**DCC Chair’s remarks at the Meeting of the National Development Council under the President of the Republic of Tajikistan on June 10, 2024**

Honorable President of Tajikistan, heads of ministries and agencies, respected leaders of international financial organizations, esteemed development partners, representatives of the private sector, and members of civil society organizations.

I am honored to speak to this audience on behalf of the Development Coordination Council (DCC). The DCC has played a key role in mobilizing development partners to support the implementation of the National Development Strategy of the Republic of Tajikistan until 2030.

Eight years ago (in 2016) the Government adopted the National Development Strategy 2030, which aims to shift the country to a new growth model based on private investment, exports, and productivity to achieve sustained income growth. As we have already reached the half-way point in the Strategy’s implementation, it is a good time to look at what has been achieved and what remains to be done. My conclusion at this point is: The country has achieved a lot – but we need to be more determined and more ambitious in our actions to enable Tajikistan’s economy to propel towards the new growth model.

Over the past two decades on the back of economic growth and rising household incomes from remittances, GNI per capita increased nine-fold, from $160 in 2001 to $1,440 in 2023, which has supported rapid poverty reduction. The poverty rate, as measured by the international poverty line of $3.65 a day for lower middle-income countries, declined from over 90 percent in 1999 to an estimated level of 13.5 percent in 2023.

Tangible progress has also been made in key socioeconomic sectors, such as infrastructure development, healthcare, and education. In the last two decades, share of stunted children under the age of 5 has reduced by half from over 40 percent to less than 20; life expectancy has increased by almost 10 years to an average of 71 years and over the last 10 years enrolment in tertiary education has almost doubled – from 16 percent to close to 32 percent. These are significant achievements and should be duly acknowledged.

But what got us here will not get us there! The NDS is actually very ambitious – and needs to be met with equally ambitious and determined policy actions for us to reach its goals. Let me give you simple calculation of why I believe that we need to be much more determined in our policy actions, reforms, and investments. The World Bank and IMF have estimated long-term potential GDP growth to be about 4.5 percent for Tajikistan. With the current annual population growth rate of 2 percent, it means that the net annual per-capita GDP growth would be just 2.5 percent. With this assumed growth rate, it will take until 2060 for Tajikistan to have a GNI per capita of an upper middle-income county of about $4,500. If everything else stands still. So, a steady state of 4.5% is not enough – If we want to achieve upper middle-income level by 2050, we need a growth rate of 5.3%; at least 7% to reach upper middle-income level by 2045. And 8.5% growth rate for Tajikistan to be a middle-income society by 2040 as envisioned by the NDS.

So again, what got us here will not get us there. To meet the country’s development goals, the Government needs to be ambitious on implementing deep structural reforms that must look at further opening the economy for private sector competition to address its digital and physical connectivity bottlenecks, strengthening its institutions for better public service delivery, improving the quality of human capital for higher labor productivity, and ensuring environmentally sustainable development—including through clean energy generation and supply—to leave future generations with a livable and prosperous country.

**From carbon-intensive towards a green economy:** Tajikistan, with its large rural population dependent on irrigated agriculture. Its mountainous terrain is highly vulnerable to climate change and risks from natural disasters. According to the 2021 Notre Dame-gain index, Tajikistan ranks 98th out of 185 countries, indicating a high level of vulnerability to climate change exacerbated by Tajikistan’s unsustainable use of natural capital, affecting infrastructure. 50 percent of land area in Tajikistan is under a degradation trend. Climate change is causing glaciers to melt, and posing a threat to the country's water resources, power generation, irrigation capacity, and food security. Although Tajikistan is not a significant contributor to greenhouse gas emissions, the carbon intensity of the economy is high. Recognizing these challenges, Development Partners are coordinating support to Tajikistan on greening its economy and building resilience with the adoption of the Green Economic Development Strategy for 2023-2037.

As an example, Tajikistan has the potential to transition to a greener economy by increasing the production of clean energy sources such as hydropower, solar, geo-thermal and wind. The completion of the Rogun Hydro-Power Plant is indeed essential for domestic clean energy supply, reducing the need for imported energy and associated emissions. The project is also expected to export electricity to neighboring countries, helping to reduce reliance on fossil fuels and decrease regional carbon emissions. Some critical steps to achieve lower carbon emissions and ensure a green transition include:

* Establishing the right price incentives for low-carbon development and resilience building. This implies continuing to implement energy tariff reforms to make the power sector financially viable and, in the future, attract private capital to hydro, geo-thermal and solar projects.
* Introducing a gradual increase in excises on fossil fuels and carbon-intensive technologies that could not only reduce emissions, generate fiscal revenues but also support green public investments and promote co-benefits such as reduced air pollution and improved public health. Additionally, these resources could be used to compensate vulnerable households for the income loss from the negative impact of climate change and higher carbon prices.
* Making significant improvements in the investment and business environment, supported by a taxonomy and appropriate sustainability disclosure and risk management practices, to attract private capital for renewable and adaptation projects.

The sustainable exploration of rare earth metals could provide a new engine of economic growth and attract foreign investment. Tajikistan could capitalize on the opportunities that the green energy transition offers, including increasing the export of green goods, promoting green technologies, reducing fuel-import dependencies, and creating green employment opportunities in new industries. We also need to increasingly focus on urgent measures of adaptation and resilience building in vulnerable sectors, such as landscape restoration, climate smart agriculture, enhancing social protection mechanisms and addressing sustainable connectivity. These efforts align with the Green Economy Strategy and aim to ensure economic development while improving the population's welfare standards.

**From land-locked – to digital, air, land-linked country ---**

**From digitally-locked – to digitally-linked Tajikistan:** In the digital realm, we see immense potential for Tajikistan to leapfrog conventional growth pathways, unlocking opportunities for inclusive, resilient, and sustainable economic development. In digitalized markets, the probability that an individual is employed increases by over to 13 percent, employment per firm increases by up to 22 percent, and firm exports nearly quadruple. Digital technologies have the potential to reduce emissions in energy, mobility, and manufacturing by up to 20 percent by 2050. Moreover, the introduction of digital technologies can have a transformative effect on governments, driving effectiveness, efficiency, and transparency of public service delivery. It is estimated that developing economies could about 1 percent of GDP by introducing digital platforms.

In the context of Tajikistan, which has a young and vibrant population, yet has the lowest levels of digital usage and digital skills in the region (with less than 5 percent reporting making payments to government services online), investing in digital foundations (i.e., broadband and data connectivity and digital skills), digital enablers (i.e., interoperable, reusable, and safe digital platforms), and digital solutions in high-impact use cases and services at scale can be transformative.

DCC partners are supporting the Government of Tajikistan in its efforts to mobilize internal and external resources to drive digital transformation with a focus on digitalizing public service delivery, moving to cashless economy and enabling digital solutions for improved governance, innovation, and economic growth and opportunities for youth, women, and vulnerable population groups. What is very critical is to make digital connectivity universal, affordable, and reliable, which is not the case today, as only 7 percent of households enjoy fixed broadband connectivity. Cashless economy, online public services and digital financial services, e-commerce and business processes outsourcing, distance learning and telemedicine – none of these will be possible unless internet accessibility, quality and affordability are favorable. This requires significant investments -yes-, but first and foremost a favorable and modern policy and regulatory regime.

And the DCC has been very supportive on both the investment and the reform agenda – But we do need to be met with the ambition and determination required by the NSD when it comes to modernizing telecom regulations, adopting a full package of regulatory acts to implement 2018 Data Protection Law, elaborating cybersecurity strategy and law, introducing legal framework on digital identification, updating regulatory acts on digital banking, online consumer protection, and e-commerce.

**From Air-locked to Air-Linked Tajikistan:** Air connectivity stands as a priority in the country’s National Development Strategy 2030, as a means to develop Tajikistan’s real sector and build productive employment in hospitality industries. However, the sector is one of the most underdeveloped in the region and is not serving this purpose. The development of the sector is impaired by restrictive market access policies that prevent competition, weak capacity to enforce safety standards, and inefficient regulations that fail to regulate the conduct of service provider monopolies (e.g., airport, passenger, and fuel services) – resulting in high fees to passengers and airlines. Tajikistan stands 143rd in IATA’s Air Connectivity Global Ranking – the lowest in all ECA and only comparable to that of small island states in the Caribbean and the Pacific. As a result, Tajikistan passengers pay a hefty premium for air travel – in average 60-70 percent higher than other countries in the region with fully liberalized sectors, like Georgia or Armenia. These restrictions not only cause a significant welfare loss, but also curve passenger traffic. Even a partial opening as suggested by development partners in policy dialogue with the authorities would stimulate demand by at least 400,000 air travelers per year. What do we need to do here is:

* To liberalize market access for international air services, government needs to adopt an Open Skies policy, without restrictions in the number of airlines, aircraft size, or tariffs.
* To improve the affordability and competitiveness of the sector, the government will need to enhance economic regulation governing passenger charges, fuel infrastructure sharing, and aeronautical infrastructure services, to avoid excess costs imposed by dominant market players or natural monopolies on users (airport services, jet fuel provider).

**From Land-locked to Land-linked Tajikistan:**

Transforming Tajikistan from landlocked to land-linked is important - (i) make cities more livable, (ii) promote rural development and food security, and (iii) address remaining poverty and reduce inequalities. This includes improving urban services and tapping the tourism potential of the country, promoting productive agriculture and sound natural resources management to address food security and inclusive growth in rural areas.

The recent National Urban Assessment for Tajikistan shows that urban development can be leveraged to alleviate challenges at the national level. But without a strategy that links economic development to urbanization, cities will be constrained from fulfilling their role as engines of growth and main generators of employment. The private sector has been central in creating employment opportunities in urbanizing countries, but its current role in key land-linked sectors of Tajikistan’s economy, such as real estate development, construction, and tourism, remains limited. Economic diversification, job opportunities, and the skills and training necessary to develop these sectors will benefit from a national urban strategy and local action plans that make cities more competitive in a land-linked economy. Urban planning and land management systems need to be adjusted to sustain the shift to more competitive urban economies.

The transport sector is a key driver for development but requires a profound transformation to fulfill the role. One of the objectives of the National Development Strategy is to transform Tajikistan into a transport hub, which entails enhancing connectivity through infrastructure, logistics centers, and border terminals. However, the undermaintained transport infrastructure and complex topography lead to high transport costs and limited access to markets and services. The lack of a national long term spatial development program indicating the location of economic centers impedes a strategic and comprehensive approach to transport sector planning. At an urban scale, an integrated approach to mobility must still be developed, and urban land use and transport planning are disconnected. Meanwhile, the motorization rate more than doubled between 2000 and 2018. Traffic congestion is usually addressed from an automobile perspective. There are no incentives to improve non-motorized mobility, and first and last-mile approaches are not considered. These factors contribute to increasing congestion and are putting cities on a deteriorating air quality pathway. Emissions from vehicles, which doubled in the past decade, are the number one cause of air pollution in Dushanbe and other cities. The increasing rate of motorization is likely to exacerbate these externalities - including adequate actions on modernization of urban public transport.

Reforms in these areas are low hanging fruit in terms of improving the quality of life in Tajikistan’s cities, and several partners stand ready to assist here.

**Investing in Human Capital:** Just a few weeks ago, the Government of Tajikistan, hosted the International Human Capital Forum in Dushanbe. The Forum was attended by over 400 participants from more than 40 countries, bringing together top experts in human capital from around the globe. The event highlighted smart investments in human capital that could lead to better outcomes, even with the existing financial resources, such as innovative approaches to investments in early childhood development and nutrition.

Human capital accounts for almost a third of the income gap between developing and developed countries. Thus, nothing is more important for Tajikistan’s future development than the knowledge, skills and health of its people, i.e., the country’s human capital. Investments in human capital in Tajikistan are urgent. Financing human capital can no longer be thought of as an expenditure but as an investment, critical to enhance the country’s productivity, growth, and inclusion.

Building human capital requires a unified and long-term effort, involving multiple sectors and actors. It involves collaboration between governments, civil society, global financial bodies, and the private sector. Some of the policy changes needed such as efficiency reforms in the health sector, through e.g. the introduction of strategic purchasing, right-sizing of the service delivery network, including human resources, to put more focus on cost-effective preventive primary care (rather than expensive hospital care) and the development of a new benefit package, are politically and technically complex and most require substantial financing from the public sector. Tajikistan has made significant progress in improving education and health outcomes, but still faces gaps in quality and equity. As a country with a very young population, Tajikistan needs to capitalize on its demographic dividend. We believe that empowering the people of Tajikistan through education, skill development, and health initiatives is crucial for the long-term prosperity of the nation.

Additional efforts are required to promote Integrated Social Protection System with linkages between social assistance, social insurance (pensions), labor markets and social services, as well as develop skilled and well-capacitated social workforce, and ensure financing strategy for sustainable funding of social protection.

Additionally, as we look to the future, our focus will be on sustaining the momentum and addressing the emerging challenges. We remain committed to supporting Tajikistan in its journey towards achieving the targets set out in the National Development Strategy and the Mid-term Development Program for 2021-25.

We will continue to work closely with the Government and all development partners to ensure that our interventions are strategic, well-coordinated, and responsive to the evolving needs of the country. We are dedicated to supporting Tajikistan in realizing its development aspirations. Together, we can build a brighter, more sustainable future for all Tajik people.

Thank you for your attention, and I look forward to the productive discussions ahead.