is only referred while preparing the annual reports, including one entitled “Development Partners” that provides information about development partners and main areas of their involvement and another called “Foreign Aid Report” that reports on and updates the status of foreign aid projects in Tajikistan and provides analytic information.

At the same time, despite the fact that these reports contain a lot of needed and useful information, the following key substance-related issues need to be highlighted:

1. The database is used primarily by teams of ADB consultants while local staff only use it sporadically even though they have full access to the data.
2. While private NGOs and non-DAC donors are also

included in the data, to avoid double counting the system is set up in such a way so as to differentiate between the funding agency and the implementing one and the accuracy of the data input depends on those who supply this information to the ACPMS. The issue of receiving timely and accurate information from private aid givers and non-DAC donors is still an important one and available data is severely limited.

3. These reports are produced (with updated information as of beginning of the year) only by May or June due to the immense difficulties faced by the SCI in the process of data collection and input. This fact has a direct impact on the practical use and application of the reports.
4. Each year, both publications are published with the support of different IFIs despite the fact that from the creation of the idea for aid coordination reports it was planned to create a revolving fund to ensure cost-recovery and sustainable publication process. Currently, they are disseminated free of charge, mainly through line ministries and the offices of development partners before “big” events (e.g. GS meetings, etc.) as part of the dissemination material. This practice undermines the sustainability of the publication process, and more importantly the ownership of the publication by the host agency given the fact that the “funding” party often insists on including their logo and takes most of the publications, if not all of them.
5. There is no practice of presenting reports. The wider audience does not have access to these publications and in fact does not even know they exist.
6. The number of copies published every year (300-400) is clearly insufficient given the scale of the country and the demand. The official web site of the SCI was launched in September 2007 (www.amcu.gki.tj). Information posted on the web-site presents practical application for all its users and, in general, facilitates transparency in the process of the attraction and use of foreign aid. At present, the SCI has rather ambitious plans to further develop

its web site. However, in order to foster greater accessibility to the information available and given that only three percent of population has access to Internet, part of the dissemination strategy should be a printed short narrative overview for wider coverage.²⁶

7. While development partners have been the first to complain about the government's weaknesses in aid coordination, there have been numerous instances where they have not complied or shown reluctance to established procedures. Some of which are:

- delays in submitting reporting information until past the due dates;
- submitting information using non-standard formats;
- referring ACU staff to web-sites instead of submitting information; and
- a lack of care in submitting accurate information, etc.

In some situations it has been noted that for a three or four month period after the year's end, development partners often do not have a complete implementation status report on their own affairs and are therefore unable furnish the information to SCI. All these factors contribute to the questionable credibility and reliability of information and leads to the fact that the government and IFIs operate and refer to different aid figures.

8. These reports provide only recorded information about the foreign aid flows and some initial descriptions. The analysis of aid flows and effectiveness (in the true meaning of this word) however is currently severely constrained given the limited skills and experience of the SCI staff and consultants involved.

Planning processes

In all fairness, both the present legal foundation and by-laws that govern foreign aid with clear and detailed processes and procedures to be followed—as well as

mechanisms of foreign aid effectiveness appraisal—are currently in the nascent stages of development. The SCI has only recently developed a complete draft package, covering the issues above, which is currently being reviewed within the government.

Foreign aid coordination is closely related to national development objectives, the state budget and public investment programs (PIP), as well as debt sustainability, altogether an integral part of national development planning. The effectiveness of the national development process depends on the clear division and coordination of labor between the government agencies involved in planning and a clear understanding of the functions and objectives of all those involved. At this stage, there is a clearly established workflow within the cycles of the state budget preparation, the three-year PIP, and the drafting and monitoring of the country's strategic documents. However, the true challenge is to link these cycles together to ensure the effective and efficient attraction of foreign aid. There are ample examples of poor linkages and synergies between national development priorities, priorities as reflected in the budget and priorities of incoming foreign aid. To some degree, this situation is caused by the lack of clear framework mechanisms for coordination between these cycles and elements. As a result, current practices are such that the selection, preparation and implementation of projects are predominately done on the basis of rules and procedures set by development partners and are rarely based on or take into account the priorities of the government. This situation, inevitably, leads to an inefficient use of scarce foreign aid. In other words, it is fair to say that inefficiency starts at the planning stage.

The government of Tajikistan has made several attempts to change this situation and to adopt documents that set "fair rules of the game" for all when it

comes to foreign aid. However, these efforts did not lead to positive results as all these attempts were undertaken during projects supported by development partners with efficient levers to block “unnecessary” decisions.

Because current practices seem to suit development partners well, there is only limited interest to change the situation as in this case, as though they will not be able to select sectors and areas of involvement, and projects that might not meet their vision, objectives and interests.

Participatory and consultative mechanisms

When it comes to foreign aid, there is no legal foundation that facilitates transparent decision making. Formally, according to the legislation in effect, all priority areas as well as individual programs and projects that require foreign aid financing should be approved by the Parliament. However, in reality this responsibility lies almost entirely with the government. There are substantial differences in the participatory frameworks and decision making from various parties involved in foreign aid delivery depending on the type of the development partner.

Overall, at present there are a number of different coordination and participation mechanisms that could be divided into the following groups: (1) Sector coordination groups for the coordination of activities within a particular sector normally led by a designated ministry; (2) Working and technical groups/committees set up to address a concrete task, project and draft a document; (3) Steering committees set up mainly within projects funded by multilateral donors for project supervision and monitoring. In all these arrangements, participants from the government and the donors are

normally present, as well as consultants and advisors. However, donors have their own coordination mechanisms, e.g. Principals Groups (a monthly meeting of ambassadors) and Donor Coordination Councils (once per quarter). Running parallel to this, the government conducts inter-ministerial meetings and monthly cabinet meetings where a whole array of pending issues are discussed within the government. A rough picture of coordination mechanisms and formats is presented in Annex 3 but it is worth mentioning that this picture is far from complete and would be a useful and interesting area for further analysis.

As far as multilateral development partners are concerned, all sides abide by detailed and formal procedures for project selection and country assistance support strategies that are followed quite closely and developed based on extensive participation and consultation with all parties concerned. To the extent possible, the IFIs are trying to take into account the interests of the country.

With a few notable exceptions, bilateral partners, on the other hand, determine which directions (sectors) and projects to join by themselves. They directly contact and deal with either the local governments or line ministries that meet their interests and priorities.

As far as private non-government aid providers are concerned, in most of the cases they serve as implementing agencies for projects funded by the IFIs and/or bilateral donors under the premise of weak government capacity, governance and a better knowledge of reporting and other procedures, including experience in the local/regional area. In this case, all consultations are normally held with direct beneficiaries and local implementers without consultations at other levels. This approach leads to huge overhead and high administrative costs to maintain these NGOs that in

some cases exceed by multiple times similar costs incurred by local structures. This statement is based on simple comparisons, making it difficult to provide a concrete example since NGOs and private aid givers do not provide this kind of information. However comparing these NGOs and PIUs, the overhead and administrative costs are actually higher given the fact that international NGOs are managed abroad and have a lot of international staff with salaries multiple times higher than those of local workers (let alone other costs). Besides, international NGOs are not always aware of local specifics that can affect the efficiency of aid provided. International NGOs themselves only rarely participate in funding of individual projects and where they do participate, their share is limited.

Along these lines the following two key trends are evident and are worth highlighting:

1. All donors still operate within their own plans, but efforts could be made to better streamline these plans in line with the development strategy of the country while following their own mandates and plans.
2. Project identification and project proposals take place at the national government level or within line ministries. Regional representation is virtually absent and regions do not have a venue to participate in the decision making processes.

This result in a situation where a large number of projects funded by development partners are not included in the public investment program or do not fully follow the priority areas identified in the strategic documents.

In general, the government of Tajikistan clearly understands the role that foreign aid plays at this stage of its country's development. At the same time, there is a clear imbalance of positions about the process of

the use of foreign aid. The government would like to see all IFIs, bilateral donors, and private aid givers as "development partners" that share common priorities and objectives for the country, complementing the efforts of the government which does not have sufficient fiscal capital to fund and meet development challenges. Unfortunately, the IFIs and country-donors consistently continue to position themselves as part of the "donor community" and Tajikistan as the "recipient" of their aid that will be provided when the government fulfills certain conditions.

In practice, the donor community follows the principle of "he who pays the piper calls the tune." Therefore the government has to meet certain conditions in order to receive funds under certain terms, format, content, type and implementing arrangements, thereby limiting the effect of proper consultation and participation

Capacity for scaling up

As some of the above analysis and examples show (e.g. merger of PIUs in energy), there are two key factors that are important for scaling up aid in Tajikistan. First is the existence of a well-prepared and professional program/project team with a proven track record of implementing projects according to the requirements of both the government and development partners. Second, the importance of creating well thought through implementation plans during planning stages, including the longevity and sustainability of the project. Another good example emphasizing the points above is the education sector where an initial \$5 million provided by the World Bank has catalyzed multi-donor funding of over \$25 million to further address education sector challenges. This has not been achieved in other sectors such as agriculture and social protection precisely due to lack of capacity in these line ministries to design, coordinate, and

manage the policy dialogue and to implement agreed actions.

Monitoring and evaluation of outcomes

At present, monitoring and evaluation tool kits for externally-funded programs and projects are being developed and tested. However, it is worth noting that the donors and the government apply different approaches and create different systems that can not be used together.

The foreign aid coordination and project monitoring system (ACPMS) being created and updated by the SCI is mainly focused on the monitoring of large projects and loans extended by multilateral development partners and implemented by 23 project implementation/management units (PIU) created by the government of Tajikistan or sector ministries. These PIUs are tightly monitored by various government agencies dealing with the supervision of and ensuring the effectiveness of expenditures and the implementation of the projects.

The issues of collecting information and monitoring technical assistance projects (TA) pose a rather serious challenge, in particular for TA provided by

bilateral donors that are normally quite reluctant to provide any information beyond basic. As a result, there are numerous cases when projects, mainly technical assistance projects, overlap and are duplicated by various donors or implemented without the capacity already built or experience (lessons learned) from other projects.

For a variety of reasons donors consider that in cases when the project is funded as a grant, they can implement, monitor and evaluate as they deem necessary. At the same time, the government can only count on getting recommendations from the consulting teams without information on expenditures and effectiveness.

Finally, at the present time there is no practice of independent (or regular, for that matter) evaluation of externally funded projects in Tajikistan. One notable exemption is the joint World Bank and Asian Development Bank portfolio review when all project-related issues of both agencies are discussed with the government. While members of the public and civil society, who are involved in the projects, do participate in some stages of project monitoring, the general public does not usually participate in the evaluation of programs/projects, whether in the course of adoption, the course of implementation, or after completion.

CONSTRAINTS AND PROBLEMS TO AID EFFECTIVENESS

There are four parts of interrelated constraints and bottlenecks blocking efficient aid coordination and aid effectiveness:

1. Institutional constraints: There is no single exclusive agency or entity in the country to deal with the issues of foreign aid coordination with enough authority to conduct negotiations, sign grant and loan agreements, steer and advise the donors on the priority sectors and projects, and monitor and evaluate of the foreign aid projects. Given this fact, all multilateral and bilateral donors are forced to independently seek ways to approach various officials and decision-makers in the sectors of their interest and then lobby for the provision of funding support from their host organizations. Often donors exploit this situation to their own benefit and interests.
2. Weak capacity and a lack of proper skills to effectively coordinate aid: One of the key constraints that hinder aid effectiveness is weak capacity and a lack of necessary skills to effectively manage external aid. The country does not have professionals in this area and no Tajik university trains for these skills. Other factors amplifying the issue are the high rotation of staff, the weak starting capacity of staff engaged in foreign aid work, the lack of incentives to achieve better results, and the lack of institutional memory transfer, such as experiences and lessons learned. To this effect, foreign aid coordination functions were transferred a number of times to different government agencies in the last ten years and every time agencies had to start from the beginning. As a reference, currently only six people work at the department of monitoring and coordination of foreign aid (DMCFF) under the State Committee for Investments which is clearly insufficient to properly manage the state of affairs.
3. Systemic constraints: One serious constraint is the lack of a clearly defined and detailed legal foundation and bylaws to guide the process of attraction

and uses of foreign aid and the interactions between the government and donors, in other words a clear set of “rules of the games”. This has a substantial detrimental effect on aid effectiveness. One clear example illustrating this situation is the case of taxation within projects funded by development partners. Substantial internal legal contradictions are evident between the tax law and international agreements signed by the government of Tajikistan and ratified by the Parliament. As a result, a very peculiar situation is occurring. On one hand, the government is putting a lot of efforts to boost the level of incoming foreign aid vital to address the current challenges faced by the country and. on the other hand, the government, as represented by tax authorities, is trying to extract maximum possible in the form of taxes. At the same time, according to information received from some PIUs, tax authorities inconsistently apply tax regimes to identical situations (e.g. taxation of consulting and construction companies). This is a result of the discretionary application of different tax clauses leaving room to maneuver and allowing for various interpretations of the law. At the end of the day, aid effectiveness is negatively affected because part of the aid is used to pay taxes instead of project needs.

There is a tendency for development partners to convene their own sector coordination meetings without government involvement. This practice should be discouraged as the government itself needs to be involved in such issues and the government needs to develop its capacity to conduct these types of meetings. It is also recognized that development partners need to improve communication with each other during sector interventions, but on the wider issue of sector coordination, the government should be involved in such meetings.

4. Financial constraints: The government of Tajikistan accepts that foreign aid is currently an important source of funding for development. However, this acceptance comes with the knowledge that the government does not take adequate steps to fully

finance all those involved in this function. Since donor coordination is an exclusive function of the government, funding of the entity that deals with donor aid coordination should come from the state budget. Evidence from other countries and the experience of aid coordination agencies in Tajikistan suggests that when these agencies are funded externally by donors, conflicts of interest can weaken efficiency.

Rough estimates suggest that around \$500,000 is needed annually to effectively manage the agency's workload of managing foreign aid. By funding at this

magnitude, the agency could be equipped with professional staff and adequate equipment. It is evident that the salary of these staff will be higher compared to other civil servants and one has to make a conscious decision in this respect. Such an agency must have the capacity to generate additional state revenues in the form of foreign aid; adequate funding will increase the agency's chances to attract more resources for development and to use these resources more efficiently.

KEY CHALLENGES

In current conditions, one of the key challenges faced by the government of Tajikistan is to clearly distinguish the differences between state and private/commercial investments. Attracting foreign aid to implement state investment projects and attracting foreign direct investments to implement commercially beneficial investment projects are two totally different objectives. Different skills are required to deal with these issues, ideally managed by two different specialized agencies.

Closely related to this challenge is the growing role and importance of non-DAC development partners, such as China, Russia, Iran, Kazakhstan and others. In the last two years these countries have sharply increased their presence and level of involvement in project funding in Tajikistan. These countries are providing a substantial amount of funds (comparable to the level of total disbursements coming from multilateral agencies in the last several years), mainly toward large infrastructure projects that are profit-oriented like the construction of power stations. At the same time they are being treated as donors, with funds provided as foreign aid, increasing the country's debt burden, and limiting participation of international development partners. Usually, these kinds of projects are better off when financed as FDI through open tenders thus allowing the country to access scarce concessional aid from the IFIs. There are several reasons for this: non-DAC donors provide resources to the sectors where the government has a keen interest in developing without front-loaded policy-related conditions and cumbersome and long bureaucratic procedures. However, there are also disadvantages of non-DAC support, the key one being non-transparent expenditures of these funds.

There are also substantial overhead costs to administer foreign aid and projects in general by all development partners as well as the issue of the ultimate use of funds. Depending on the type of project (excluding direct balance of payment support), the majority of funds (up to 60 percent) goes to cover administrative costs such as PIUs and payments to foreign contractors processed directly by the development partners. These funds go toward goods and services, consulting services, service-provision contracts and management contracts. In other words, these funds never reach the country. Nevertheless, these funds are recorded as incoming foreign aid. This issue is especially acute when it comes to technical assistance grants. Analysis shows that:

- On average, at best only 20 percent of the technical assistance monetary funds (cash) actually reach the country.²⁷ In addition, international consultants are mainly engaged on time-based contracts, so they receive payment irrespective of the results of their work and applicability of their recommendations;
- In Tajikistan, three-quarters of all reviewed technical assistance projects (mainly grants) in one way or another end up getting ratings that are less than satisfactory.²⁸

Time-consuming and cumbersome procedures on the part of development partners as well as the time needed to get all necessary approvals (from nine months to two years) influence the timeliness of foreign aid. By the time of implementation, the approved project is often either outdated or faces different risks and environment. As a result, these projects and programs are bound to be more "rescue" projects rather than development projects. They complicate existing problems and contribute to rather than address the core problems. An example of this could be the low-standing Dushanbe Water Supply Project.

Well-grounded concerns are raised by the government regarding the non-compliance of various international NGOs with the country's declared mission and activities. There were cases revealed when organizations conduct commercial activity instead of humanitarian aid, while enjoying the tax breaks that current legislation provides to international humanitarian NGOs.

Competition between the government and international development partners for qualified professional staff and specialists. It is often the case that development partners openly "attract" the most promising specialists working in the government. This situation puts all government agencies at a disadvantage at the very beginning as development partners have an

array of better incentives and tools: better pay, training and education opportunities, and social benefits. The health sector could be cited as one of the worst affected sectors in this respect. In particular, in the last seven years of extensive involvement of various development partners in this sector, a number of key staff of the ministry at different levels have moved to work either within projects (PIUs) or at international organizations, including head and deputy heads of departments, key experts and even a number of deputy ministers. This goes against the whole philosophy reflected in the vision and mandates of most of the development partners—strengthening the capacity and skills with the country.

Box 5

For the latest case, in April 2008, activities of ORA International were suspended when it became known that this NGO was involved in missionary work instead of humanitarian assistance. This was done during English language classes organized by the organization. Other cases were revealed showing that two other international NGOs were engaged in commercial activities under the premise of being humanitarian organizations. These agencies would bring food products to the country without any fee and duties as humanitarian assistance but then sell them in the market at market prices. At the same time they refused to provide any information as to the ultimate use of funds received, referring to the "special" status of the organization and the existing framework agreement with the Government. As a result, the country has suffered direct damage since the aid recipients did not get any humanitarian assistance, even though this assistance was delivered and distributed, according to all the paperwork. It also indirectly damaged local suppliers who could not compete under these circumstances.

CONCLUSIONS AND RECOMMENDATIONS

Based on the 15 year experience with foreign aid in Tajikistan this is the summary of conclusions regarding aid effectiveness:

The key conclusion is that existing aid coordination architecture and the interaction mechanisms between the government and development partners are unable to ensure the efficient use of foreign aid resources provided to Tajikistan. As a result, planned or expected results and impact are substantially different from the actual results.

External assistance, also known as “cheap and concessional resources,” has resulted in a perverse situation lacking incentives and focus to pay attention to the long term internal factors of growth as well as the appropriate political and economic institutions. Currently, the government focuses on securing individual projects in a piecemeal fashion; it lacks the time and the capacity to deal with long term bottlenecks to growth. With the planned increase in foreign aid, the actual situation might become more complicated given the low absorptive capacity in the country, an element that needs to be addressed as a high priority, if Tajikistan is to improve its donor coordination function and its use of limited external assistance.

Given the high fragmentation of aid and lack of unity, supervision and overall direction of the use of foreign aid, “cheap funding” creates too much of a temptation for authorities and actually nurtures corruption. This is a very dangerous trend especially given the low level of democratic institutions in the country, the absence of independent performance evaluation agencies and the lack of public disclosure of information about aid received and used.

To sum up, efficient foreign aid is only possible when there are clear incentives from both sides. These are the right incentives not only for the aid recipient (Tajikistan) but also for the development community. In order to improve aid efficiency and to deal with donor aid fragmentation the following recommendations are proposed.

Recommendations for the Government of Tajikistan:

- Development and adoption of an overall planning framework—a formal model setting coordination mechanisms in agreement with established national development priorities, the state budget, and foreign aid.
- Given the present aid architecture in Tajikistan and its current stage of development, create a separate and specialized agency or structure to deal with foreign aid coordination. This agency should enjoy exclusive and overall authority to interact with development partners, grants and loan negotiations and to sign, guide and advise donors on the priority sectors and projects of the government, including the monitoring of foreign aid effectiveness. At the same time, the Agency should focus on: (i) results rather than resources of projects and programs; and (ii) future activities and directions rather than the past. The government should fully fund the mandate of this Agency out of the state budget and ensure efficient fulfillment of its functions.
- The first tasks for this kind of an Agency would be the following: (i) the creation/update of foreign aid database; (ii) the development and introduction of transparent procedures to attract and use foreign aid resources for all parties involved; (iii) the development and introduction of an appropriate framework and tool kits for reporting, independent monitoring, evaluation and auditing (not only financial audit but also impact assessment), and the development of results-based management approaches; and (iv) the development and piloting of an incentives framework to use the foreign aid more efficiently.

- Habitually submitting country assistance and support strategies from multilateral and bi-lateral development partners to the Parliament. To start in this direction, we suggest that the Parliament might be approached to endorse the JCSS document.
- Introduce a system of personal responsibility for using foreign aid resources within particular projects and programs. The first step is to introduce a system of selecting project managers competitively and based on merit and to discontinue the system of government appointments.
- The government should provide direction and facilitate the nomination of one development partner from the donor community to be the facilitating agency (technical secretariat) in a particular area/sector. Other agencies should coordinate their intervention first with the facilitating development partner agency and then with the aid agency.
- Amend the country's tax code and have a separate article/chapter covering taxation issues clearly and unambiguously when it comes to foreign projects and programs.
- Improve general aid coordination and cooperation between donors as well as address internal donor competition through a joint/general donor assistance strategy.
- To the extent possible, facilitate Joint Donor Missions to deal with future programs and projects in particular sectors, especially when they relate to the reform agenda and policy dialogue.
- Improve the process of pre-feasibility (pre-project) effectiveness assessments and involve more local experts.
- To the extent possible, streamline donors' approaches and procedures for aid provision and implementation of projects
- Foreign aid projects will acquire a different meaning when discussions and consultations take place at equal level. At present, given the low capacity of government officials who are engaged in substance related discussions, it is common for development partners to "force" or "prescribe" policy-measures, often conflicting among development partners themselves.

Recommendations to development partners

- Assist the government in implementing the above recommendations, particularly in the area of meaningfully strengthening institutional and human capacities to coordinate foreign aid and facilitate sustainability of this function.
- Streamline all projects and programs with the national development priorities of Tajikistan and to the extent possible operate under a clear medium terms strategy (three year period) and through funding consortiums rather than individually.
- Refocus on the results of funded projects instead of the amounts and volume of aid provided.
- Facilitate new agency's sector reviews on an annual basis as part of the JCSS process.
- There should be a clear distinction between government reports and development partners' reports. Any reports produced by or for the government, should only carry the government's logo; government ownership should be promoted.
- Sector coordination should only be convened under the direction of the relevant ministry and chaired by the ministry. Development partners should assist the relevant ministry to organize and implement sector coordination and to produce the relevant reports.

For the government of Tajikistan and the development partner community to jointly develop an action plan, it must, along the lines of the Paris Declaration, implement the agreed measures in key areas of harmonization, alignment and managing for results.

SUMMARY AND A WAY FORWARD

Aid has played and continues to play a vital role for Tajikistan's development. Given the kind of challenges faced by the country both internally, such as reforms, capacity building, governance, and externally, like globalization, external shocks in energy and food prices, it is hard to imagine further development of the country without coordinated external support from the donor community. However, despite increasing global aid flows as part of donor commitments, concessional aid is scarce and countries compete for these resources. Tajikistan has a very limited capacity to create substantial fiscal space for its reform agenda, therefore it is clear that Tajikistan and the donor community need to revisit the cooperation and aid framework to better link budgets and aid to the agreed priorities and to address the challenges and constraints discussed in the paper.

Based on the data collected and analysis provided, further progress and eventually aid effectiveness will depend on the implementation of a number of measures and recommendations outlined in the paper that cover three main areas: better aid alignment, aid harmonization, and better management of aid for better results - all part of Paris Declaration to improve aid effectiveness. However, in order to have a better picture and true reflection of the situation, we suggest a number of areas for further research and analysis that might help improved aid coordination and harmonization: First, a detailed analysis of costs associated with aid provision and management. Second, a detailed analysis and recommendations to align and harmonize various processes, such as reporting, accounting, fiduciary, financial, procurement. Third, an analysis and options given for the development of a reliable aid coordination and management model. The last recommendation would be for an analysis of ef-

fectiveness and sustainability of various aid coordination mechanisms.

Commendable efforts are taking place to improve coordination between donors, such as the Principle Group, the Donor Council, and the JCSS, and between the government with sector groups and thematic Councils. However there is room for improved coordination between the donors and the government. It is time for the government to own this process and be in the "driver's seat" in order to move toward better results, accountability and eventually the effective scaling up of its reform efforts and aid. By doing this Tajikistan will show sufficient progress toward its established national commitments (NDS, PRSP) and international benchmarks (MDGs, Paris Declaration etc). Tajikistan has progressed well in a number of areas and has focused on various reform areas (e.g. deep rooted public finance management reform, public sector reform, procurement) to help advance its development. One of the most important areas where Tajikistan managed to progress well is ownership. With the development of the National Development Strategy and PRSP exercises, the government is now certain of its priorities that have been endorsed by the donor community. This is a good starting point for Tajikistan, yet it is also clear that tasks ahead are rather daunting. One key message coming out of this case study is the need to establish a constructive partnership with traditional, non-traditional, and private aid givers as part of creating an operational and reliable country aid system. This implies either effectively merging together various processes (budget, aid, public investment program) into one uniform process or allowing for these processes to be stand alone but creating an efficient interface between them—all to ensure efficient use of public and development resources.

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ANNEX 1: AID FRAGMENTATION AND VOLATILITY MEASURES

A. Overall sector aid

Fragmentation (Herfindahl index)

	All Sectors	Social Sectors	Economic Infrastructure	Production Sector	Multi-sector	Commodity and Program Assistance	Miscellaneous
1997	0.16	0.00	0.00	0.00	0.00	0.00	0.47
1998	0.21	0.93	0.00	0.90	0.00	0.00	0.29
1999	0.15	0.45	0.00	1.00	1.00	0.00	0.40
2000	0.13	0.67	0.00	0.00	0.65	0.00	0.52
2001	0.14	0.27	0.00	1.00	0.48	1.00	0.15
2002	0.23	0.26	0.97	0.89	0.58	0.50	0.46
2003	0.16	0.31	0.67	0.56	0.66	0.60	0.29
2004	0.12	0.24	0.30	0.34	0.42	0.82	0.30
2005	0.12	0.27	0.20	0.28	0.39	0.50	0.34
2006	0.11	0.16	0.29	0.21	0.41	0.59	0.25
Average	0.15	0.36	0.24	0.52	0.46	0.40	0.35

B. Social sector aid

Fragmentation (Herfindahl index)

	Education	Health	Population Programs	Water & Sanitation	Government and Civil Society
1997	0.00	0.00	0.00	0.00	1.00
1998	0.00	1.00	0.00	0.00	0.00
1999	1.00	1.00	0.00	0.00	0.51
2000	0.81	0.71	0.00	1.00	0.57
2001	0.35	0.42	0.75	0.00	0.48
2002	0.59	0.39	0.59	1.00	0.40
2003	0.24	0.69	0.23	0.40	0.41
2004	0.38	0.67	0.46	0.73	0.35
2005	0.20	0.33	0.38	0.29	0.44
2006	0.24	0.19	0.24	0.50	0.22
Average	0.38	0.54	0.27	0.39	0.44

C. Fragmentation (Theil) within sector

	Social Sectors	Economic Infrastructure	Production Sector	Multisector	Commodity and Program Assistance	Miscellaneous
1997	0.00	0.00	0.00	0.00	0.00	0.47
1998	0.55	0.00	0.49	0.00	0.00	0.45
1999	0.21	0.00	0.00	0.00	0.00	0.11
2000	0.90	0.00	0.00	0.16	0.00	0.62
2001	0.78	0.00	0.00	0.55	0.00	0.15
2002	1.15	0.62	1.12	1.02	0.71	1.29
2003	1.11	0.91	0.87	1.12	0.70	0.82
2004	1.07	0.50	0.67	0.86	0.75	0.97
2005	1.01	0.50	0.62	0.93	0.59	0.97
2006	0.72	0.62	0.55	0.94	0.42	1.06

D. Fragmentation within sectors (within-sector Theil weighted by sector share of aid)

	Social Sectors	Economic Infrastructure	Production Sector	Multisector	Commodity and Program Assistance	Miscellaneous
1997	0.00	0.00	0.00	0.00	0.00	0.448
1998	0.03	0.00	0.01	0.00	0.00	0.413
1999	0.02	0.00	0.00	0.00	0.00	0.066
2000	0.33	0.00	0.00	0.00	0.00	0.371
2001	0.18	0.00	0.00	0.06	0.00	0.072
2002	0.17	0.00	0.20	0.05	0.20	0.455
2003	0.28	0.11	0.07	0.17	0.11	0.201
2004	0.39	0.04	0.10	0.10	0.10	0.142
2005	0.31	0.04	0.07	0.14	0.12	0.148
2006	0.28	0.04	0.07	0.07	0.08	0.165

E. Fragmentation across sectors

	Social Sectors	Economic Infrastructure	Production Sector	Multisector	Commodity and Program Assistance	Miscellaneous
1997	-0.07					0.17
1998	-0.07		-0.05			0.39
1999	-0.13		0.17	-0.05		0.30
2000	-0.08			-0.05		0.30
2001	-0.12		0.01	-0.06	0.15	0.18
2002	-0.13	-0.01	0.13	-0.05	0.26	0.08
2003	-0.07	0.02	-0.03	0.04	0.11	-0.01
2004	0.05	-0.03	0.02	-0.02	0.13	-0.07
2005	0.04	-0.06	-0.03	0.02	0.22	-0.05
2006	0.12	-0.04	-0.02	-0.05	0.26	-0.07

Theil's index decomposed

	Overall	Within Sectors	Across Sectors
1997	0.553	0.45	0.10
1998	0.72	0.46	0.27
1999	0.38	0.09	0.30
2000	0.88	0.71	0.17
2001	0.46	0.31	0.15
2002	1.34	1.07	0.27
2003	0.99	0.93	0.06
2004	0.95	0.88	0.07
2005	0.97	0.83	0.14
2006	0.90	0.70	0.20

F. Overall aid

Volatility and contribution of sector

	All Sectors	Social Sectors	Economic Infrastructure	Production Sector	Multi-sector	Commodity and Program Assistance	Miscellaneous
Standard Deviation	63.61	20.24	4.96	9.38	7.62	14.62	14.94
Correlation		0.90	0.73	0.95	0.84	0.96	0.83
Standard Deviation		0.29	0.06	0.14	0.10	0.22	0.20
Coefficient of Variation	0.98	1.10	1.27	1.13	1.14	1.18	0.98

G . Social sector aid

Volatility and contribution of sector

	Overall	Education	Health	Population Programs	Water & Sanitation	Government and Civil Society
Standard Deviation	15.30	1.92	5.09	1.52	1.54	5.74
Correlation		0.97	0.99	0.92	0.87	0.98
Standard Deviation		0.12	0.33	0.09	0.09	0.37
Coefficient of Variation	1.08	1.13	1.08	1.04	1.63	1.07

H. Fragmentation (Theil) within sector

	Education	Health	Population Programs	Water & Sanitation	Government and Civil Society
1997					
1998					
1999					0.01
2000	0.35	0.53			0.34
2001	0.39	0.12	0.27		0.87
2002	0.99	0.66	0.56		1.10
2003	0.59	1.21	0.22	0.36	1.07
2004	0.92	1.23	0.88	1.06	0.91
2005	0.50	0.74	0.47	0.33	1.06
2006	0.65	0.44	0.13	0.63	0.70

I. Fragmentation within sectors (within-sector Theil weighted by sector share of aid)

	Education	Health	Population Programs	Water & Sanitation	Government and Civil Society
1997					
1998					
1999					0.00
2000	0.10	0.26			0.06
2001	0.09	0.02	0.10		0.21
2002	0.10	0.23	0.04		0.51
2003	0.05	0.40	0.03	0.01	0.44
2004	0.14	0.37	0.11	0.13	0.28
2005	0.06	0.26	0.05	0.01	0.41
2006	0.07	0.15	0.01	0.05	0.28

J. Fragmentation across sectors

	Education	Health	Population Programs	Water & Sanitation	Government and Civil Society
1998		0.00			
1999	-0.09	-0.09			0.48
2000	0.08	0.19		-0.04	-0.11
2001	-0.05	0.01	0.43		-0.15
2002	-0.08	0.16	-0.05	0.00	0.11
2003	-0.10	0.24	-0.02	-0.04	0.13
2004	-0.08	0.15	-0.05	0.00	0.05
2005	-0.10	0.22	-0.02	-0.05	0.14
2006	-0.08	0.12	-0.04	-0.03	0.13

Theil's Index decomposed II:

	Overall	Within Sectors	Across Sectors
1997	0.00	0.00	0.00
1998	0.00	0.00	0.00
1999	0.31	0.00	0.30
2000	0.54	0.42	0.11
2001	0.66	0.41	0.24
2002	1.03	0.89	0.14
2003	1.14	0.93	0.21
2004	1.09	1.02	0.07
2005	0.98	0.79	0.19
2006	0.66	0.56	0.10

ANNEX 2. LIST OF DONORS, PROJECTS AND IMPLEMENTING AGENCIES IN THE HEALTH SECTOR (AS OF DECEMBER 2006)²⁹

Donor Agency	Implementing Agency	Project Name	Amount	Type of Aid	Starting Date	End Date
ACT - Central Asia	ACT Tajikistan	Support of NGO partners on HIV/AIDS prevention, Public Health, Hygiene and Water Sanitation	\$150,000	Grant	Jan-2006	Dec-2006
ADB	WB PIU/Japan Fund for Poverty Reduction (JFPR)	Community Participation and Public Information Campaign for Health Improvement (JFPR 9043-TAJ)	\$1,000,000	Grant	Apr-2004	Dec-2007
	Project Management Unit /HSRP under the Ministry of Health	Health Sector Reform Project (HSRP) (Loan2054-TAJ)	\$7,500,000	Loan	Jul-2004	Dec-2008
	Ministry of Health - UNICEF	Sustainable Food Fortification for Central Asian and Mongolia	\$2,000,000	Grant	Mar-2005	Dec-2007
Aga Khan Development Network	Aga Khan Health Service in Tajikistan	Health Professionals Training Unit (HPTU)	\$412,864	Grant	Jan-2006	Dec-2006
	Aga Khan Health Service in Tajikistan	Rationalization of Pharmaceuticals and Policy Management (RPPM)	\$329,374	Grant	Jan-2006	Dec-2006
Aga Khan Foundation	Aga Khan Health Service in Tajikistan	Community Health (Khatlon)	\$237,428	Grant	Sep-2006	Dec-2006
	Aga Khan Health Service in Tajikistan	Reproductive Health and Child Survival (RHCS)	\$309,582	Grant	Jan-2006	Dec-2006
CIDA	ACTED	Community Development through Integrated Water Resources Management	\$834,109	Grant	May-2005	May-2007
DfID	OSI/Soros Foundation in Tajikistan/GRM International based in Bishkek	Central Asian regional HIV/AIDS Programme (CARHAP)	\$2,590,785	Grant	Aug-2004	Aug-2009

Donor Agency	Implementing Agency	Project Name	Amount	Type of Aid	Starting Date	End Date
EBRD	State Unitary Enterprise "Khujand Vodokanal"	Khujand Water Supply Improvement Project	\$1,200,000 (5 percent on hygiene campaigns = \$60,000)	Loan	Jul-2004	Dec-2007
European Commission	CARE International	Creation of the favorable environment for improvement of sexual and reproductive health of youth	\$1,920,510	Grant	Jul-2006	Jul-2009
	ACTED	Enhancing individual incomes and improving living standard in the Khatlon region of Tajikistan	\$1,145,718 (2,56 percent on health component = \$29,444)	Grant	Jun-2005	Dec-2006
	Oxfam GB	Enhancing Individual Incomes and improving living standards in East Khatlon	\$1,400,436 (3 percent hygiene campaigns = \$42,013)	Grant	Apr-2005	Dec-2007
	UNFAO and Merlin	Improving living standard in Khatlon region through control of brucellosis	\$1,072,620	Grant	Oct-2005	Dec-2006
	Hilfswerk Austria	Integrative program for strengthening social services in Tajikistan by civil society support in cooperation with local authorities	\$152,814	Grant	Dec-2006	Aug-2008
	Christian Aid, Ghamkhori	Khatlon social mobilization project	\$231,032	Grant	Jan-2004	Mar-2006
	NGO Peshgiri	Prevention of HIV/AIDS, protection and advocacy of the convicts	\$22,722.70	Grant	Jan-2006	Jan-2007
	ARCADIS	Support to the creation of a model day care center for disabled children	\$259,195	Grant	Feb-2005	Feb-2006
ECHO	ACTED	Community based disaster prevention and mitigation	\$106,957 (22.26 percent on hygiene campaigns = \$23,819)	Grant	N/A	N/A

Donor Agency	Implementing Agency	Project Name	Amount	Type of Aid	Starting Date	End Date
	Netherlands Red Cross	Health services improvement through the essential drugs supply to the PHC health facilities and training of health staff and preventive health through Community Based First Aid (CBFA) Training	\$460,112	Grant	Jun-2006	Jul-2007
	Merlin	Infectious disease prevention and control	\$500,036	Grant	Apr-2006	Mar-2007
	PSF	Providing constant access of population to qualitative health services	\$2,211,072	Grant	May-2006	Apr-2007
	Action Against Hunger	The program of treatment of malnutrition to reduce morbidity and mortality caused by severe malnutrition among children under 5 in Khatlon oblast	\$789,669	Grant	May-2006	Apr-2007
	WHO	Strengthening disaster preparedness plan for health services	\$200,000	Grant	Apr-2006	Apr-2007
Global Alliance for Vaccines and Immunization (GAVI)	Republican Center for Immunoprophylaxis, MoH	Immunization Services Support	\$100,000	Grant	Oct-2004	Oct-2006
	Republican Center for Immunoprophylaxis, MoH	Injection Safety Support	\$268,000	Grant	Oct-2004	Jun-2006
Global Fund	UNDP	Malaria Control in Tajikistan	\$2,772,000	Grant	Apr-2006	Mar-2008
	UNDP	Reducing the Burden of HIV/AIDS in Tajikistan	N/A	Grant	Jan-2005	Dec-2009
	Project HOPE (Principal Recipient).	Support to the National Program to Fight Tuberculosis (Round 3)	\$2,269,178	Grant	Nov-2004	Oct-2008

Donor Agency	Implementing Agency	Project Name	Amount	Type of Aid	Starting Date	End Date
	UNDP	Support to the Strategic Plan of the National Response to the HIV/AIDS epidemics in prevention activities among Intravenous Drug User, commercial sex workers and youth and envisaging blood safety in Tajikistan	\$2,425,245	Grant	May-2003	Apr-2006
	WHO	Technical assistance on TB	\$20,000	Grant	Jan-2006	Dec-2007
Government of Germany (KfW Development Bank (KfW Entwicklungs-bank))	Ministry of Health of the Republic of Tajikistan	Tuberculosis Control Programme	\$3,328,858	Grant	Aug-2006	Aug-2009
Government of Great Britain	Operation Mercy	Preventive measures against drug addiction, HIV/AIDS and sexually transmitted diseases	\$4,119	Grant	Jan-2006	May-2006
Government of Italy	WHO	Mother and Child	\$130,000	Grant	Jan-2006	Dec-2007
	COOPI (Cooperazione Internazionale)	Enhancement of the hydro and socio-sanitary conditions in Jomi', Gozimalik and Vose' district - Kathlon Oblast-Tajikistan	\$952,787 (8.9 percent in hygienic campaigns = \$104,309)	Grant	Apr-2004	Sep-2007
Government of Japan	JICA	Assurance of Food Safety and Quality Control (training in Japan)	\$28,350	Grant	Aug-2006	Dec-2006
	JICA	Equipment Supply Program for the Expanded Programme on Immunization (EPI)	\$253,000	Grant	2004	2009
	JICA	Equipment Supply Program for Maternal and Child Health	\$127,000	Grant	2004	2008
	JICA	Maternal and Child Health Support Project (training course held in Japan)	\$121,000	Grant	2005	2010

Donor Agency	Implementing Agency	Project Name	Amount	Type of Aid	Starting Date	End Date
	JICA	Project for the Improvement of Medical Equipment in Diakov Hospital	\$4,400,000	Grant	Apr-2005	Apr-2006
	Association for Aid and Relief, Japan (AAR)	Project for the Capacity Building of the Federations of Disabled Peoples in Tajikobod District and Jirgatol District	\$55,618	Grant	Feb-2006	Sep-2006
	Association for Aid and Relief, Japan (AAR)	Provision of Medical Equipment to the Health Center of Nurobod District	\$41,535	Grant	Mar-2006	Sep-2006
	JICA	Seminar on Emergency/ Disaster Medicine (training in Japan)	\$12,370	Grant	Nov-2006	Dec-2006
	JICA	Training Course for Health Futurist- Development of Global health Officer (training in Japan)	\$26,810	Grant	Sep-2006	Oct-2006
Government of Netherlands (Oxfam NOVIB)	AIDS Foundation East West (AFEW)	AFEW 2006-2009	\$638,910	Grant	Jul-2006	Jun-2009
Government of Netherlands (Netherlands School of Public and Occupational Health - NSPOH)	Tajik Family Planning Alliance	"Service to people": Safe motherhood and promoting sexual and reproductive health and rights in rural areas of Kazakhstan, Kyrgyzstan and Tajikistan	\$43,000	Grant	Jan-2006	Dec-2006
Global Partners	Global Partners	Family Medicine trainings of trainers program	\$10,000 + yearly salaries of 2 GP physicians	Grant	May-2005	Jun-2006
Government of the Islamic Republic of Iran	Imam Khomeini Relief Foundation	Health Care Unit	\$100,000	Grant	Jan-2006	Dec-2006
GlaxoSmith-Kline plc	Save the Children US	Personal Hygiene and Sanitation Education (PHASE)	\$500,000	Grant	Mar-2006	Feb-2008

Donor Agency	Implementing Agency	Project Name	Amount	Type of Aid	Starting Date	End Date
International Committee of Red Cross (ICRC)	Tajik Red Crescent Society (TJRCS)	Orthopedic Centre	N/A	Grant	Mar-1999	N/A
Islamic Development Bank	OPEC Fund	Construction and Equipping of Dangara General Hospital	\$10,505,000	Loan	May-2005	Dec-2009
International Federation of Red Cross and Red Crescent Societies	Iranian Red Crescent Society in Tajikistan and RCST	Polyclinic	\$100,000	Grant	Jan-2006	Dec-2006
Swedish Red Cross, Norwegian Red Cross, DFID	RCST	Community Based First Aid	\$28,565	Grant	Jan-2006	Dec-2006
Swedish Red Cross, Norwegian Red Cross	RCST	HIV/AIDS	\$45,850	Grant	Jan-2006	Dec-2006
		Water and Sanitation	\$85,676	Grant	Jan-2006	Dec-2006
International Planned Parenthood Federation European Network	Tajik Family Planning Alliance	Abortion	\$20,000	Grant	Jan-2006	Dec-2006
	Tajik Family Planning Alliance	Access	\$20,000	Grant	Jan-2006	Dec-2006
	Tajik Family Planning Alliance	Adolescents	\$20,000	Grant	Jan-2006	Dec-2006
	Tajik Family Planning Alliance	HIV/AIDS	\$20,000	Grant	Jan-2006	Dec-2006
OSCE	NGO "Bonuvoni Khatlon" (Qurghan Teppa), NGO "Darmonbaksh" (Jillikul), NGO "Garm Development Centre" (Garm), NGO "Marifat" (Khuroson), NGO "Mehrubon" (Kabodion), NGO "Mohi Munir" (Kumsangir), NGO "Najoti kudakon" (Kulob), NGO "Oksana" (Kolkhozobod), NGO "Women against violence" (Istaravshan)	Supporting and strengthening the Women Resource Centres-2006	\$67,661	Grant	Feb-2006	Nov-2006

Donor Agency	Implementing Agency	Project Name	Amount	Type of Aid	Starting Date	End Date
OSI	Tajik Institution Subsidiary "Open Society"-Cooperation Fund	Public Health Program	\$560,000	Grant	Jan-2006	Dec-2008
OXFAM Netherlands	Tajik Family Planning Alliance	Community Based Health- Ferghana Valley	\$20,000	Grant	Jan-2006	Dec-2006
SDC	Aga Khan Health Services	Community Health Project	\$896,000	Grant	Sep-2006	Jun-2009
	Aga Khan Health Services	Health Component of the Project "Social Development in Eastern and South Eastern Tajikistan" phase 3	\$632,000	Grant	May-2004	Dec-2006
	International unit of the Ministry of Health	Health Policy Dialogue Project to Support the Ministry of Health	\$13,600	Grant	Apr-2003	Dec-2006
	Council on Health Research for Development (COHRED)	Strengthening Health Research Capacities in Support of Health Sector Reform	\$128,000	Grant	Sep-2003	Dec-2006
	N/A	Support the Library of the Tajik State Medical University	\$154,000	Grant	Jan-2006	May-2007
	The Swiss Center for International Health (SCIH) of the Swiss Tropical Institute (STI)	Tajik-Swiss Health Reform and Family Medicine Support Project (Project SINO) - 1st phase	\$3,280,000	Grant	Apr-2003	Mar-2006
	The Swiss Center for International Health (SCIH) of the Swiss Tropical Institute (STI)	Tajik-Swiss Health Reform and Family Medicine Support Project (Project SINO) - 2nd phase	\$3,200,000	Grant	Apr-2006	Mar-2009
	World Bank Health Project Implementation Unit	World Bank Community and Basic Health Project (co-Funding mechanism)	\$1,300,000	Grant	Jul-2006	Dec-2009
SIDA	USAID; SDC; Project Sino; WHO; UNICEF; ADB; Mercy corps; AKF; ACTED	Community and Basic Health Project	\$6,860,000 (out of a global amount of \$17.2 million)	Grant	Jun-2006	Apr-2010

Donor Agency	Implementing Agency	Project Name	Amount	Type of Aid	Starting Date	End Date
	ACTED, AKF, Mercy Corps	Strengthening Primary Health Care services and Outreach (Component C2 of Community and Basic Health project)	\$4,290,000 (out of a total contribution of \$6.86 million in a global project of \$17.2 million)	Grant	Nov-2006	Apr-2010
UNAIDS	U.N. Agencies, Tajik Red Crescent, national partners from Government sector, NGOs	U.N. joint advocacy project on HIV/AIDS in Tajikistan	\$410,294	Grant	Jan-2006	Dec-2006
UNFPA	UNFPA	Enhanced availability of quality and gender sensitive reproductive health services - Maternal Health	\$410,963	Grant	Jan-2006	Dec-2006
		Enhanced awareness and understanding of adolescents of their sexual and reproductive health needs and rights	\$136,520	Grant	Jan-2006	Dec-2006
		Establishment of monitoring and evaluation system to ensure more effective reproductive healthcare for all persons particularly the poor	\$40,120	Grant	Jan-2006	Dec-2006
		Increased availability of reliable, sex and age disaggregated reproductive health data	\$61,777	Grant	Jan-2006	Dec-2006
UNICEF	Ministry of Health and Oblast/ Rayon Health Departments	Early Childhood Development/Nutrition	\$2,156,500	Grant	Jan-2005	Dec-2009
	Ministry of Health and Oblast/ Rayon Immunoprophylaxis centers / health institutions	Expanded Programme of Immunization (EPI)-PLUS	\$924,800	Grant	Jan-2005	Dec-2009

Donor Agency	Implementing Agency	Project Name	Amount	Type of Aid	Starting Date	End Date
	MoEd, MoH, NGOs (Zukhra), Youth Committee	Young people's healthy development and HIV\ AIDS & young people 's participation	\$1,177,370	Grant	Jan-2006	Dec-2009
UNWFP	Action Against Hunger	Supplementary Feeding of Malnourished Children	\$396,455	Grant	Dec-2006	Dec-2007
	National (Republican) Tuberculosis Center, Project Sino, Project Hope	Support to Tuberculosis patients undergoing DOTS treatment and families	\$2,657,471	Grant	Jan-2006	Dec-2007
	National (Republican) Nutrition Center and Action Against Hunger	Therapeutic Feeding of Malnourished Children and their Mothers in Centers	\$14,485	Grant	Jan-2006	Dec-2007
USAID	John Snow International	E&E Regional Family Planning Program	\$30,000	Grant	Oct-2006	Sep-2009
	Project HOPE	Healthy Family	\$8,367,586	Grant	Sep-2002	Jun-2008
	N/A	Quality Public Health & Primary Health Care (Zdrav Plus)	\$4,074,555	Grant	Jan-2005	Jan-2010
	The CAPACITY consortium consists of John Snow International Research & Training Institute, Inc. (JSI) serving as prime, Abt Associates, Inc., International HIV/AIDS Alliance, Population Services International (PSI), Boston University, and Howard University	The CAPACITY Project	\$1,955,532	Grant	Sep-2004	Sep-2009
	U.S. Centers for Disease Control and Prevention	Public Health Program, Central Asian Republics	\$1,200,000	Grant	Sep-2006	Sep-2009
	Project HOPE	TB Control Program for the Central Asia Region	\$2,863,014	Grant	Apr-2004	Mar-2009

Donor Agency	Implementing Agency	Project Name	Amount	Type of Aid	Starting Date	End Date
	Development Associates International (DAI)	Stop Avian Influenza Program	\$99,989	Grant	Oct-2006	Nov-2007
World Bank	Regional Project Management Unit on behalf of Central Asian Cooperation Organization	AIDS control project in Central Asia	\$2,125,000	Grant	May-2006	Jun-2010
	WB PIU at the MoH	Community and Basic Health Project	\$17,000,000	Grant	Apr-2004	May-2010
WHO	WHO	Biennium Collaboration Agreement between the Ministry of Health of the Republic of Tajikistan and the World Health Organization for 2006-2007	\$727,000	Grant	Jan-2006	Dec-2007
WHO	Ministry of Health	Stop TB / GDF Global Fund Facilities	\$955,000	Grant	Sep-2003	Dec-2009

ANNEX 3

A. Sectoral coordination groups in Tajikistan:

Group name	Chair	Members/ Attendees	Frequency of meetings	Main issues	Government involvement	Remarks
Principals Group	U.K. HMA current chair	Ambassadors	Monthly	High level Policy issues	No	
Donor Coordination Council		Donors (bilateral and multilateral)	Once every two months		No	
Agriculture	ADB	WB, EC, EBRD, SDC, USAID, Sida	Ad-hoc			Inactive
DCC-Government Working Group on Structural and Land Reforms	ADB	Legal Office of the President Land Agency (ALMGC) Ministry of Justice Ministry of Water Resources Ministry of Economic Development and Trade Ministry of Agriculture State Investment Committee ADB FAO Sida/Land Survey of Sweden USAID World Bank		review specific issues related to the land and irrigation sectors and to draft the nec- essary legal and regulator framework for implementa- tion of the various related strategies and policies.	Yes, Min. Agriculture	Technical working group

Group name	Chair	Members/ Attendees	Frequency of meetings	Main issues	Government involvement	Remarks
DCC-GoT Working Group on Access to Finance	National Bank of Taj.	National Bank of Tajikistan (Chairman of the WG) Ministry of Agriculture Ministry of Finances Ministry of Justice State Invest. Committee Head of Banking Association ADB USAID World Bank EC EBRD IFC Frankfurt School (EBRD/TAFF consul- tant)		review specific issues related to access to finance and to draft the nec- essary legal and regulatory frameworks for implemen- tation of the various related strategies and policies.	Yes, Min. of Finance	Technical working group
Food security	WFP, FAO	ECHO, INGOs	Bi-weekly		Yes, but rarely attend	
Logistics cluster	WFP	U.N. Agencies, INGOs,	Bi-weekly/ monthly		Yes, as part of REACT	
Water and Sanitation clus- ter	UNICEF	U.N. Agencies, INGOs, IFRC, MoH, Vodokanal	Bi-weekly (weekly dur- ing emer- gency)	Water supply, hygiene, sani- tation	Yes, as part of REACT, (MOH, Vodokanal)	

Group name	Chair	Members/ Attendees	Frequency of meetings	Main issues	Government involvement	Remarks
REACT	CoES and UNDP	Government (CoES), agencies, INGOs, donors	(weekly during emergency)	Emergency response	Yes, CoES	
Health cluster	WHO	WHO, UNICEF, OXFAM, ACTED, CARE, SDC, MTA and USAID	Monthly (weekly during emergency)	Health sector emergency response	Ministry of Health	
INGO Forum	Rotating between	INGOs (chair rotating)	Monthly	Coordination, admin, legal issues	No	
Education cluster	UNICEF	UNICEF, Save - co-chairs U.N. agencies, INGOs, donors (incl. WB, USAID, DFID, GTZ)	Bi-weekly (weekly during emergency)	Education sector emergency response	Yes, but rarely attend	
Education donor coordination group	UNICEF	UNICEF chair OSI, Save, INGOs		Aid to Education sector	No	
NFIs/Shelter cluster	IFRC - UNHCR	U.N. agencies, INGOs, IFRC	Biweekly (weekly during emergency)	Sector emergency response	Yes, as part of REACT	
Local Government	UNDP	UN, Donors, INGOs	Monthly (not happening for the last 6 months)	Coordination of central and field level assistance	No, but considering	
Land reform	FAO/Land Agency	Donors, FAO, some INGOs	Monthly		Yes	Rarely meeting
Human rights	OSCE	Donors, U.N. agencies, few INGOs	Monthly	Human rights, rule of law, refugee, etc.	No	
Anticorruption (informal)	SIDA/UNDP	IMF, WB, UNODC, US Emb. German Emb. EBRD, Donors, INGOs, U.N. agencies	Ad-hoc	Anticorruption and liaison with government	Yes	
Private Sector Development/ Business Enabling Environment coordination group	State Invest. Committee	IFC, WB, ADB, DFID, USAID	Monthly	Implementation of PSD strategy; harmonisation of donor aid to the sector;	Yes	

Group name	Chair	Members/ Attendees	Frequency of meetings	Main issues	Government involvement	Remarks
Disaster Risk Reduction	SDC	GTZ, SDC, UNDP, INGOs working on DRR	Monthly	DRR	No	Inactive
Gender Theme Group	UNIFEM	U.N. agencies, OSCE, some donors, INGOs	Monthly	Gender issues, No mainstreaming, training	No	
Coordination group for Judicial/Court reforms	ABA	ABA, OSI, SDC, UNISEF, US Embassy, UNHCHR.	Weekly	Judicial reform programmes	No	

B. Government-led donor coordination groups

Group/Body name	Issues	Government lead	Donors' representation
Aid Coordination Unit	Overall aid coordination; aid flows database, aid statistics	State Investment Committee	Yes
Dept for Monitoring of National and Regional Development Programmes (MOEDT)	Monitoring of PRS and NDS implementation and regional development programmes	Ministry of Economic Development and Trade	Yes
Independent Committee for farm debt resolution	Implementation of farm debt resolution mechanism as per the Action Plan and decree 111	State Economic Advisor/ Deputy PM	Yes
National Committee on HIV AIDS, malaria and TB (with five technical working groups)	Global Fund, AIDS projects, etc.	Deputy Prime Minister	Yes
Coordination Council on Drug Abuse Prevention	Drug demand reduction	State Drug Control Agency Meets once per quarter	OSI, AFEW, Bomka Cadap, UNODC, Ministries
Public Finance Management Council	PFM	MOF	Yes

ANNEX 4

A. National goals and priorities of NDS

The following national goal was set for the country's long-term development: "to strengthen social and political stability and to achieve the economic prosperity and social well-being of the people of Tajikistan in an environment shaped by the supremacy of the principles of a market economy, freedom, human dignity and equal opportunities for each person to realize his/her potential."³⁰

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

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

- "1. Reform of public administration with a view to creating a national development system in the country, the principal features of which are transparency, accountability and a focus on combating corruption;
2. Development of the private sector and attraction of investments, based on the expansion of economic freedoms, strengthening property rights and the rule of law, and development of public-private partnerships;
3. Development of human potential aimed primarily at increasing the quantity and quality of social services for the poor and achieving the MDGs, expanding public participation in the development process and strengthening social partnerships."³¹

As for the health sector, the four long term priorities defined by NDS are:

1. Reform of the health care system, including development of the private sector and attraction of investment;
2. Improvement of maternal and child health
3. A significant slowdown in the spread of HIV/AIDS, a reduction in infectious diseases and the eradication of certain infections that can be controlled by vaccination;
4. Improved availability, quality and effectiveness of medical services.³²

Although these priorities are embedded in the NDS, their implementation still requires international assistance.

B. PRS Health Sector Priorities

The Strategy defines four medium-term priorities for the health sector:

1. Implement health care system reforms emphasizing improvements in funding and administration mechanisms, increased performance of the primary health care system, and promoting private sector participation;
2. Improve medical services for mothers and children and reduce maternal and child mortality rates;
3. Combat the spread of HIV/AIDS, reduce the rates of infectious diseases and of certain vaccine-controlled diseases;
4. Improve the human capacity of medical staff, and provide better materials and equipment for medical institutions; ensure the availability of sufficient amounts of quality medicines.

These medium term priorities of PRS follow the long term ones of the National Development Strategy add-

ing monitoring indicators and coherent objectives in the way of achieving those outputs.³³

C. Financial Needs for the Millennium Development Goals

Global Cost for MDGs: On a global level, the cost of meeting the MDGs in all countries is in the order of \$121 billion in 2006 rising to \$189 billion in 2015, and the total cost for supporting the MDG financing gap for every low-income country would be US \$73 billion in 2006, rising to \$135 billion in 2015³⁴. The ratio of Official Development Assistance (ODA) to donor GDP should increase from the current level of 0.2 to 0.5 percent³⁵ of GDP or above, roughly double the current level. For low income countries, the costs of achieving the MDGs will need to be split roughly evenly between domestic funding and international contributions.

Tajikistan MDG costs: The total estimated cost for achieving the key MDGs targets by 2015 in food security, gender, education, health, water and sanitation and environment was estimated in the order of \$12.98 billion. The per capita cost of meeting the above MDGs targets is on the order of \$119.4 in 2005 rising to \$186.9 in 2015.

Financing under Baseline Reform Scenario: The baseline reform scenario assumes that there will be no significant improvements in Tajikistan's economic, institutional and structural environments; that there will be a modest increase in government spending on MDG priorities; and that the total amount of aid will remain unchanged over time. Under this scenario a) GDP growth stays at 5 percent; b) tax collections will increase to 19 percent of GDP by 2015; and c) government expenditure for MDG-related investments will remain at 31 percent of the total budget. Based on these assumptions, the government expenditures for

covering the MDG investments will be on the order of \$1.5 billion, or 12 percent of total MDG costs. The estimated total private contributions will be on the order of US \$ 5.7 billion, or 44 percent of total MDG costs, and the total donor contributions will be on the order of \$1.1 billion, or 9 percent of total MDG costs. In this case, the amount of **additional financing** needed will be on the order of \$4.7 billion, which is 36 percent of total MDG costs.

Assumptions under High Growth Scenario: The high-growth scenario assumes that the government will accelerate the economic, institutional and structural reforms discussed in Key Institutional and Structural Reforms. Small and transparent government, created through public administration reform, will be able to develop sound policy and budget frameworks that are aligned with MDG priorities, and will effectively deliver quality social services. Tax and legal reforms will remove all administrative barriers and burdens that impede the growth of the private sector, and create a favorable business climate for developing SMEs and for attracting much-needed foreign investment. These reforms, coupled with effective reforms in public utilities, agriculture and social sectors, will result in improved macroeconomic performance and increased government revenues. Under the high-growth reform scenario a) GDP growth stays at the level of 7 percent during the period of 2007-2015³⁶; b) tax collections will increase from the current level of 15 percent of GDP to 24 percent by 2015; and c) the government will re-channel 50 percent of state expenditures into financing MDG investments by 2015.³⁷

Financing under High Growth Scenario: Based on high growth scenario, the government will be able release additional \$2.4 billion for the MDG investments, covering \$3.9 billion, or 30 percent of the total MDG costs, assuming that private contributions increase to \$5.8

Table A.1: Total cost of MDGs

	Unit	Projected for 2005	Projected for 2010	Projected for 2015	Total for 2005- 2015
Food security	USD, millions	482.6	560.0	683.1	6249.9
<i>Per capita</i>	USD	69.9	73.5	81.2	74.1
Education	USD, millions	88.9	157.2	241.7	1,765.8
<i>Per capita</i>	USD	12.9	20.6	28.7	20.7
Health	USD, millions	165.6	339.2	497.7	3,587.1
<i>Per capita</i>	USD	24.0	43.6	59.1	42.2
Water	USD, millions	78.7	90.4	103.4	998.3
<i>Per capita</i>	USD	11.4	11.9	12.3	11.9
Gender	USD, millions	5.8	10.3	16.9	115.6
<i>Per capita</i>	USD	0.8	1.3	2.0	1.3
Environment	USD, millions	2.9	27.4	25.1	260.3
<i>Per capita</i>	USD	0.4	4.0	3.6	3.4
Total	USD, millions	825	1176	1568	12,977
Per capita	USD	119.4	154.9	186.9	153.6

Source: MDG Needs Assessment Estimates

Table A.2: MDG financing framework - baseline scenario (2005-15)

MDG Sector	Total Needs	State Budget Input			Private Sector Input			Foreign Aid			Financing Gap		
		USD mln	As % of total needs	As % of GDP	USD mln	As % of total needs	As % of GDP	USD mln	As % of total needs	As % of GDP	USD mln	As % of total needs	As % of GDP
Food security	6,250	134	2	0	4,344	70	14	266	4	1	1,505	24	6
Education	1,766	1048	59	3	140	8	0	265	15	1	313	18	1
Health	3,587	260	7	1	908	25	3	440	12	0	1,979	55	5
Water	998	33	3	0	286	29	1	85	9	0	595	60	2
Gender	116	0	0	0	0	0	0	37	32	0	78	68	0
Environment	260	24	9	0	0	0	0	44	17	0	192	74	0
Total	12,977	1,500	12	4	5,677	44	16	1,137	9	3	4,663	36	14

Source: MDG Needs Assessment Team Estimates, 2005

billion, or 45 percent, and donor contributions stay at the same level as in the baseline scenario. In this case, the amount of additional financing needed will

be on the order of \$2.1 billion, or 16 percent of total MDG costs.

TableA.3: MDG financing framework - high growth scenario (total 2005-2015)

MDG Sector	Total Needs	State Budget Input			Private Sector Input			Foreign Aid			Financing Gap		
	USD mil-lions	USD mil-lions	As % of total needs	As % of GDP	USD mil-lions	As % of total needs	As % of GDP	USD mil-lions	As % of total needs	As % of GDP	USD mil-lions	As % of total needs	As % of GDP
Food security	6,250	617	10	2	4,344	70	11	266	4	1	1,023	16	3
Education	1,766	1,438	81	4	159	9	0	265	15	1	no gap	no gap	0
Health	3,587	1,232	34	3	1,037	29	3	440	12	0	878	24	2
Water	998	443	44	1	286	29	1	85	8	0	185	19	0
Gender	116	72	63	0	0	0	0	37	32	0	6	5	0
Environment	260	84	32	0	0	0	0	44	17	0	133	51	0
Total	12,977	3,886	30	1	5,826	45	15	1,137	9	3	2,129	16	5

Source: MDG Needs Assessment Team estimates, 2005

Table A.4: State budget and MDGs (high growth scenario):

	2005	2010	2015	2005-2015
Nominal GDP (TJS, millions)	7,047	12,733	22,793	149,686
TJS USD rate	2,237	3,424	5,437	39,382
Gov Revenues (TJS, millions)	1,318	3,400	6,086	37,956
Gov Revenues (USD, millions)	418.36	914.30	1,451.73	9,919
Total Revenues as % of GDP	18.7	26.7	26.7	24.5
Tax collection as % of GDP	16.0	24.0	24.0	21.8
Budget increment due tax reform (TJS, millions)	10.54	299.17	535.53	2915
Gov expenditures (TJS, millions)	1291	3400	6,086	37,040
Gov expenditures (USD, millions)	412.26	914.30	1,451.73	9,662
As % of GDP	18.4	26.7	26.7	23.7
MDG related expenses	403.77	1,700.3	3,042.8	17,596
As % of GDP	5.73	13.4	13.4	10.8
As % of State Budget	31.3	50.0	50	44.9

Source: MDG Needs Assessment Team estimates, 2005

Donor Assistance: The amount of donor contributions toward financing the MDG costs will largely depend on the commitment of the government of Tajikistan to see through the economic, institutional, and structural reforms. Assuming that the country reaches the high growth scenario, additional ODA support will be needed to cover 16 percent of the total MDG costs, or

\$ 2.1 billion. This would mean that the total amount of MDG-focused ODA support should increase from the present levels of \$ 1.14 billion to US \$3.26 billion by 2015, an increase of US \$193 million annually (in addition to the present levels of MDG-focused ODA amounting to \$ 103.4 million annually).

Table A.5: Notional donor financing for MDGs

MDG Sector	ODA as present				ODA-MDG focused				
	Total needs	54.9% of ODA is MDG oriented	Total aid needed	Suggested increase in aid (Financing gap)	Suggested increase in aid	70% of ODA is MDG oriented	Total aid needed	Suggested increase in aid (Financing gap)	Suggested increase in aid
	USD millions	USD millions	USD millions	USD millions	%	USD millions	USD millions	USD millions	%
Food security	6,250	26	1,289	1,023	384.0	360	1,289	929	258.0
Education	1,766	265	169	no gap	no gap	265	169	no gap	no gap
Health	3,587	440	1,318	878	159.5	581	1,318	737	126.7
Water	998	85	269	185	218.1	129	269	141	109.5
Gender	116	37	43	6	17.1	37	43	6	17.1
Environment	260	44	177	133	300.1	77	177	100	129.7
Total	12,977	1,137	3,265	2,129	187.3	1,448	3,265	1,817	125.5

Source: MDG Needs Assessment Estimates, 2005

As Table A.5 shows, nutrition and food security require the largest share of ODA support, followed by health, and water and sanitation. On the other hand, no additional donor investments will be needed for the education and gender sectors. Even with the government allocating 50 percent of the budget by 2015 to the MDG related expenditures, assuming that aid priorities stay the same and donors channel 55 percent of the total ODA to MDG interventions, the remaining 16 percent (or \$ 2.1 billion) of the total MDG expenses still require an additional \$ 193 million annually. Under this scenario, the total amount of MDG-focused ODA should increase by 187 percent by 2015. However, if donors allocate 70 percent of the existing ODA to cover MDG interventions, the amount of additional financing needed stands at \$ 1.8 billion, or \$ 165 million annually. In this case, the total amount of MDG-focused ODA should increase by 125.5 percent by 2015.³⁸

It is important to note the MDG targets are all inter-linked and thus one MDG has the potential to posi-

tively affect attainment of the other MDG targets, which can ultimately lead to a reduction in the overall costing. Sound macroeconomic policies, an effective legal system that can enforce laws and regulations, financial accountability, good governance and strong institutions have a critical bearing on the cost of improving development outcomes.

Achieving advances in these areas will require additional financial investments and, to the extent that improvements are achieved in these areas, such investments could also lower the ultimate cost of meeting the MDGs. Since these important factors are not explicitly covered by the needs assessment, the actual MDG costs and financing gaps might be lower than presented in this study. Taking these considerations into account, if the MDG are to be achieved in Tajikistan, the amount of MDG-focused ODA should increase by at least twice the present level.

ANNEX 5

List of government officials met during the study

1. Mr. N. Buriev, Senior Adviser to the President on Economic Policy
2. Mr. F. Khamraliev, Chairman, State Committee on Investments and State Property Management
3. Mr. M. Saifiev, First Deputy Chairman, State Committee on Investments and State Property Management
4. Mr. Sh. Sohibov, Deputy Minister of Finance
5. Mr. E. Sanginov, Deputy Minister of Labor and Social Protection
6. Mr. O. Boboev, Deputy Minister of Transport and Communications
7. Mr. A. Sulaimonov, Deputy Minister of Energy and Industry
8. Mr. I. Kamoliddinov, Chief Expert, Department of Economic Reforms and Investments, Executive Office of the President
9. Mr. F. Khayokhojaev, Chief Expert, Department of Economic Reforms and Investments, Executive Office of the President
10. Mr. N. Hakimov, Chief Expert, Department of Economic Reforms and Investments, Executive Office of the President
11. Mr. D. Valiev, Head of Department, Ministry of Economic Development and Trade
12. Mr. F. Ismonov, Head of Department, Ministry of Education
13. Mr. S. Miraliev, Adviser to the Minister, Ministry of Health
14. Ms. D. Sodikova, Head of Department, Ministry of Health
15. Sh. Sharipov, Chief Expert, Ministry of Health

ENDNOTES

1. Fragmentation was computed using a Hirschmann-Herfindahl Index, See H. Kharas, "Trends and Issues in Development Aid", Wolfensohn Center for Development Working Paper 1, November 2007.
2. A Hodrick-Prescott filter was used to de-trend aid time series, and volatility calculated as the standard error from this procedure.
3. The Paris Declaration, endorsed on March 2, 2005, is an international agreement in which over one hundred Ministers, Heads of Agencies and other Senior Officials adhered and committed their countries and organizations to continue to increase effort in harmonization, alignment and managing aid for results with a set of monitorable actions and indicators.
4. OECD Development Co-operation Report 2005, p. 50-52
5. At present accountability requirements are often harder on development countries than donors, yet aid is more efficient when partner countries exercise strong and effective leadership over their development policies and strategies. This is why ownership—development countries exercise strong and effective leadership over their development policies and strategies—is the fundamental tenet underpinning the Paris Declaration.
6. OECD Development Co-operation Report 2005, p. 53
7. Matin Kholmatov, CAREC CAP progress report, 2008.
8. NDS of Tajikistan, 15-17 March, Dushanbe: p. 9
9. *Ibid.*
10. Poverty Reduction Strategy for 2007-2009
11. *Ibid.*
12. Investing in Sustainable Development: MDG Needs Assessment - Tajikistan, UNDP, Dushanbe, 2005.
13. *Ibid.*
14. *Ibid.*
15. *Externally Financed Projects in the Tajik Health Sector in 2006*, WHO, 2007.
16. Investing in Sustainable Development: MDG Needs Assessment - Tajikistan, UNDP, Dushanbe, 2005, p. 6
17. Investing in Sustainable Development: MDG Needs Assessment - Tajikistan, UNDP, Dushanbe, 2005.
18. See IMF-World Bank Joint DSA and Government debt management strategy .
19. Based on latest CPIA ratings and other indicators used by other multilateral development agencies in funding allocation decisions as well as all key debt distress indicators for Tajikistan that are already near or over acceptable thresholds.
20. Latest draft of Joint Country Support Strategy, DFID, 2007.
21. World Health Organization (2006). *Externally Financed Projects in the Tajik Health Sector in 2006*, Dushanbe.
22. Knack, Rahman "Donor Fragmentation and bureaucratic quality in Aid recipients."
23. See Homi Kharas "Trends and Issues in Development in Aid"
24. According to Aid Coordination and Project Management System (ACPMS) database, SCI
25. Based on meetings with Government officials. (See Annex 5 for List of officials met.)
26. Ministry of Transport and Communication data
27. Authors' assessment
28. Selected review of around 20 implementation reports of the largest TA projects and discussions with TA project implementers and beneficiaries. Authors' estimates. In order to get a more detailed assessment a separate study should be conducted as this is a time consuming endeavor requiring much background research. During the discussions of this report with the donor commu-

nity within the JCSS process (kindly organized by JCSS Secretariat), these figures were questioned by several donor agency representatives (mostly dealing with TA Grants) who expressed their concerns on accuracy and reliability of the figures. Authors agree that these observations can not be generalized, given large number of good TA projects, and that further analysis needs to be conducted to get solid evidence especially considering the variation in what a "satisfactory" project is due to donors and aid receivers using different criteria, and the different types of people measuring the progress and impact. The purpose of initial review was to get the opinion and perspective of aid recipients (as stated in the Terms of Reference for this Study).

29. Externally Financed Projects in the Tajik Health Sector in 2006, WHO and MOH Report, 2007
30. *National development Strategy for the Republic of Tajikistan for the period to 2015* of the Government of Tajikistan (Dushanbe, August 2006).
31. *Ibid.*
32. *National development Strategy for the Republic of Tajikistan for the period to 2015* of the Government of Tajikistan (Dushanbe, August 2006) p. 42
33. *Externally Financed Projects in the Tajik Health Sector in 2006*, WHO, 2007.
34. Millennium Project "Investing in Development: A Practical Plan to Achieve the Millennium Development Goals."
35. Taking into an account the needed investments in post-conflict reconstruction, infrastructure rehabilitation and climate change, the donors should commit to increase ODA to 0.7 percent of GNP.
36. According to the MDG assessment estimates, under the high-growth reform scenario projected GDP growth in 2005 is 9 percent, and will be 8 percent in 2006.
37. Assuming that the global market prices for cotton and aluminium remain favourable for Tajikistan.
38. At 2003 CG meeting donors pledged US \$930million for the period 2003-2005, and the actual disbursement as of September 2004 was US \$376 million (or 40.4percent of the total amount pledged). Assuming this tendency continues, at the end of 2005, about 60percent of the total amount pledge will have been disbursed. This means that about US \$300 million remains to be disbursed. If this amount was to be actually disbursed for MDG investments, and the Government was able to absorb this amount, then no additional financing will be needed for MDGs in the short-term.



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