

# Tajikistan

<b>Status Index</b> (Democracy: 3.50 / Market economy: 3.39)		<b>3.45</b>	<b>Management Index</b>		<b>4.49</b>
<b>HDI</b>	0.652		<b>Population</b>		6.4 m
<b>GDP p. c. (\$, PPP)</b>	1,106		<b>Population growth<sup>1</sup></b>		2.2%
<b>Unemployment rate</b>	40% <sup>2</sup>		<b>Women in Parliament</b>		12.7%
<b>UN Education Index</b>	0.91		<b>Poverty<sup>3</sup></b>		60%
			<b>Gini Index</b>		32.6
Source: UNDP: Human Development Report 2005. Figures for 2003 – if not indicated otherwise. <sup>1</sup> Annual growth between 1975 and 2003. <sup>2</sup> CIA World Fact Book (2002 est.); <sup>3</sup> Population below national poverty line according to CIA World Fact Book (2004 est.)					

## A. Executive summary

Tajikistan began its transformation in 2000 from a weak departure point as a poor, post-conflict society. Progress in economic and political transformation of the last five years is mixed.

Stateness in Tajikistan has been strengthened during the period under review. President Rakhmonov has strengthened his role as a government leader and enhanced his steering capabilities. The country remains committed to the principles of a secular and democratic republic, and there is no political opposition to that goal. Tax revenues have increased in the last five years. The drive to maintain stability has had its costs and not facilitated political participation. The elections of 2000 and 2005, plus the referendum in 2003, which extended the number of terms for the president, were neither free nor fair. Civil society is practically nonexistent beyond communal or familial ties. Civil rights are weak and access to the justice system is restricted.

Tajikistan has pushed market reforms with disciplined fiscal and monetary policies. However, unexpected high inflation (16% in 2003, 8.5% in 2004) remains a problem. The year 2004 was the seventh consecutive year of economic expansion following the agreement that ended the civil war. GDP growth accelerated in 2003 to 10.2% from 9.1% in 2002. Despite these changes, the level of socioeconomic development is still lower than in 1990.

Tajikistan is dependent on cotton and aluminum exports (75% of all exports). Remittances from citizens working abroad and support by international donors remain an economic lifeline for the country. Mountainous parts of Tajikistan depend on food aid from international donors. The privatization of large enterprises has progressed very slowly as state control remains very high. The economy is large

even by post-Soviet standards. An estimated 80% of the population lives below the official poverty line. Large parts of the population depend on farming. However, privatization of land use is slow, and the gap between rural poor and rural elites is increasing quickly.

Tajikistan's political system is characterized by strong patronage networks, a high degree of informality and the executive branch's dominance over the legislative and judiciary. Despite persistent shortcomings, the institutional framework for democracy and market reforms has developed further in Tajikistan during the period under review. Tajikistan's dependence on international aid makes it more responsive to incentives for policy changes than other countries in the region.

## **B. History and characteristics of transformation**

Tajikistan was the least developed republic of the Soviet Union. It is a landlocked, mountainous country. Over 50% of its territory lies above 3000m, and its valleys are overpopulated. Only seven percent of the territory is inhabitable and feasible for agricultural use.. The northern Leninabad (Sogd) region is not accessible for nine months of the year. This creates significant obstacles to communication, social and economic integration. Tajikistan was highly dependent on the Soviet Union and received 40% of its budget subsidies from Moscow.

After the collapse of the Soviet Union in 1991, a disastrous civil war broke out in Tajikistan. A wide range of mainly domestic, but also external factors led to the outbreak of the conflict in 1992. Especially explosive were the sharp regional rivalries within the country. The break-up of the Soviet Union triggered a struggle for state power, fought between various fractions with changing alliances. The war started as a clash between ideologies: Communism versus radical Islamism, secularism versus Islamism; democracy/liberalism versus authoritarianism. It soon became apparent that the main fault lines between these fractions turned out to be regional affiliation.

The civil war hit its peak in 1992 and 1993. Between May and December 1992, an estimated 50,000 people were killed and approximately one tenth of the population was internally displaced. The Tajik government was led by Rakhmonov with strong regional support in Kulyab. The United Tajik Opposition (UTO), with strong regional support in the Gram valley in Badakhshan, emerged as the opposing force.

In 1997, after various rounds of negotiation under international mediation the government and the rebel United Tajik Opposition (UTO) signed a peace accord and created the National Reconciliation Commission. It comprised government and

opposition members and supervised the implementation of the peace accord. In 2000 the last meeting of the National Reconciliation Commission was held and a new bicameral parliament was set up in March. Thus, the peace process formally came to a successful end. Despite the peace accord, the overall situation in Tajikistan has remained difficult in many respects. Tajikistan has the poorest base of resources, the weakest infrastructure and has suffered the sharpest economic decline among the NIS. The economy shrank until 2000. Since then GDP has grown by 6% annually. Nevertheless, the level of socioeconomic development is still below the level of 1990. Tajikistan is one of the poorest countries in the world and faces tremendous developmental challenges. It needs the support of the international community to uphold its basic infrastructure and has become one of the main donor recipients. Another crucial source of income are the remittances from citizens working abroad (mainly in Russia), on which a growing part of the population depends.

Since 2000, President Rakhmonov has mainly invested in securing regime stability. The parliamentary elections of 2000 and 2005, the presidential election of 2000 and the referendum in 2003 (which allows President Rakhmonov to run for a second consecutive seven-year term when his current one ends in 2006) were neither fair nor free. International observers have voiced concern, and the OSCE stated that the February 27, 2005, elections in Tajikistan failed to meet many key OSCE standards on democratic elections.

However, the results of past and recent elections in Tajikistan have been tolerated by the international community, because Rakhmonov is seen as a guarantor of stability in a country that still seems vulnerable to internal cleavages and destabilization. The prospect for peace along its border has become more favourable since the end of the Taliban regime in Afghanistan.

The political system of Tajikistan is characterized by highly entrenched patron-client networks. Governance is exercised mainly by using informal channels. Civil society is still weak and hardly existent beyond the local level. Nevertheless, the institutional framework for democracy and market reforms is in place, and Tajikistan's dependence on international cooperation makes it responsive to incentives for policy changes.

## **C. Assessment**

### **1. Democracy**

#### **1.1. Stateness**

There has been significant progress in building stateness, and the central government promotes the notion of Tajik stateness very actively. However, functioning state structures are not extended throughout the territory and the state's monopoly on violence is only weakly institutionalized. Former opposition forces have partly retained their potential of organizing violence, and Tajikistan remains vulnerable to spillovers from Afghanistan.

All citizens formally have the same civil rights. However, people from the former opposition regions (Garm and Badakhshan) are often excluded from access to labor markets and governmental positions. Due to a re-traditionalization of society, women are increasingly marginalized and are often hindered in exercising their civil and social rights.

Tajikistan is a secular state, and the governing elite is eager to defend the secularity of the state against the perceived threat of attempts at Islamization by Muslim groups. The political process is secularized.

The state has a basic infrastructure in place. This includes administrative institutions, a fundamental administration of justice, making and implementing political decisions. However, this infrastructure is still weak, underfunded and does not reach the rural areas.

#### **1.2. Political participation**

Tajikistan has had no positive track record of democratic participation so far. The presidential elections of 1992 and 1997 and the parliamentary elections of 1995 took place during a period of state collapse and civil war and cannot be considered democratic. The parliamentary elections of 2000 were seen as having a stabilizing effect, contributing to reconciliation after the civil war. However, international observers were critical with regard to how fair and free these elections were. The presidential administration seems to have a great ability to manipulate the outcome of elections.

The executive's power to govern is undisputed. The president and the presidential apparatus are not restrained by veto actors. Influential actors that cannot be marginalized are co-opted in the patronage system headed by the president. The management of this system of patronage is quite delicate, however, and may lead to limiting the leeway of the president. The parliament is controlled by the executive.

There are considerable restrictions on rights to organize and communicate politically. Existing political parties are closely monitored by the executive. The most relevant oppositional party, the IRT (Islamic Renaissance of Tajikistan) is systematically harassed by the government. Its leaders are co-opted, marginalized or criminalized. Civic organizations can act only when they are supportive of the government. Freedom of assembly is not assured.

Tajikistan today lacks both the technical infrastructure and the political freedom for developing independent and free media. The public sphere is very weak. The mass media lacks infrastructure. Newspapers rarely circulate beyond the capital and the few larger towns; TV and radio do not reach the rural regions. In large parts of the country, electricity is not available. The media is vulnerable to intervention and self-censorship. One of the few independent and more reliable news sources is the externally sponsored media group ASIA-Plus.

### **1.3. Rule of law**

There are serious deficiencies in the checks and balances among the executive, legislative and judiciary branches, even though the powers are formally institutionally differentiated. There are serious indications that the executive branch influences decisions by the judiciary on a regular basis. The executive (that is, the president and its apparatus) also clearly dominates the legislative process.

Officials at all levels of the court system are influenced heavily by the political leadership. According to the constitution, the president has the right, with confirmation by the parliament, both to appoint and to dismiss the judges. Their term of office is limited to five years, thus not leaving much room for independence. Judges at the local, regional, and republic level are for the most part poorly trained and lack an understanding of the concept of an independent judiciary. In general, the court system is not trusted by the population, which tends to approach alternative authorities for settling disputes.

Political and bureaucratic corruption is perceived as very high in Tajikistan, encompassing all levels of the state bureaucracy. Corrupt office holders elude

adequate prosecution in most cases.

There is no large-scale, organized violation of civil rights on an everyday basis by the state. However, -civil rights are not guaranteed or enforced by the state, and there are violations in everyday practice. In particular, access to justice is rare and the citizens remain defenseless against state officials.

#### **1.4. Stability of democratic institutions**

Democratic institutions exist, and they are seen as legitimate by the population and by the political elite. The most important opposition party (Islamic Renaissance of Tajikistan) does not challenge the secular and democratic foundations of the Tajik Republic. The most serious threat for democratic stability stems from the executive, which is actively and successfully building a system of patronage networks, which work effectively within formal democratic structures, but not necessarily according to democratic rules. A second serious impediment is the structural weakness of the bureaucratic institutions, which makes implementation of legislation difficult.

The democratic institutions of the Tajik Republic are seen by all actors as the main guarantor for preserving the post-war stability. For the time being, there is no serious opposition to the principles of the political system. However, the IR of Tajikistan (Islamic Renaissance of Tajikistan) periodically threatens to withdraw from its participation in the government and engage in a more fundamental opposition. The overall acceptance of democratic principles does not shield the fact that in the everyday working of the state democratic behavior is often undermined by the dominance of the executive and the patrimonial structures that are pervasive in Tajikistan.

#### **1.5. Political and social integration**

The emerging Tajik party system consists of five parties: The Hizbi Demokrati-Khalkii Tojikston (People's Democratic Party of Tajikistan) is the presidential party and won 49 of 63 seats in the lower house of parliament after the election of February 2005. The Communist Party holds four seats. The Nahzati Islomi Tojikiston (Islamic Renaissance of Takikistan) has two seats. The Hizbi Demokrati (Democratic Party) and the Socialist Party are not represented. Eight seats are held by non-partisans. This system is not an organizationally stable, socially rooted party system. The leading parties are mostly regionally based, personality-oriented voting associations and lack nation-wide support. By far the most important party is the People's Democratic Party of Tajikistan, which is the presidential party. The recent elections of February 2005

have raised concern that the other parties do not really stand a fair chance, and are mainly tolerated because they serve as a democratic fig leaf.

A system of cooperative associations and interest groups that could link society and the political system is still by and large absent. Elements of a civil society are lacking, the party system is not socially embedded, and organized interest groups other than business groups are rare. An exception to this may be the quite colorful landscape of national and international non-governmental organizations. However, while they do have a tremendous impact on social life and development in many regions, it is doubtful that NGOs and INGOs are able to represent substantial parts of the population vis-à-vis the Tajik political system.

While the population's approval of democratic principles is high, its commitment to democratic practices is low. There is hardly any support for either socialist or Islamic political projects. However, every day life remains significantly influenced by patrimonial political practices, and opposition to this is very rare. Tajikistan has only just embarked on democratic transitions after a long period of socialism and civil war.

Self-organization of the population is highly developed within the village and within the extended family, but its scope and reach only very rarely transcends beyond the borders of the village. Within the village communities, self-organization is highly developed, mutual bonds of solidarity exist and are respected, and traditional, close-knit informal institutions exist that help communities to deal with everyday problems. Many international NGO support such village-based mobilization and promote village mobilization as a means for development. However, organizational capacities are confined to the village. There are almost no institutional links across villages or across regions. Beyond the villages and the extended family, Tajikistan is a fragmented and atomized society.

## **2. Market Economy**

### **2.1. Level of socioeconomic development**

The key indicators show a low level of socioeconomic development for Tajikistan. An estimated 80% of the population lives below the official poverty line. Tajikistan was the poorest among the Soviet republics and was heavily subsidized by Moscow. It has suffered more than from the collapse of the Soviet Union than the other republics, and the five years of civil war have destroyed much of the economic infrastructure. Today, Tajikistan is an underdeveloped low-income country with a GDP per capita below \$1,000. It is highly dependent on remittances from labor

migration (mainly to Russia) and from international donors. Large parts of the population depend on subsistence farming. The level of socioeconomic development is such that freedom of choice is unavailable for most citizens.

## **2.2. Organization of the market and competition**

The foundations of market-based competition are assured by the institutional framework. However, there are still many impediments to market-based competition. Government control over key sectors and large enterprises remains very high (electric energy, telecommunication, cotton and aluminum exports, transport and construction). Many of the enterprises in the construction, transport, communications and agricultural sectors are still largely state owned. Most of the labor force is still employed by the government. Prices have been only partly liberalized. The state subsidizes prices for energy, telecommunication and agricultural products. The national currency (Somoni) is not freely convertible and there are restrictions on cash exports. Foreign trade has been liberalized; however, Tajikistan's average tariff rate in 2003, the most recent year for which reliable data are available, was 8.3%. Customs corruption is the most significant non-tariff barrier. The informal economy is large even by post-soviet standards.

The state is still the main monopolist and effectively controls key sectors of the economy. Broad sectors of the economy defined as significant to national stability are shielded from competitive pressure. The state controls the export of cotton and aluminum, which is 75% of all exports. Tajikistan's foreign trade shows a moderate level of protectionism.

With respect to banking sector reforms, the internal restructuring of National Bank of Tajikistan has been completed and the government has also strengthened the function of the Monetary Policy Committee to guide monetary policy formulation and implementation. With the support of international development agencies, reforms in the banking sector have made progress. The restructuring of Agroinvestbank, the largest commercial bank, was delayed in 2003 and finally completed in March 2004. The National Bank of Tajikistan is expected to enhance the quality of its supervision of commercial banks to further strengthen the banking sector. Despite these efforts, the Economist Intelligence Unit reports that Tajikistan's banking system is weak and consists of the central bank and 16 commercial banks. Commercial banks have focused generally on providing credit from the central bank to state-owned enterprises in the agricultural and industrial sectors. The state controls most of the financial system's assets. Although in theory most banks are privatized (having been transformed into joint-stock companies), they are still closely controlled by the state through the shareholdings of state-owned enterprises. The banking system is largely



ineffective and increasing numbers of people conduct business—including financial activities—in the shadow economy. Only about 10% of the money supply filters through the banking system.

### **2.3. Currency and price stability**

Average inflation in 2003 was unexpectedly high at 16.4% (up from 12.2% in 2002), exceeding the 9.0% target set by the National Bank of Tajikistan. The year-on-year increase in December, however, was held to 13.8% due to better price performance in the last two months of the year. While price pressures from higher tariffs for electricity and gas introduced under the energy sector reforms had been expected, the increase in inflation stemmed from two unanticipated factors: the sharp increase in prices of imported grains and wheat flour caused by severe droughts in neighboring countries producing these commodities, and an unintended loosening of monetary policy that resulted in a steep 44.4% increase in the money supply.

In 2003, the focus of monetary policy was directed at maintaining a stable exchange rate against the dollar at the time of strong foreign exchange inflows resulting from good export performance and higher worker remittances. The focus of monetary policy has been reoriented to reduce inflation and improve liquidity management. The government has adopted a prudent fiscal policy with a goal of a balanced budget over the medium term. In 2003, there was a moderate surplus in the budget. Several reform measures have been undertaken to enhance tax collection, including broadening the application of the destination principle for VAT, revising the tax and customs codes, and strengthening tax administration, including the establishment of a modernization office to oversee the reform effort.

To keep external debt at a manageable level, it was agreed that the annual disbursement for the PIP (Public Investment Program), which is financed by external borrowing, will not exceed 3.0% of GDP. Moreover, no debt will be contracted on commercial terms. Nevertheless, Tajikistan's external debts amount to \$1 billion.

### **2.4. Private property**

Property rights and the regulation of the acquisition of property are defined formally in law. However, they are not consistently implemented and not adequately safeguarded by law. Protection of private property is weak in Tajikistan. According to the U.S. Department of State, "the constitution provides for an independent judiciary; however, in practice judges do not function independently of the executive branch and the judicial system is subject to the influence of executive authorities." The

process of privatization is not yet completed; progress has been made for small and medium enterprises, whereas large former state enterprises remain under state control, although some are formally organized as joint stock companies. In Tajikistan, all land is the property of the state and cannot be sold or used as collateral. Instead, people may receive heritable land shares for permanent use. All state farms, except for the seed producing and stockbreeding farms, should be converted to private farms by 2005. However, this process is very slow and often only superficially conceals the fact that the kolkhoz continues to operate under new names.

Small and medium enterprises alone are generally privatized, larger enterprises specifically in sectors seen as of strategic importance continue to operate either as state-owned or under tight state control.

## **2.5. Welfare regime**

Tajikistan's social security system hardly exists. Currently, the level of social security is still well below the level during the Soviet period. Pensions are extremely low, and health care is, where available, often dependent on international donors. There is almost no state support for the unemployed. Social security depends mainly on networks within the community and on family ties

Equality of opportunity is not fully assured. There are substantial differences from one region to another. People who come from regions of former opposition, Garm (Karategin) and Badakhshan, experience structural difficulties accessing labor markets in Dushanbe. Women suffer from the re-traditionalization of society and are increasingly marginalized in rural areas. However, international non-governmental organizations do provide a certain compensation by providing programs for women. Social stratification is likely to increase, as only small strata of the population will benefit from the liberal reforms. According to Freedom House, corruption is reportedly pervasive throughout the government. Barriers to private enterprise, including limited access to commercial real estate and the widespread practice of bribe payments, continue to restrict equality of opportunity.

## **2.6. Economic performance**

Tajikistan has experienced steady economic growth since 1997. However, the starting point of this growth was extremely low, given the fact that Tajikistan was the poorest Soviet republic and experienced a civil war between 1992 and 1997. GDP per capita today is still significantly lower than in 1990. Tajikistan remains a poor and underdeveloped country. It is ranked 117<sup>th</sup> in the Human Development Reports of

2002. Its economic situation remains fragile due to uneven implementation of structural reforms, weak governance, widespread unemployment, and the external debt burden, which has reached a staggering 6.5% of GDP by 2002.

## **2.7. Sustainability**

Tajikistan's economic policy is focused on medium-term economic growth. Ecological concerns are subordinate to growth efforts. Accordingly, ecological aspects are only rarely on the political agenda. Tajikistan has only a limited institutional base for environmental protection in both state and NGO settings. Uncontrolled usage of wood as heating materials in the more mountainous regions of Badakhshan and Murghab has set in as a consequence of the Soviet collapse and is cause for concern. The Soviet Union had provided coal and electricity even to remote regions. The uncontrolled usage of wood threatens to lead to erosion, with dire long-term consequences for farming and for the mountainous environment in general.

Tajikistan inherited an educational system from the Soviet Union with comparatively high standards that had brought access to education in remote areas of the country. Much of the human capital and infrastructure have been lost during the years of transition and civil wars. The international community has identified the education sector as a priority sector, and international donors are supporting the education system. Public expenditure on education is 2.4% for the period 1999–2003. Despite efforts by international donors and by the Tajik state it is to be expected that the education system, especially in rural areas, will continue to erode, and that gender inequality will increase.

## **3. Management**

### **3.1. Level of difficulty**

The level of difficulty of the transformation tasks faced by Tajikistan is high. The level of socioeconomic development is low. Tajikistan is a landlocked, resource poor country. Only about 4% of the country is arable, yet about 60% of the population depends on farming. Geographical conditions, mainly due to mountainous terrain, are difficult. The different regions of the country are linked only through weak and unreliable communication infrastructure.

Weak traditions of civil society and deficits in the rule of law and in governmental administration have an adverse impact on transformation to a market-based democracy. Mutual ties of solidarity as a basis for collective action exist only within

the village community and within the extended family. Beyond this, Tajikistan is an atomized and fragmented society.

There is a wide consensus among the political elite and all segments of society that the civil war was a national tragedy that must never happen again. Despite this consensus, Tajikistan remains a regionally divided society that has not yet developed institutions allowing a non-violent arbitration of conflicts between regions or religious groups. Tajikistan, which is predominately Sunni, has a considerably Shia-Ismaili minority.

### Profile of the Political System

Regime type: <i>Autocracy</i>	Constraints to executive authority: 3
	Latest parliamentary election: 27.02./13.03.2005
	Effective number of parties: 1.4
1. Head of Government: <i>Oqil Oqilov</i>	Cabinet duration: 02/00- present
	Parties in government: 1
	Number of ministries: 19
	Number of ministers: 31
<p>Source: BTI team, based upon information by country analysts, situation in July 2005. Constraints to executive authority (1-6 max.) measures the institutional constraints posed by a federal or decentralized state, a second parliamentary chamber, referenda, constitutional and judicial review and the rigidity of the constitution. For presidential/ semi-presidential systems, the geometric mean of presidential election and parliamentary election disproportionality is calculated. Effective number of parties denotes the number of parties represented in the legislature, taking into consideration their relative weight (Laakso/Taagepera index) = <math>1 / (\sum p_i^2)</math>; <math>p_i</math> is the share of parliamentary mandates controlled by party <math>i</math>. Number of ministries/ ministers denotes the situation on 1 January 2005.</p>	

### 3.2. Steering capability

The leadership of President Rakhmonov seems at the time being uncontested. The first long-term priority of today's leadership is undoubtedly aimed at further promoting and increasing post-war stability in Tajikistan while boosting economic development. While there are little doubts with regard to these priorities, the capacity of the government to pursue those strategic aims are hampered by the often delicate balancing of various patronage networks within the state apparatus.

Accordingly, much of Tajikistan politics since 2000 were mainly in the service of the construction of President Rakhmonov's solid power base. However, the political elite is well aware of the fact that Tajikistan needs development assistance from the international community. Therefore, it is quite responsive to calls for reforms toward democracy and market reforms.

The executive branch has responded flexibly and has proved able to quickly learn regarding the organization of the political decision-making process. President Rakhmonov has succeeded in stabilizing the country and he has turned himself from the leader of one fraction to the leader of the nation. He has also won considerable support from both Russia and western countries. However, the learning capacities do not really go beyond the top officials in Tajikistan. Government officials at regional and local levels are poorly trained, inflexible and often not responsive to innovation.

### **3.3. Resource efficiency**

Tajikistan is still in the process of rebuilding its administrative system. Under the pressure of the IMF and the World Bank, a stringent austerity policy has been introduced, which has yielded significant progress in the use of government funds.

With its commitment to a balanced budget, the government is expected to continue its prudent fiscal policy in accordance with the macroeconomic framework supported by the IMF. Following the 2003 surplus, the budget for 2004 planned to have a small deficit of 0.5% of GDP and then return to being balanced in 2005. The processes of budget planning and spending discipline have improved considerably. Spending targets were met in the past two years. The fiscal performance for 2003 was impressive. The overall budget balance moved to a surplus of 0.9% of GDP (from a 0.1% deficit in 2002), reflecting higher tax revenues, a stronger than anticipated growth and strengthened fiscal discipline on expenditures. Consistent with the budgetary objectives, essential social spending—including education, health, social security and welfare, and other social services—increased by about 35%.

The low level of civil service wages, equal to about half of those earned in the non-agricultural private sector, has been a concern of the government, both in terms of maintaining qualified staff to ensure proper provision of public services and of curbing corruption in the public sector. The strong revenue collection enabled the government to raise civil service wages by 20% in 2003. The government has implemented a further 25% increase effective January 1, 2004. It recognizes that wage increases need to be carried out in line with civil service reforms to streamline the bureaucracy; a cut in staff of about 5% was carried out in 2003. Further staff reductions are planned for 2004. These are clear signs of Tajikistan's progress toward increased resource efficiency. On the other hand, there still remains much to be done. The fact that the presidential administration in end effect mirrors the ministerial administration is a cause of concern. Also of concern is the fact that political loyalties rather than skills and training determine staffing.

The ability of Tajikistan's executive to coordinate conflicting objectives into a coherent policy is seriously limited by two factors. First, the fragile post-conflict arrangements stipulate that the former opposition forces will participate in the government. Although members of the former opposition are increasingly marginalized, the government still needs to take into account their veto capacity. Second, President Rakhmonov has based his regime on patrimonial networks, the balancing of which is delicate and requires compromise. As a consequence, the ability to create coherent policies is hampered.

Corruption is perceived as a major obstacle to Tajikistan's development. According to the Corruption Perception Index for 2004, Tajikistan was 133<sup>rd</sup> of 145 countries. Tajikistan has adopted initial measures in combating corruption. The Presidential Decree of the Republic of Tajikistan No.1340 of June 2, 2004 set up an Anti-Corruption Department within the system of the Prosecutor General's Office. The Department is directly accountable to the Prosecutor General of the Republic of Tajikistan who is the National Coordinator of the Action Plan for the Fight against Corruption. However, the capacity of the Anti-Corruption Department is limited. Eight staff members were allocated for the central office of the Department, three staff members each for anticorruption units within the Chief Military Prosecutor's Office, regional prosecutor's offices, and the prosecutor's office of the city of Dushanbe, and one staff member each for the prosecutor's office of Gorno-Badakhshan Autonomous Region and the Tajik Transport Prosecutor's Office. Tajikistan is a major drug export route, and the revenues from drug trafficking are considerable. The linkages between illicit revenues and the high level of corruption are well known but not easily combated.

### **3.4. Consensus-building**

There is a shared consensus among political elites and society that there is no viable alternative to democracy and market reforms in Tajikistan. No elite group and no political party is seriously advocating a differing political project. However, there is also a wide acceptance of the fact that there are serious structural distortions to both democracy and market economy as a result of the neo-patrimonial, authoritarian mode of governance common in Central Asia.

The executive Rakhmonov has shown a great ability to co-opt or otherwise marginalize potential contenders.

The appeal for broad-based collaboration to overcome the wounds of the civil war has been a major theme of Tajikistan's current leadership. The theme of "national unity"

has become a tool to discipline potential opponents. The fear of renewed hostilities has been skillfully instrumentalized by Rakhmonov. This strategy has proved to be successful in the short run. However, it is not a substitute for confronting the society and the political elites with the past and addressing the issue of past injustices, war memories and reconciliation in a more open and constructive way.

The core of the current Tajik political regime is essentially a system of patronage networks. The emergence of vertical societal ties are discouraged and often actively hindered by the state. The exception to this is the so-called community mobilization programs, which are used by international developmental organizations as a means of promoting development. However, these community mobilizations do not transcend the boundaries of the village.

Civil society is very weak, and its participation in the political process is not promoted by the state. The exceptions are International Non-Governmental Organizations (INGOs), which play a prominent role in Tajikistan due to their substantial contribution to development. They are considered important players by the Tajik leadership.

Tajikistan experienced a civil war between 1992 and 1997 in which 50,000 people lost their lives. To discuss the period of the civil war, its atrocities and injustices remains a taboo. It is the policy of the current regime to block all debate and discussion of this period—which is usually only referred to as “these events.” Society has been quite receptive to this ban. Members of the losers of the war often indicate that they would prefer not to talk about the war, out of fear that this may provoke a new round of violence. However, taboos and social proscriptions are short-term strategies that do not lead to reconciliation.

### **3.5. International cooperation**

Tajikistan actively cooperates with international partners in order to strengthen post-war stability and promote economic development. Tajikistan is highly dependent on international cooperation.

Tajikistan is seen as a consistent partner for joint development policies . It is also seen as a responsive partner regarding policy prescriptions of the international community toward democratic and market reforms. The cooperation in the field of combating drug trafficking – a key concern for the international community - is equally good. Only in the field of security politics has Tajikistan recently surprised the international community. In the autumn of 2003, it was widely expected that Tajikistan would end an agreement with Russia under which Russian border guards

control Tajikistan's border with Afghanistan. However, Tajikistan has prolonged this agreement, a move which was seen as a rapprochement between Dushanbe and Moscow at the expense of the United States.

Tajikistan, the smallest, poorest and militarily weakest of the Central Asian countries, depends on cooperation with neighboring states. Its international relations are, however, not free of tensions. The main source of concern for Tajikistan is Uzbekistan, a country which is seen as often interfering actively in Tajik domestic politics. Furthermore, tension exists because Tajiks are a substantial Uzbek minority, and the historical centers of Tajikistan, Samarqand and Bukhara, are nowadays in Uzbekistan. Other international issues concern water distribution in Central Asia because most of the Central Asian water supply originates in Tajikistan. Many of the region's problems cannot be solved on a bilateral level, but depend on regional cooperation, which is still weak.

#### **4. Trend of development**

##### **4.1. Democratic development**

Tajikistan has slowly begun to shift its priorities from ensuring post-conflict stability toward development, market reforms and democratization. The progress that has been made is visible, but limited. The core principle of the Tajik mode of governance is still patrimonial networks. President Rakhmonov has invested primarily in securing his regime through a hierarchical network of appointed "clients." Nevertheless, Tajik stateness has considerably increased, its monopoly on violence is uncontested, and the foundation for a state bureaucracy is laid. The rule of law remains an issue of concern. There is very little progress with regard to the actual rule of law despite structural reforms in the judiciary. Of greatest concern is the lack of commitment to democratic elections. The recent parliamentary elections of February 2005 have been judged as unfree and unfair by international observers.

The institutional framework of the Tajik Republic has been strengthened, but the main achievements were made with regard to political stability and economic development rather than a substantial improvement of the quality of democracy.

##### **4.2. Market economy development**

The socioeconomic situation improved slightly during the period under review. However, Tajikistan's Human Development Index is today still much lower than it was before the collapse of the Soviet Union. Recently, Tajikistan has had a



substantial and sustained GDP growth. The macroeconomic fundamentals are given in the table below.

Table 2.22 Major Economic Indicators, Tajikistan, 2001–2005, %

Item	2001	2002	2003	2004	2005
GDP growth	10.2	9.1	10.2	8.0	5.0
Inflation rate (consumer price index)	38.6	12.2	16.4	8.5	5.0
Money supply (M2) growth	33.4	37.4	44.4	20.0	-
Fiscal balance <sup>a</sup> /GDP	-0.1	-0.1	0.9	-0.5	0.0
Merchandise export growth	-17.3	7.3	14.2	10.8	6.4
Merchandise import growth	-7.3	6.5	23.2	11.0	6.6
Current account balance/GDP	-6.7	-2.7	-1.3	-2.2	-4.7
Debt <sup>b</sup> service ratio	25.6	22.9	18.1	12.6	14.9

- = not available. <sup>a</sup> Excludes foreign-financed Public Investment Program. <sup>b</sup> Nonfinancial public sector debt.  
Sources: Ministry of Economy and Trade; International Monetary Fund; staff estimates.

Source Asian Development Outlook 2004 (The Asian Development Bank, 2004)

Several reform measures have been undertaken to enhance tax collection and have been quite successful. Structural reforms addressed the budget deficit and the build-up of arrears in at public utility industries owned by the government. Progress in other areas of structural reform has been uneven. Arrears in the electric power sector remain large, amounting to about 20% of GDP as estimated by the World Bank. In 2003, the focus of monetary policy was directed at maintaining a stable exchange rate against the dollar at the time of strong foreign exchange inflows. To achieve the long-term development and poverty reduction goals, the government aims to achieve economic growth at an average annual rate of 6.0% over the medium term. This requires continued policy reforms and economic restructuring to foster sustained growth through private sector development and economic diversification. While its strategy recognizes the need to restore and maintain economic stability through strengthened macroeconomic management, the government is constrained by substantial institutional weakness and very limited financial resources, and has to prioritize and coordinate its development initiatives and to restructure its undertakings. In this regard, progress in economic reform is likely to remain uneven.

2003 was the sixth consecutive year of economic expansion following the agreement that ended the civil war. GDP growth accelerated to 10.2% from 9.1% in 2002. Cotton and aluminum, the two traditional pillars of the economy, remained important driving forces, but economic growth became broader based with about two-thirds of it coming from activities outside cotton and aluminum production. The industrial sector expanded by 10.2%, including production of consumer goods that rose by about 12%. The service sector grew by 14.7%, with retail trade surging by about 24% and

transportation by roughly 20%. The agriculture sector posted a strong gain of 9.6% as output was boosted by a good cotton harvest but dampened by a poor grain harvest. The main elements in growth were increased private consumption buoyed by an approximate tripling in worker remittances (to about 13% of GDP) and a leap in global cotton prices that also helped finance a surge in imports.

Despite this success, about 80% of the population is estimated to live below the poverty line. Tajikistan remains one of the poorest countries in the world. The average monthly wage in mid-2003 was about \$15. The lack of employment opportunities remains the prime social concern. The population depends to a large extent on subsistence farming and on remittances of labor migration. In 2003, remittances amounted to approximately \$200 million. Government spending was \$283 million.

#### **D. Strategic perspective**

The international context has become more favorable for Tajikistan. Of great import to Tajikistan's security are the recent changes in Afghanistan. Tajikistan's security depends on further development in Afghanistan, as Tajikistan remains vulnerable to spillovers. Tajikistan has also become a major recipient of aid, much of which has been invested in food and post-conflict stabilization.

Today the risk for renewed violent conflict appears to be decreasing due to significant external help and progress in nation-building. There is a widely shared consensus in society that civil war must not be repeated. Nevertheless, Tajikistan remains a poor, developing, post-conflict country. Widespread poverty, rising inequality and a high dependence on labor migration, international aid and drug trafficking money are key problems threatening stability. All of these issues need to be addressed by long-term development policies which, given the lack of resources in Tajikistan, require in turn the sustained engagement of the international community.

Civil society remains very weak in Tajikistan. It is significantly less developed than in Georgia, Ukraine or Russia. Confined to the capital and the few larger towns, civil society depends on the support of international NGOs. The development of a civil society will take a long time.

Given these structural difficulties, it is clear that the transformation process, which has only just begun, will be slow and difficult. International supporters of this process will need to focus on priority areas that include:

(a) Land reform: The general scarcity of land is exacerbated by the unequal access to

land ownership. A stratification process is taking place in which the rural rich are getting richer and the rural poor are getting poorer. This is because the legal framework for privatization is incomplete and diffuse. Thus far, privatization has benefited the rural elites, who are linked to the state or former rebel fighters.

(b) The international community should monitor revenues from resource extraction. In Tajikistan, this is mainly cotton and the revenues from the aluminum factories in Tursunzade. These revenues are currently used only for alimending the elite and thus promoting the ruling patronage system. A fair and transparent use of revenues is a precondition for market reform

(c) The international community should support the strengthening of government administration at local and regional levels and promote further decentralization.

(d) Labor migration (mainly to Russia) is currently the single most important source of income for the population. The international community should facilitate labor migration.

These proposed measures would facilitate market and democratic reforms. Short term measures such as monitoring elections are necessary, but they cannot substitute more fundamental reforms.