

108. **The Bank Group has sought to strengthen its engagement with parliament, civil society organizations (CSOs), the media, and the private sector.** The aim of these efforts has been to strengthen implementation effectiveness by involving a broad array of stakeholders with a direct interest in the outcome of reforms, as well as to build awareness of the Bank Group's role in Tajikistan. IDA has involved local community groups in rehabilitating rural infrastructure in their communities and CSOs in the monitoring of distribution of winter wheat seeds and fertilizer to poor households. Implementation of reforms to the business-enabling environment has been carried out in consultation with the private sector. The design of the CPS itself has benefited from the input of a wide range of development partners (Box 4).

Box 4: Consultations on the Tajikistan CPS

In preparing the Tajikistan CPS, the Bank Group country team conducted a series of consultations with key stakeholders in central and local government, parliament, the private sector, civil society organizations and the media. Consultations were held during September 8-17, 2009, in the capital, Dushanbe, as well as in Kurgan Tyube, Khujand, and Khorog. Due to postponement of the CPS Board date from November 2009 to May 25, 2010, the second round of consultations was held with the government on December 2009 and February 2010 (on the Bank's involvement in hydropower development and the use of IDA crisis window) and with CSOs on March 31, 2010 (on the revised CPS).

Overall, consulted groups expressed strong support for the CPS objectives, and the proposed program and instruments. Government appreciated the emphasis on short-term initiatives to reduce the impact of the crisis and endorsed the proposed program and instruments, especially during the first two years. Government stakeholders also agreed on the proposed prioritization of agriculture, energy, private and financial sectors, and social sectors over the medium term. Development partners agreed with the overall strategy and its approach to governance and stressed the need to continue strengthening donor cooperation in the context of the JCPS. Parliament called for improved collaboration even at the project level. Stakeholders in civil society and the media expressed a preference for stronger transparency and accountability in the implementation of Bank-financed projects and closer involvement of non-governmental organizations in implementation, monitoring and evaluation through greater dissemination of information on WB activities in Tajikistan using various communication channels. They raised concerns about the development of Rogun hydropower and requested the Bank to work close with the government to ensure transparency of government operations and to improve investment climate, and be (Annex 2).

V. MANAGING RISKS

109. **Macroeconomic. Implementation of the CPS could be delayed by a slow recovery in Russia and other developed countries as well as by violation of the commitment to scale down the financing campaign for Rogun rehabilitation.** Under this scenario, external demand for Tajikistan's exports and migrant workers would continue to weaken and further delay economic recovery. Macroeconomic stability would be jeopardized if the government were to adopt an inappropriate policy framework to deal with a deteriorating situation. According to the IMF latest assessment, continued sale of the Rogun shares would undermine macroeconomic stability through reducing disposable incomes and liquidity access, and increase quasi-fiscal deficit associated with SOEs' subscription of the Rogun's equity shares. The Bank Group's program, especially budget support under the PDPG, could be brought into question.

Response: The Bank Group will work closely with the IMF in the context of the ECF program to help maintain macroeconomic stability. In addition, the Bank will closely

monitor macroeconomic developments and budget implementation in collaboration with the government. In case of unsatisfactory performance under the ECF program, the Bank Group will scale up investment projects aimed at reducing vulnerabilities in the social sector.

110. ***Delayed Reform. Weak government commitment to deeper reforms in productive sectors could delay reforms envisaged under the CPS program.*** As the impact of the crisis diminishes, the desire to implement difficult reforms may lessen in the face of strong resistance from vested interests. This would slow much needed progress in expanding productive capacity of agriculture, energy, and the private and financial sectors.

Response: The CPS has identified several steps to reduce the risk of delayed reform. First, CGAC implementation will help highlight governance constraints in key sectors and identify measures to address these constraints within Bank Group operations. Second, the new PDPG series could include, as prior actions for obtaining budget support, policy initiatives to reduce constraints to growth and poverty reduction. Under the previous PDPG operation, delivered in 2009, inclusion of such prior actions succeeded in accelerating policy reforms in agriculture and energy. Third, the Bank Group will collaborate closely with JCPS partners to encourage the government to renew its reform commitment. Finally, the CPS will concentrate on additional financing of ongoing investment operations that have demonstrated a strong track record of government commitment and development results.

111. ***Institutional capacity. Weak capacity and high turnover of key civil servants could slow CPS implementation.*** Institutional deficiencies, unless addressed, could significantly constrain the ability to formulate, implement and monitor the government's program at the national level. Such constraints would hamper the effectiveness of public service delivery, especially social services that are vital for achievement of the MDGs. Weak capacity at the project level could delay implementation of investments and exacerbate fiduciary risks, thus hindering the achievement of expected CPS results.

Response: The CPS will emphasize follow-on investments in areas where prior operations have yielded tangible results, building on capacity improvements that are already underway. The Governance Checklist outlined in the CGAC strategy (Annex 4) will be applied at the project design stage and again during mid-stream reviews in order to ensure that individual projects address institutional capacity requirements and individual technical capacity needs, and that sufficient funding is allocated for this purpose.

112. ***Geo-political. The deteriorating security situation in Afghanistan and Pakistan could result in an influx of refugees to Tajikistan.*** A surge of Afghan refugees would place a heavy economic burden on Tajikistan and pose significant social problems, particularly in the context of a global economic crisis. A security crisis on its periphery could lead the government to divert attention away from its development agenda and reallocate resources at the expense of its own population, a situation that could quickly lead to tensions within its own borders.

Response: This risk can be mitigated by closely monitoring inter-regional developments, and adjusting the CPS implementation to these developments given the flexibility of CPS instruments proposed. In addition, the Bank will continue working closely with development partners in building donor and government's capacity in risk management, including the risks associated with disaster and emergency.