



1. Project Data

Project ID P130091	Project Name PVT SECTR COMP	
Country Tajikistan	Practice Area(Lead) Finance, Competitiveness and Innovation	
L/C/TF Number(s) IDA-H7710	Closing Date (Original) 31-Dec-2016	Total Project Cost (USD) 9,143,754.58
Bank Approval Date 10-May-2012	Closing Date (Actual) 31-Dec-2019	
	IBRD/IDA (USD)	Grants (USD)
Original Commitment	10,000,000.00	0.00
Revised Commitment	10,000,000.00	0.00
Actual	9,143,754.58	0.00

Prepared by Nestor Ntungwanayo	Reviewed by J. W. van Holst Pellekaan	ICR Review Coordinator Christopher David Nelson	Group IEGSD (Unit 4)
--	--	---	--------------------------------

2. Project Objectives and Components

a. Objectives

The statement of the original project development objective (PDO) as per the Financing Agreement (FA) on page 6 was "to remove key constraints to business development and investment by: (i) simplifying business registration and construction permitting processes; (ii) improving regulations and infrastructure underlying access to financial services; and (iii) encouraging development of the mining industry, where Tajikistan has a competitive advantage".



As per the Amendment to the FA on September 12, 2014, the revised PDO was "to foster increased efficiency in key areas that influence private sector competitiveness, including business registration, infrastructure underlying access to financial services, and the mining industry". Strictly speaking, the 2014 change in the PDO was an improved and streamlined formulation of the original PDO statement. The key goal was maintained and consisted in the improvement of the private sector efficiency and competitiveness, and the reform areas were unchanged and remained (i) business registration, (ii) access to financial services, and (iii) mining. The PDO reformulation and expansion was prompted by implementation shortcomings that led to long delays in moving ahead toward the project outcome.

In line with the above-described reasoning and in congruence with the March 2, 2020, OPCS Guidance on the preparation of the Implementation Completion and Results Report (ICR) for Investment Project Financing (IPF) Operations, particularly in the para 58-63, and the Appendix I, this review will not conduct a split assessment of the PDOs as suggested in the ICR. In sum, the OPCS Guidance indicates that when "a project was restructured, but its scope remained the same, or objectives or outcomes that were too broad or vaguely worded were just clarified, there may be no need to apply a split rating and Staff can simply assess the project against the revised objectives or outcome targets".

This review will assess the performance of the project by parsing the revised PDOs as follows:

- (i) Objective 1: To foster increased efficiency in business registration.
- (ii) Objective 2: To foster increased efficiency in infrastructure underlying access to financial services.
- (iii) Objective 3: To foster increased efficiency in the mining industry.

b. Were the project objectives/key associated outcome targets revised during implementation?

Yes

Did the Board approve the revised objectives/key associated outcome targets?

Yes

Date of Board Approval

25-Jul-2014

c. Will a split evaluation be undertaken?

No

d. Components

Original components:

At project approval, the project had three components as detailed below:

Component 1: Strengthening the Business Environment, Cost at appraisal of US\$6.30 million, with nil actual amount, as this component was cancelled at restructuring. Three activities were to be



supported by the project as follows: (i) the establishment of an online one-stop-shop for business registration, (ii) the improvement of the regulatory framework for provision of construction permits, and the setting up of a single window for processing construction permits and inspections, and (iii) the improvement of the financial infrastructure.

Component 2: Encouraging the Development of Mining Industry, Cost at appraisal of US\$3.10 million, Actual amount of US\$2.81 million. The component aimed to prepare revised mining sector laws and regulations, to develop a modern mining cadaster; and to modernize the geological survey function, including technical assistance, training, and equipment.

Component 3: Project Management, Cost at appraisal of US\$0.6 million, Actual amount of US\$0.89 million. This component was to support the establishment of a monitoring and evaluation framework using technical assistance.

Revised components:

During the 2014 level-one restructuring, there were no substantial changes in the project's content, but project components and resource allocations were reconfigured as presented below:

Component 1: Encouraging competitiveness and development of the mining industry, Cost at restructuring of US\$3.38 million, Actual amount of US\$2.81 million. Main activities to be funded were: (i) the preparation of revised mining sector laws and regulations; (ii) the development of a modern mining cadaster, including technical assistance (TA) and capacity building; (iii) the modernization of the geological survey function; and (iv) the completion of a Strategic Environmental and Social Assessment (SESA) according to international standards.

Component 2: Strengthening business registration systems and processes, Cost at restructuring of US\$0.85 million, Actual amount of US\$0.62 million. Identified activities to improve the business registration processes were to: (i) review of the structure and processes of business registration, and enable the implementation of the Business Registration One Stop Shop; (ii) support institutional strengthening, and (iii) supply the relevant information technology (IT) infrastructure.

Component 3: Institutional strengthening to support single window for construction permits: Cost at restructuring of US\$0.60 million, Actual amount of US\$0.74 million: Two activities were planned to increase public awareness of the single window for construction permits: (i) to strengthen the Construction Committee through training and TA, and (ii) to organize and conduct Dushanbe City Construction Permits Single Window public awareness raising campaign.

Component 4: Improvement of financial infrastructure: Cost at restructuring of US\$4.52 million, Actual amount of US\$3.50 million. This component aimed to strengthen the banking regulation and supervision framework through the provision of technical assistance and information technology support by: (i) enhancing the secured transactions and debt resolution legal and regulatory framework, and the IT system; (ii) modernizing the payment systems infrastructure, and (iii) strengthening the banking regulation and supervision.

Component 5: Project management, Cost at restructuring of US\$0.65 million, Actual amount of US\$0.89 million. This component aimed to establishing a monitoring and evaluation framework for the



project, through mainly the funding of TA, and the hiring of a procurement specialist and a Project Coordinator.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project Cost. Total cost of the IDA grant at appraisal for this project was SDR6.5 million equivalent at the time to US\$10 million. At project closing, the actual project cost was US\$9.14 million or 91.4 percent of the approved amount.

Financing. At appraisal, the project financing was estimated at US\$10.0 million, and to be provided entirely by the IDA grant. As the total actual cost amounted to US\$9.14 million, an undisbursed amount totaling US\$0.86 million from the grant was cancelled.

Country's Contribution. At appraisal, there was no planned contribution by the government and there was none during project implementation.

Dates and Restructuring: The project was approved on May 10, 2012, and became effective on September, 6, 2012. The project went through a level-1 restructuring on July 25, 2014, which brought in changes in the PDOs, the results framework, the components and their cost, and in the grant closing date. The restructuring was also used to reallocate resources between disbursement categories, and to revise the implementation schedule.

The project went through two level-2 restructurings as follows: (i) a first restructuring on November 25, 2016 with changes in the results framework, in the grant closing date, and in the implementation schedule, and (ii) a second one in June 27, 2018, which brought in changes in the results framework, in components and their cost, and in the grant closing date, once again in the reallocation of project funds between disbursement categories, and changes in the project implementation schedule.

3. Relevance of Objectives

Rationale

The summary below drew from discussions in the project appraisal document (PAD) and in the ICR on the relevance of objectives. The ICR (paras 22-23), concluded that the PDOs ("to remove key constraints to business development and investment by: (i) simplifying business registration and construction permitting processes; (ii) improving regulations and infrastructure underlying access to financial services; and (iii)



encouraging development of the mining industry") were highly relevant to, and consistent with both the country's priorities and the World Bank's strategies at project closure.

Tajikistan has had a low level of private sector investment, relying mainly on public investment to spur economic growth. The PAD noted that total investment in Tajikistan has been dominated by public investment, which amounted to around 20 percent of GDP against around 5 percent of GDP by private investment (para 7) which is the lowest level in the Europe and Central Asia (ECA) region. The PAD also noted that in 2008 (the most recent year for which data were available) Tajikistan's private sector contributed only 48 percent to total GDP, compared to 75 percent and 77 percent respectively in neighboring Kyrgyzstan and Kazakhstan. The private sector's contribution to total employment in the same year was even lower (at 31.4 percent), despite consistent growth since 2000. Tajikistan's laws and regulations also hinder private entrepreneurs in the mineral sector. For example, significant government controls and the quality of technical information is out of date which makes the country uncompetitive relative to its international competitors. The PAD noted that "despite the reforms implemented to date, the current system is still very unattractive to the junior exploration companies, that are crucial for changing mineral resources into economically feasible deposits and identifying new deposits" (para 16).

The PDOs were consistent with the country's priorities at appraisal. In late 2006, the government established the State Committee on Investments and State Property Management (SCISPM). Key functions of SCISPM included supporting the development of the private sector and attracting foreign direct investments. It had the mandate to develop and implement private sector development strategies and in December 2007 the President of the Republic of Tajikistan created a Consultative Investment Council under the President to improve the investment climate (PAD, para 11).

Country Partnership Strategy (CPS) for FY10-13. This project's objectives supported the second strategic objective of the CPS for FY10-13 which was aimed at removing institutional barriers to a competitive private investment climate. In this vein, project objectives were identified at appraisal to target the alleviation of severe obstacles to private sector development by improving and simplifying business regulations, modernizing the financial payments infrastructure, and launching the reforms for greater efficiency in the mining sector.

The PDOs were also in alignment with the World Bank's strategies in the country when the project closed. The project's objectives were fully aligned with the CPF for FY19-23 in which promoting private sector development was identified as the Government's top priority to reduce extreme poverty. There was a congruence between the PDOs aimed at increased efficiency in business registration, infrastructure underlying access to financial services, and the development of the mining industry, and the key pillars of the CPF. Expected efficiency in the three areas through removing the obstacles to private sector investment was intended to pave the foundation for opportunities for the private sector growth and export promotion, which were indispensable to addressing the key goals of poverty reduction and increased shared prosperity in Tajikistan.

The scope of the project was adequate and local capacity was reinforced by external expertise. While the project design was complex, the scope of the project was measured, in proportion to the country's size and to the challenges facing the private sector. At appraisal, limited capacity to launch the project's activities was acknowledged, and mitigation measures for addressing this weakness included the hiring of external expertise to support the national counterparts.



Rating

High

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

"To foster increased efficiency in business registration"

Rationale

Theory of change

There was no results chain in the PAD or in the restructuring project papers outlining the linkage between the project activities and the PDOs supported by the grant. The ICR constructed a series of two result chains (ICR-Charts 1 and 2), which outlined the mechanism through which original and revised activities of the project were to be transformed into outputs and outcomes. This review draws from the ICR material to present the results chain underlying the process of achieving each project development objective.

Toward fostering increased efficiency in business registration, the theory of change was that the project would provide the needed resources to fund technical assistance (TA) necessary to establish a One-Stop-Shop for business registration, and the single window for issuing the construction permits. The TA would lead to the generation of the following outputs: (i) increased number of trained staff in statistics, social insurance, and tax administration, and (ii) increased number of construction permits issued. Key expected outcomes under this objective were to include (i) efficient business registration processes in terms of reduction of time spent on business registration, and (ii) increased number of beneficiaries of the facilities issuing business registration and construction permits.

The key assumption underlying the theory of change of the three sub-objectives was the Government's sustained commitment to its policies aimed at improving the investment climate for the private sector and entrepreneurship. An account of the outputs and outcomes achieved under the first objective was reported in the ICR (para 27-28) and is summarized below. Efficacy assessment was undertaken against the revised expected PDO indicators (ICR, Annex 1), to which all relevant outputs and outcomes identified in the ICR are added.

Outputs

- A new single (One Stop-Shop) window for construction permits in the City of Dushanbe was established as a pilot, with acquisition of relevant IT hardware and software;
- Plans to roll out soon a streamlined version of the above single window throughout the country have been designed by the central administration;



- The target for the trained staff from key institutions relevant to business registration (Statistics Agency, Social Insurance Agency, and Tax Department) was exceeded, reaching 35 against a target of 30;
- The One-Stop-Shop (OSS) and on-line business application and processing have been operational since 2018;
- The tax system was upgraded, which made the registry database accessible to all tax inspectors, and enabled online payments; and
- New laws eliminating the business registration fee were enacted and improved the business registration process.

Outcomes

- The target for the number of construction permits obtained via the pilot single window in Dushanbe was exceeded, reaching 434 against a target of 15, during the period of October-December 2019;
- There was an uptick of 30 percent in new registered businesses using the OSS and on-line business application and processing;
- Since 2018, 75 881 new businesses were registered, and out of that 30% using on-line registration, in the last 1.5 years of operation;
- There was a reduction in the time spent on acquiring a construction permit of 28% and an average cost reduction of 74%; and
- There was an improvement in the time spent on business registration, the time being reduced to 3-5 days against a baseline of 24 days.

The above outcomes indicate that the efficiency of business registration and the issuance of construction permits have improved considerably and led to significant cost savings. Hence, the efficacy of this achievement is rated high.

Rating

High

OBJECTIVE 2

Objective

"To foster increased efficiency in infrastructure underlying access to financial services"

Rationale

Theory of change

Toward fostering increased efficiency in financial infrastructure underlying access to financial services, the theory of change was that the project would provide the needed resources to fund technical assistance (TA) and studies necessary to strengthen the institutional infrastructure supporting the country's financial operations and services. The above activities were to generate the following outputs: (i) an improved regulatory framework in terms of payments, (ii) the establishment of a collateral registry, and (iii) the installation of a modern payments system. Expected outcomes were: (i) enhanced ease of access to



financial services, (ii) increased volume of lending, and (iii) a higher number of beneficiaries of financial services.

An account of the outputs and outcomes achieved under the second objective was presented in the ICR (para 29-33) and is summarized below. Efficacy assessment is undertaken against the revised expected PDO indicators (ICR, Annex 1), to which all relevant outputs and outcomes provided in the ICR are added.

Outputs

- 7 regulations and rules to improve bank supervision by the National Bank of Tajikistan (NBT-Central Bank), and the regulatory framework to improve the payment system was developed and implemented;
- The information and communications technology (ICT) infrastructure for banking supervision and the Integrated Regulatory Platform were modernized,
- All modules of automated transfer systems infrastructure at the NBT were made operational, including the new Real-time Gross Settlement (RTGS) system, the Automated Clearing House (ACH) module, the Central Securities Depository (CSD), and the Instant Fund Transfer (IFT) for fast payments;
- The NBT adopted the plan for contingency planning and crisis management framework;
- The collateral registry for movable assets was established, allowing banks to register movable assets as collateral, reducing the risk of lending to small businesses, thus increasing access to finance; and
- Lending based on new registration of security interests using moveable assets as collateral was adopted.

Outcomes

- A total of 42 institutions, including all banks, and deposit taking microfinance organizations, are now connected to the RTGS and most payments are channeled at higher speed and lower cost through the RTGS, following the NBT's decision to allow for free use of this module in 2019;
- The Integrated Regulatory Platform allows the financial institutions to upload their reports on a web-portal that includes features to detect errors, and for the NBT to use a dedicated data warehouse;
- The volume-related target for the collateral registry was met and exceeded. As a result, lending based on new registrations of security interests using moveable assets as collateral amounted to more than \$50.35 million, exceeding the PDO target of US\$20 million;
- More than 45 financial institutions have been registered as users of the collateral registry, with nine (four banks and five microfinance institutions) being active users of these new systems.

As detailed above, the infrastructure supporting access to financial services was significantly enhanced, and led to a considerably increased efficiency in the handling of financial transactions, justifying a rating of high in achieving the second objective.

Rating
High

OBJECTIVE 3



Objective

"To foster increased efficiency in the mining industry"

Rationale

Theory of change

Toward fostering increased efficiency in the mining industry, the theory of change relied on the grant to provide resources necessary to fund the following activities: (i) to modernize the subsoil and mining laws and regulations, the mining cadaster, and the geological survey function, (ii) to digitize the geological surveys and (iii) to reinstate the country's EITI compliance. The outputs to be generated by the above activities included the following: (i) a modern mining cadaster, (ii) digitized geological surveys and maps, and (iii) improved management of mining claims. Expected outcomes included the following: (i) an increase in the mining exploration licenses, (ii) improved quality of the information quality provided to investors in electronic form; and (iii) the reduction of time needed by the Geology department to respond to investors' queries, and (iv) a higher number of beneficiaries from improved services provided by the mining industry, including female beneficiaries.

An account of the outputs and outcomes achieved under the third objective was presented in the ICR (para 34-35) and is summarized below. Efficacy assessment is undertaken against the revised expected PDO indicators (ICR para 13), to which all relevant outputs and outcomes included in the ICR are added.

Outputs

- The target for the share of geological surveys in electronic form on modern system was exceeded, reaching 100% against a revised target of 70%;
- The target for the share of existing and new claims in the Mining Cadaster on the new system was exceeded, reaching 100% against a revised target at the June 2018 restructuring of 60%;
- The mining sector law on "licensing of certain types of activities" was adopted which allowed the Geology Department in the Ministry of Mining to operationalize the Mining Cadaster;
- A Modern Mining Cadaster was completed, including the modernization of the geological survey function;
- A platform/Cadaster for the modernization of geological information was established, and all geological surveys are now available in electronic format;
- A Strategic Environmental and Social Assessment was completed; and
- Tajikistan has been reinstated as an EITI compliant country.

However, the new Subsoil Law was not adopted by Parliament at the time the project closed. Nevertheless, by the time the ICR for this project was prepared, amendments and additions to the law "on the licensing of certain types of activities" were adopted on June 20, 2019. The Government stated that these amendments created the legal ground for the Main Geology Department to operationalize the Mining Cadaster (ICR, Appendix, Government's ICR, page 65).

Outcomes

- A total of 8 new mining and exploration licenses were issued by the Main Geology Department, and 41 by the Ministry of Industry and New Technologies, significantly exceeding the revised target of 10, and a baseline of 3;



- Over 15,000 small and simple maps were converted into electronic format, and about 5,500 into complex maps, and about 6% of all maps are fully digitized;
- Acquisition of specialized software to enable maximum use of complex maps that are digitized allowed the cadaster to be operational for day-to-day use in the provision of information to investors in electronic form; and
- The time needed for the Geology department to provide information to investors was significantly reduced from several weeks to a month to a few days or less and free of charge.

The increased efficiency in the mining industry which occurred through the digitization, time reduction in the provision of mining services, and increased beneficiaries were substantial achievements, but not passing the new Subsoil Law was a shortcoming amongst the outcomes toward the achievement of Objective 3. Nevertheless, the overall achievement of Objective 3 was rated substantial.

Rating

Substantial

OVERALL EFFICACY

Rationale

In summary, the project fully achieved or exceeded its objectives, as measured by the revised PDO indicators (ICR, para 13), and its efficacy is rated High as delineated below:

- Toward fostering increased efficiency in business registration, and acquiring construction permits with key results including (i) an increase in the new registered businesses, and (ii) registration simplification; and (iii) considerable time and cost savings - efficacy rated high.
- Toward increasing efficiency in the infrastructure supporting access to financial services, salient achievements included: (i) the connection of all banks, and other financial institutions to the RTGS, (ii) the creation of an Integrated Regulatory Platform allowing financial institutions to upload their reports on a web-portal, (iii) the establishment of a collateral registry. All the above improvements have led to a larger volume of financial transactions - efficacy rated high.
- Toward enhancing efficiency in the mining industry, key outcomes included: (i) an increase in the mining exploration licenses, (ii) improved quality of the information provided to investors in electronic form; and (iii) the reduction in time needed by the Geology department to respond to investors' queries - efficacy rated substantial.

Overall efficacy was rated high

Overall Efficacy Rating

High



5. Efficiency

Economic efficiency: While this operation was a TA project, the PAD made calculations at appraisal related to the economic benefits that were expected to arise from the One-Stop-Shop for business registration, the single window for construction permits, and the collateral registry, and all these reforms were to generate positive net present values (NPVs). A similar exercise was conducted in the context of the ICR preparation for the above activities, with additional calculations related to cost/benefits analysis. Results are comparable to those anticipated at project design (ICR-Tables 2-5, and para 38-44) as summarized below.

- **Business registration:** The reforms resulted in the reduction of registration time by more than 70%, the procedures by 40%, and the cost by 33%. The standardized Direct Compliance Costs Savings methodology used in the ICR estimated annual savings for businesses in the amount of \$1.65 million as a result of the comprehensive reform. The ex-post economic analysis of the one-stop-shop for business registration in the ICR confirms that the net present value was estimated to be US\$0.51 million, significantly higher than the originally projected value at project appraisal of US\$0.07 million (paras 39-40).
- **Construction permits:** Based on the standardized World Bank Group's Compliance Cost Savings methodology, annual savings for businesses are about \$750,000 as a result of such reforms assuming issuance of 162 permits per year as per the baseline. This resulted in a total cost savings per permit of \$4,266, applied to an estimated 174 permits per year (based on 58 issued permits in 4 months of operation), total savings are estimated at over \$742,000. The net present value for this investment at the base year was negative \$62,000. Due to delays in implementation, the Single window for construction permits was effectively operational only during the last four months of project's lifecycle. As a result of this delay, the realized NPV calculated as of project's closing is less than estimated at the design stage. Including 2020 as the first full operational year for the single window, the estimated net present value comes was \$200,000 (ICR, para 41-42).
- **Modernization of payment systems:** The upgrading of the financial infrastructure generated the following efficiency gains: (i) an increase in the capacity of interbank transactions in RTGS from 7,000 transactions per day to 150,000 transactions per day; (ii) the Automated Clearing House systems introduced reliable means for automation of low value transactions, resulting in significant time/cost savings for citizens; (iii) the Instant Fund Transfer (IFT) enabled innovative processes, such as mobile money transfers and QR-based sales; (iv) the automation of securities operation opened new opportunities for the future of Tajikistan's capital markets; and (v) regarding the collateral registry reform, the Net Present Value of the collateral registry was estimated to be over US\$2 million (ICR, para 44).
- There were no quantitative estimates of the economic and financial impacts of the reforms supporting the strengthened ICT infrastructure for banking supervision, but they enabled the NBT to launch the Integrated Regulatory Platform which replaced the outdated system at the Banking Supervision Department achieving significant efficiencies in cost/time savings for the banking system at large. Similarly, the development of a modern legal and regulatory process in the mining sector was expected to lead in the medium and long-term to increased exploration, and to a significant increase in mining investment. This review agrees with the ICR that substantive economic and financial benefits will arise from the strengthened ICT infrastructure in the medium and long term (e.g. Annex 4, paras 11 and 12).



Operational and administrative efficiency:

On the operational side, this complex project, covering three disparate subject areas, was bound to face extensive implementation challenges and setbacks. There were shortcomings in procurement, financial management and frequent staff turn-over within the Bank’s project team and among the country counterparts. However, all planned activities were successfully completed without any cost overrun. There were indeed implementation inefficiencies associated with the additional length of time due to delays in implementation of activities like the single window for construction permits, but the expected economic and financial benefits might offset the cost of the accumulated delays.

In summary, the NPV for the three key reforms (business registration, construction permits, and the collateral registry) was positive, and while the ICR did not capture the entirety of the economic and financial benefits of the reforms in the mining sector and the modernization of payment system, the project efficiency gains are generally positive and are expected to grow larger with time. Satisfactory economic gains and moderate operational efficiency point to an overall Substantial rating of the project’s efficiency.

Efficiency Rating

Substantial

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 <input type="checkbox"/> Not Applicable
ICR Estimate		0	0 <input type="checkbox"/> Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

The relevance of objectives was high; while the PDOs were consistent with the Government's priorities and the Bank's development strategies in Tajikistan, the installed technical capacity to implement the project was an issue. Project efficacy was also high, following (i) simplifying business registration and construction permitting processes the improvements in business registration associated with reduced costs, (ii) improving regulations and infrastructure underlying access to financial services that led to a larger and cheaper volume of financial transactions, and (iii) encouraging development of the mining industry such as the digitization of the cadaster, and improved and lower cost services provided to investors and beneficiaries by the mining administration. The efficiency of the project was substantial, because of large economic gains and moderate



operational efficiency. This review concludes that this project had minor shortcomings in its relevance of objectives, efficacy and efficiency, and hence its overall outcome is rated Satisfactory.

a. Outcome Rating
Satisfactory

7. Risk to Development Outcome

The ICR (para 90-93) provided elements supporting the sustainability of some of the achieved outcomes, and the fragility of some others. Regarding the sustainability of the banking supervision and payment systems, the ICR indicated that the NBT is financially strong and technically competent. Moreover, commercial banks and financial agencies connected to the payment platform systems pay a fee for using them that will ensure sustainability and cover maintenance costs and additional customization. The situation is identical regarding business registration and construction permits. These reforms are already engrained in the Government's business which is enhancing the system to reduce fees for business registration and construction permits.

There is less guarantee that the Collateral Registry and the Mining on-line cadaster will be sustained as desired. The Ministry of Justice has limited capacity to ensure the sustainability of the collateral registry (ICR, para 69), and the Government has so far shown limited appetite for passing the Subsoil Law to support the operations related to the mining cadaster (ICR, para 93). Moreover, the prevalence of fraud and corruption practices, although this is a risk of a general nature, might impact negatively on the achieved outcome, especially as regards to the mining sector. Inertia in the Government's bureaucracy will continue to constrain the reforms aimed at smoothing business registration and the issuance of construction permits, but the project team confirmed that the level of businessmen complaints about rent-seeking in the private sector has significantly diminished.

8. Assessment of Bank Performance

a. Quality-at-Entry

The project's design drew from lessons learned from World Bank's private sector development (PSD) operations implemented in Tajikistan and throughout the region. One lesson that fed into the design was the need for strengthening the borrower's capacity to implement a TA project, and that is why the project supported the PIU's procurement and financial management, and trained a high-level steering committee that was to oversee the project implementation. The project team also assessed potential risks and incorporated mitigation measures. The main identified risk was the doubt about the Government's credibility, arising from the prevalence of fraud and corruption practices, and mitigation efforts consisted in strengthening governance in the context of an existing Bank's project. The original M&E framework was overly complex for a relatively small project, and implementation readiness was an issue; the above elements triggered restructuring operations to ensure proper project implementation.



Finally, the results framework could have been improved to remedy the cases in which PDO indicators and targets were actually outputs.

This operation addressed the country's priorities in improving efficiency in the private sector's financial transactions and was consistent with the Bank's approach and reforms to improve the private sector's business environment in the country. An experienced Bank's task team provided technical support to the PSD reform implementation in a challenging context.

Quality-at-Entry Rating

Moderately Satisfactory

b. Quality of supervision

The complex project design led to multiple restructuring operations, including a level-1 restructuring which reformulated the PDO, and two level-2 restructuring which revised project indicators and other features of project implementation as detailed under Section 2. Other shortcomings that affected project implementation included delays in project effectiveness arising from the complexity of the project and inadequate staffing of the local implementation unit, and weak coordination of stakeholder entities. For instance, positions in the PIU could not be filled until February 2014, and there were frequent changes both in the Government's implementing entities, and in the Bank's TTLs.

Implementation was strained by the complexity of the project and the multiplicity of stakeholders. The project had too many components in highly technical areas like information technology, the banking and the mining sectors, and there were multiple local stakeholders which lacked capacity and coordination among them. To advance toward PDO targets and to deal with unexpected challenges, the Bank management restructured the project and strengthened the project team through reshuffling, and deployed international expertise, which positively impacted the project implementation.

The task team was led by a mix of seasoned professionals with experience in supporting PSD reform projects. The Bank's technical and fiduciary teams supported project implementation, including during the three project restructuring operations. There were nine implementation support/supervision missions that monitored progress and provided extensive support. The progress and guidance were recorded in 16 Implementation Status Reports (ISRs) and nine Aide Memoires. Country office-based Bank staff provided support and guidance to the implementing agencies and strengthened the Bank's oversight of compliance with the implementation of safeguard aspects and legal covenants, and also smoothed the coordination with the Government counterparts.

Quality of Supervision Rating

Moderately Satisfactory

Overall Bank Performance Rating

Moderately Satisfactory



9. M&E Design, Implementation, & Utilization

a. M&E Design

M&E design was discussed in the ICR (para 72) and key features are summarized below. The results framework prepared at appraisal was consistent with Bank's guidelines, and was consistent with the Government's approach and plan to develop a competitive investment climate. The theory of change established ex-post in the ICR was fully in line with the results framework. The M&E framework was designed to be adjustable during implementation to factor in the difficult country's governance environment. Most of the outcome and intermediate results indicators were specific, measurable and relevant. Most indicators had baselines, but the clarity in the definition of some PDO indicators could have been improved, and some of them were set at the output level, for instance the legal and regulatory framework to improve 'banking supervision' had to be developed, and implemented. In the hindsight, the original M&E framework was overly complex and imprecise in comparison to the project's scope.

The project was to be implemented by the State Committee on Investments and State Property Management (SCISPM), which had prior experience in implementing Bank-financed projects in Tajikistan. Operational activities, including M&E tasks, were entrusted to the Project Management Unit (PMU) within SCISPM, with the assistance of project coordinators representing all the implementing partners. A high-level Project Steering Committee (PSC) with representation from all the counterparts and their ministries was also established to oversee project implementation.

b. M&E Implementation

The PDO indicators were revised twice to adjust project implementation to realities on the ground: (i) during the 2014 level-1 restructuring, the PDO indicators targets were revised, and (ii) during the 2016 level-2 restructuring, intermediate results indicators were revised to better reflect progress and clarify expected results, and were reduced from 23 to 10.

The PMU prepared quarterly reports with result framework data, reviewed by the PSC and discussed in conjunction with the Bank implementation supervision support missions and other counterparts to assess progress against objectives and need for adjustments. A technical expert within the PMU prepared regular M&E reports on the project's results, and discussions during supervision missions site visits provided effective means of monitoring progress.

A midterm review (MTR) was conducted in October 2015 to assess implementation progress, and as a follow up, two co-Task Team Leaders were nominated to allow the team to provide more hands-on support for counterparts to further accelerate the implementation. The task team regularly collected data, updated progress against the baseline, and highlighted issues for the Bank management's attention. Several reports, including quarterly and annual progress reports and monthly fiscal reports were used to monitor Project's outcome and results indicators.

c. M&E Utilization

Data and information collected from the ISRs on indicators were evaluated and used to inform the Bank's management and get the guidance to move forward. For instance, based on the data and



information collected from the ISRs, the Aide-memoires and the MTR, the Bank and the Government agreed to restructure the project and extend the closing date twice by three years.

M&E Quality Rating

Modest

10. Other Issues

a. Safeguards

Environmental and social safeguards compliance.

The project was classified as a category B project, as there were no expected physical investments resulting in negative impacts to the environment or social safeguards. However, the Bank's safeguards policy on environmental assessment (OP 4.01) was triggered as a precautionary measure. A strategic environmental and social assessment (SESA) was completed and a report on implementing SESA recommendations was prepared and is presently being implemented by the borrower. Compliance with E&S safeguards was rated Satisfactory throughout the period of project implementation.

b. Fiduciary Compliance

The summary of fiduciary issues discussed in the ICR (para 80-84) is presented below:

Financial Management

Key features of the financial management of the project included acceptable interim financial reports (IFRs) and audited financial statements throughout the project implementation. The quarterly IFRs were mostly timely and acceptable by the Bank. Annual audits received unqualified opinion with the following exception: the audit opinion for FY2017 financial statements was qualified, owing to the auditor's inability to confirm balances held at Tajprom bank (TPB). The latest audit report for FY2018 provided a clean audit opinion. The main issue which undermined the quality of project financial management related to the funds stuck at TPB. In the early years, the FM arrangements were satisfactory, but starting with late 2017 the rating was downgraded to moderately satisfactory due to the funds blocked at Tajprom bank (TPB), weaknesses in internal controls, and delays in payments processing and budgeting. The MS rating was maintained at project closing.

Procurement:

At project approval, the procurement risk was rated as substantial. To mitigate this risk, the PMU hired experienced staff familiar with the Bank's procurement policies and procedures. With time, the procurement staff gained further understanding of procurement procedures and satisfactorily implemented procurement operations using competitive methods. All procurement contracts were awarded in line with the Bank's procurement guidelines. Contract management was considered the weak part of the procurement process. Procurement performance in ISRs was rated Moderately Satisfactory,



following delays in processing procurement packages, and weak coordination in collecting all technical inputs on time.

c. Unintended impacts (Positive or Negative)

The ICR did not report any unintended impacts.

d. Other

The ICR did not report any other issues.

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Satisfactory	Satisfactory	
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	
Quality of M&E	Modest	Modest	
Quality of ICR	---	Substantial	

12. Lessons

The ICR identified (para 94) several important lessons and recommendations arising from the experience of the project implementation. This review selected three which potentially provide useful insights for similar projects. They are rephrased and summarized below:

- Simplicity in design is an indispensable ingredient for a successful project implementation.** This technical assistance project was complex, and this hindered its smooth implementation. It took three restructurings to straighten out the project's implementation, and it required enough resources to hire international expertise to oversee the completion of difficult reforms supporting the improved business registration practices, increased efficiency of the payment systems infrastructure, and institutional reforms in the mining sector. It also took coordinated work by the Bank team and the country's counterparts to complete the complex institutional improvements and reforms. The lesson is that projects, particularly technical assistance projects, need to have a simple design in order that the technical support provided is effectively and fully absorbed.
- Hiring appropriate experts with credible and relevant established expertise is key to implementation of complex technical reforms.** The Bank and Government teams enlisted the support of two international task team leaders, one based at headquarters and the other



based in the country office. They brought together their expertise to facilitate project supervision, including close partnership with and timely training of country counterparts in the implementation of reforms such as the modernization of a national payment system infrastructure and the digitization of data documenting the nation's geological resources. The lesson is that the appraisal of a technical assistance project needs to include the preparation of high quality terms of reference and bidding documents to ensure the smooth and rapid procurement of the technical assistance services required for a project.

- **When undertaking reforms supporting private sector development, the Bank team needs to concurrently establish a partnership with the International Finance Corporation (IFC).** The original project design did not plan to factor in a regulatory framework for a successful establishment of the collateral registry. A partnership with a parallel IFC project resulted in the enactment of the Secured Transaction Law, which became a successful complementary investment supporting the collateral registry infrastructure in the Ministry of Justice. The lesson is that project's support for the establishment of a collateral registry would not have been fully successful without the IFC's expertise and contributions.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR provides a comprehensive story of the project's relevance, efficacy and efficiency. Key strengths include (i) the clarity and depth in the description of the retrospective theory of change; (ii) the good quality of the ICR's results-orientation and the evidence provided to support the project's efficacy, including an annexed and comprehensive Government ICR, (iii) the internal coherence of the ICR and the analysis linking the project activities to the achieved outcomes, and (iv) the lessons learned reflecting the experience of project implementation were substantive.

On the other hand, the ICR could have been way more concise. This ICR, albeit for a complex project, covered 32 pages against the suggested 15 page limit.

a. Quality of ICR Rating

Substantial

