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IMPLEMENTATION COMPLETION AND RESULTS REPORT

(IDA-H4630 TF-92396 TF-96083)

ON AN

ADAPTABLE PROGRAM LOAN

IN THE AMOUNT OF SDR 3.4 MILLION

(US$5 MILLION EQUIVALENT)

TO

TAJIKISTAN

FOR THE

PUBLIC FINANCIAL MANAGEMENT MODERNIZATION PROJECT

November 20, 2015

Governance Global Practice
Europe and Central Asia Region

TAJIKISTAN: GOVERNMENT FISCAL YEAR
January 1 – December 31

CURRENCY EQUIVALENTS
(Exchange Rate Effective as of November 6th, 2015)

Currency Unit = Tajikistani Somoni
USD 1 = TJS 6.62570
TJS 1 = USD 0.150927

Abbreviations and Acronyms

AM	Aide Memoirs	LTO	Local Treasury Office
APL	Adaptable Program Loan	MoF	Ministry of Finance
APST	Administrative and Procurement Support Team	MTEF	Medium Term Expenditure Framework
BC	Budget classification	MTR	Mid-Term Review
COA	Chart of Accounts	M&E	Monitoring and Evaluation
COTS	Commercial Off- The- Shelf	NBT	National Bank of Tajikistan
CPS	Country Partnership Strategy	OBI	Open Budget Index
DFID	Department for International Development	PAD	Project Appraisal Document
FM	Financial Management	PDO	Project Development Objective
FMIS	Financial Management Information System	PEFA	PEFA Public Expenditure and Financial Accountability
GFS	Government Finance Statistics	PFM	Public Financial Management
HRM	Human Resources Management	PFMMP	Public Financial Management Modernization Project
IBTA	Institution Building Technical Assistance		
ICR	Implementation Completion and Results Report	PFMS	Public Financial Management System
ICT	Information and Communication Technologies		
IEG	Independent Evaluation Group		
IFR	Interim unaudited Financial Report	ROSC	Report on The Observance of Standards and Codes
ILO	International Labor Organization	SECO	Swiss State Secretariat for Economic Affairs
IP	Implementation Progress	TFMIS	Tajikistan Financial Management Information System
IPSAS	International Public Sector Accounting Standards	TS	Treasury System
ISR	Implementation Status Report	TSA	Treasury Single Account

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Table of Contents

Data Sheet

A. Basic Information			
Country:	Tajikistan	Project Name:	Public Finance Modernization Project
Project ID:	P099840	L/C/TF Number(s):	IDA-H4630,TF-92396,TF-96083
ICR Date:	11/20/2015	ICR Type:	Core ICR
Lending Instrument:	Adaptable Program Loan (APL)	Borrower:	Ministry of Finance of Tajikistan
Original Total Commitment:	USD 5.00M	Disbursed Amount:	USD 4.96M
Revised Amount:	USD 4.88		
Environmental Category: C			
Implementing Agencies: Ministry of Finance of Tajikistan			
Cofinanciers and Other External Partners: DFID, EC, SECO			

B. Key Dates

Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	08/14/2006	Effectiveness:	02/12/ 2010	02/12/2010
Appraisal:	12/09/2009	Restructuring(s):		07/09/2014
Approval:	05/14/2009	Mid-term Review:	06/20/2012	09/10/2012
		Closing:	08/31/2014	03/31/2015

C. Ratings Summary

C.1 Performance Rating by ICR	
Outcomes:	Satisfactory
Risk to Development Outcome:	Low or Negligible
Bank Performance:	Satisfactory
Borrower Performance:	Satisfactory

C.2 Detailed Ratings of Bank and Borrower Performance (by ICR)

Bank	Ratings	Borrower	Ratings
Quality at Entry:	Satisfactory	Government:	Satisfactory
Quality of Supervision:	Satisfactory	Implementing Agency/Agencies:	Satisfactory
Overall Bank Performance:	Satisfactory	**Overall Borrower Performance:**	Satisfactory

C.3 Quality at Entry and Implementation Performance Indicators

Implementation Performance	Indicators	QAG Assessments (if any)	Rating
Potential Problem Project	Yes	Quality at Entry (QEA):	None

Problem Project at any time (Yes/No):	Yes	Quality of Supervision (QSA):	None
DO rating before Closing/Inactive status:	Satisfactory		

D. Sector and Theme Codes

	Original	Actual
Sector Code (as % of total Bank financing)		
General public administration sector	100	100
Theme Code (as % of total Bank financing)		
Public expenditure, financial management and procurement	70	70
Administrative and civil service reform	30	30

E. Bank Staff

Positions	At ICR	At Approval
Vice President:	Cyril Muller	Shigeo Katsu
Country Director:	Saroj Jha	Annette Dixon
Practice Manager:	Adrian Fozzard	Ron E.Myers
Project Team Leader:	Hassan Aliev	Svetlana Proskurovska
ICR Team Leader:	Stepan Titov	
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F. Results Framework Analysis

Project Development Objectives (from Project Appraisal Document)

The objectives of the Project are: (a) to establish basic processes for efficient and transparent management of public expenditures; and (b) to develop adequate institutional capacity to support the implementation and sustained functioning of an automated financial management information system (FMIS).

Revised Project Development Objectives (as approved by original approving authority)

The objectives were not changed.

(a) PDO Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator #1: The MoF and budget organizations practice streamlined business processes for budget preparation and execution				

	Preparation of annual budget is separated from medium-term planning, current expenditure is planned separately from capital investments. Procedures for budget execution are underdeveloped	2014 budget document is consistent with strategic planning and macro-fiscal forecasts, as reflected in MTEF for 2014-2016.		*Fully Achieved* 2014-2016 Budget Circular reflects MTEF and macro-fiscal forecasts
Indicator #2: The budget is prepared and executed based on an upgraded budget classification which is integrated with the chart of accounts				
	Presently the MOF uses the old chart of accounts based on GFSM1986 and accounting standards adopted before 1991. Republican Budget is prepared based on a new administrative classification since 2010. Economic classification is still GFS 1986 based.	Budget plan and execution reports are aligned with international financial statistics and international public sector accounting standards. New Budget Classification and Chart of Accounts are fully introduced and used for implementation of FMIS.		*Fully Achieved.* New Budget Classification was brought in line with GFS 2001. The budget was prepared and executed based on budget classification which is aligned with Chart of Accounts. Budget classification and Unified Chart of Accounts were enacted by MoF's Order #40 dated June 13, 2012, and utilized in new FMIS.
Indicator #3: Budget submission to Parliament, the Budget Law and amendments, and Quarterly and Annual budget execution reports are published on the MoF's web-page by YR4				
	Draft Budget Law or amendments are not published prior to approval. Budget execution reports are not regularly published. These are not generated automatically, manual consolidation requires effort	Budget prepared and executed through an upgraded information system. Budget and Financial reports published on MoF's website		*Fully Achieved.* Budget planning module was introduced in 2014, while budget execution module was launched in 2015. Budget and Financial reports are regularly published on MoF's website. The frequency of in-year budget execution reports are specified and the timeliness of publication of annual financial reports confirmed.
Indicator #4: The MOF has adequate technical capacity to implement redesigned procedures and manage existing applications, support users and sustain IT systems				

	Only 3 ICT specialists for the MoF central organization. No local technical capacity. No IT system center and backup center.	FMIS implementation starts with active participation of MoF IT center		*Fully Achieved.* An IT Center was established and staffed with capable employees and currently funded by MoF. MoF's ICT infrastructure was upgraded and enabled FMIS implementation. 13 trained IT specialists at central level, 22 at the regional, 73 at local level

(I) Intermediate Outcome Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator #1: Improved capacity of the MoF to manage reforms				
	PFM Council established, however technical capacity to support implementation of the PFM Strategy is low. Structure and skills of core staffs poorly match organizational tasks.	MoF organizational structure streamlined, properly staffed and management and operational skills developed.		*Fully Achieved* (with some delay). MoF's new more streamlined organizational structure was enacted in April 2015 (Government Resolution #187 dated April 2, 2015).
Indicator #2: Sustainable training capacity is developed and core staff in financial departments are trained in PFM procedures				
	Staff has inadequate skills to implement PFM reforms, permanent training capacity is absent	MoF's Training Center delivers training program in PFM procedures. Training courses developed and local trainers trained. 60% of the core PFM staff trained.		*Fully Achieved.* The Training Center delivered training on new PFM procedures. Necessary training courses were developed and local trainers were trained. 90% of the core PFM staff trained.
Indicator #3: Budget preparation cycle is improved and integrates MTEF as a regular budget cycle phase				

	Budget cycle does not integrate annual and medium-term planning.	2012 budget is implemented on the basis of improved budget circular incorporating MTEF. 2014 budget document consistent with strategic planning and MTEF		*Fully Achieved.* (with some delay). 2014-2016 Budget Circular reflects MTEF and macro-fiscal forecasts
Indicator #4: Budget classification (BC) and chart of accounts (COA) are integrated and brought in line with international standards				
	Only economic and functional classifications are used for budget management. Administrative Classification developed for the central government but not introduced. The COA is not aligned with BC.	2012 budget is prepared and executed on the basis of revised budget classification including administrative segment. 2012 budget is executed on the basis of the new COA integrated with the BC.		*Fully Achieved* (with some delay). 2014 budget was prepared and executed based on new BC (new BC approved by MOF Order #40 dated June 13, 2012). 2015 Budget is executed on the basis of the new COA integrated with the BC (GFS2001).
Indicator #5: Procedures for budget execution through the treasury system are improved				
	Treasury procedures are underdeveloped and not fully documented. Internal controls are weak.	Integrated TSA established covering country-wide operations. Budget is executed on the basis of the new manual for budget execution.		*Fully achieved* (with some delays). A TSA system has been established and covers all republican budget transactions. Budget is executed via new automated budget execution module in line with the new manuals.
Indicator #6: Central and local ICT systems modernized in YR3				
	Existing Information Systems for budget preparation and execution have limited capabilities and do not support new BC and COA.	Information systems for budget preparation and execution supporting new BC and COA are operational and used for 2013 budget execution.		*Fully Achieved* (with some delay). Information systems for budget preparation and execution supporting new BC and UCOA became operational and used for 2015 budget execution.
Indicator #7: MoF's IT Center established, adequate number of specialists recruited and trained				

	No IT Center. Only 3 staff provide support to maintenance the existing information system. No capacity for upgrading the IT system is in place.	MoF's IT Center with proper organizational structure to support key ICT functions established in 2011. MoF's ICT infrastructure is enhanced to enable FMIS implementation. At least 12 ICT at central at least 1 in each regional treasury trained in YR1-2		*Fully Achieved* (with delays). In 2012 IT Center was established and staffed with capable employees. The Charter of the Center was approved by MoF Order#27 dated April 13, 2012. MoF has included funding for the new IT Center in 2015 budget with competitive salary scale for staff. 13 trained IT specialists contracted at central 22 at regional, 73 at local level

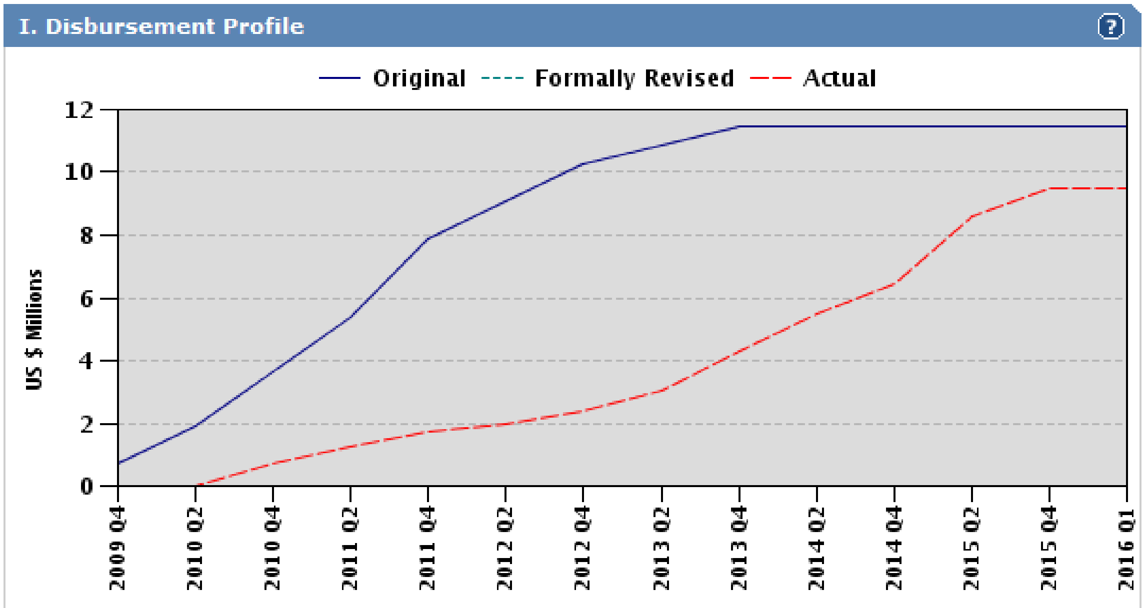
G. Ratings of Project Performance in ISRs

No.	Date ISR Archived	DO	IP	Actual Disbursements (USD millions)
1	01/28/2010	Moderately Satisfactory	Moderately Satisfactory	0.00
2	06/28/2010	Moderately Satisfactory	Moderately Satisfactory	0.29
3	03/09/2011	Moderately Unsatisfactory	Moderately Unsatisfactory	0.56
4	06/20/2011	Moderately Unsatisfactory	Moderately Unsatisfactory	0.61
5	10/10/2011	Moderately Satisfactory	Moderately Unsatisfactory	0.83
6	10/10/2012	Moderately Satisfactory	Moderately Unsatisfactory	1.15
7	05/19/2013	Moderately Satisfactory	Moderately Satisfactory	1.33
8	11/27/2013	Moderately Satisfactory	Moderately Satisfactory	1.75
9	05/15/2014	Moderately Satisfactory	Moderately Satisfactory	2.58
10	11/19/2014	Satisfactory	Satisfactory	3.65

H. Restructuring (if any)

Restructuring Date(s)	Board Approved PDO Change	ISR Ratings at Restructuring		Amount Disbursed at Restructuring in USD millions	Reason for Restructuring & Key Changes Made
		DO	IP		
06/16/2014		MS	MS	2.64	A 7-month extension of the closing date from August 31, 2014, to March 31, 2015 was granted to complete implementation of three activities: (i) procurement and installation of the Data Center equipment, (ii) institutionalization of the Training Center, and (iii) institutionalization of the IT Center.

I. Disbursement Profile



Executive Summary

The Tajikistan Public Financial Management Modernization Project (PFMMP) was approved in May 2009 with the objectives of (a) establishing basic processes for the efficient and transparent management of public expenditures; and (b) developing adequate institutional capacity to support the implementation and sustained functioning of an automated financial management information system (FMIS). The Government of Tajikistan had requested an IDA grant to support the implementation of reforms in the area of PFM, in line with Tajikistan's PFM Strategy.

The PFMMP had three components: *Building Capacity for Public Financial Management* (US$4.18 million); *Streamlining Core Budget Management Procedures* (US$3.95 million); and *Preparation for Automation of Core PFM Operations* (US$ 4.67 million). The equivalent of USD 5.00 million were provided by IDA (3.4 million SDR), while the rest of the funding was provided by other donors, namely the EU, DFID and Japan. The project did not undergo any major restructuring, with the exception of a 7-month extension of the closing date until the end of March 2015. By that time the IDA grant closed it was almost fully disbursed (USD 4.96 million).

The PFMMP was designed as a two-stage APL operation, rather than as a traditional one-step sector investment loan. The project design took into account the need to sequence PFM reforms in line with the Ministry of Finance's (MoF) low absorption capacity and complementary activities undertaken by other donors. As a result, the project concentrated on building the foundations of the PFM system, reforming the budget formulation and execution systems instead of implementing more advanced reforms. Concentrating the support on these core PFM areas helped build strong technical capacity and strengthened the client's ownership of the reform process.

Implementation of all project components proceeded well albeit at a slow pace. The PDO and IP ratings stayed at Moderately Satisfactory and Moderately Unsatisfactory levels throughout most of the project's lifetime. A Mid-Term Review conducted in September 2012 concluded that the project had made noticeable progress towards its objectives. It also pointed out to deficiencies in the results framework, notably the lack of quantitative indicators, which were addressed. PDO and IP ratings were finally upgraded to Satisfactory when SGB.NET was approved for application and the budgeting and accounting reforms could be fully applied in execution of the 2015 budget.

The overall project outcome rating is Satisfactory based on the individual ratings for relevance, efficacy and efficiency. The project's objectives were relevant both to the Government's PFM strategy and the Bank's past and current strategies for Tajikistan. The two-phased design of the project was consistent with the stated objectives and took into account the country's conditions and capacities. The design proved to be flexible as well, in that it allowed some deviations from the original plan, which contributed to its objectives.

The PDO of the PFMMP can be broken down into four sub-objectives, all of which were achieved (rating Substantial). The project succeeded in *establishing basic processes for the <u>efficient</u> and <u>transparent</u> management of public expenditures (objectives 1 and 2).* With the support of the project, Tajikistan made significant progress in streamlining its budget process. This was achieved by adopting the Law on Public Finance in 2011, which laid the foundations for an improved budget process, and a large number of instructions related to budget preparation and execution at the central and local levels. The improvements in the way the budget process in Tajikistan works today are clearly visible: the latest Budget Circulars for 2014-2016 and 2015-2017 are based on the new business process and the budget reflects the Medium Term Expenditure Framework (MTEF) and macro-fiscal forecasts. These forecasts proved a reliable basis for budget preparation during the project period when Tajikistan realized steady economic growth. Subsequently, as Tajikistan has experienced a recession, the forecasts have proved overambitious.

PFMMP supported the development and approval of a public sector accounting reform strategy, as well as the development of a new budget classification in line with GFS 2001 and a manual for its use. MoF adopted the new budget classification in June 2012 and implemented it with the 2014 budget. A unified Chart of Accounts, integrated with the budget classification and supporting the IPSAS was approved as well and has been applied from 2014. Budget submissions to the Parliament, the Budget Law and amendments, as well as budget execution reports are published regularly on the Ministry of Finance website (www.moliya.tj).

PFMMP made significant improvements into the treasury system, by preparing a strategic plan and adapting the structure of the Treasury Department. A central level Treasury Single Account (TSA) was created and it now covers all Republican budget transactions. The budget is executed using the new automated budget execution module of the Tajikistan Financial Management Information System (TFMIS). The TFMIS is based the Turkish SGB.NET system which was offered free of charge by the Turkish Ministry of Finance. SGB.NET was a relatively simple IT system that included basic PFM functionalities. Although the plan was to use a Commercial off-the-Shelf solution, following a review of the SGB.NET, the Bank concluded that it could be customized to fit the MoF's needs and the project implementation plan was revised accordingly.

A comparison of the 2007 and 2012 PEFA Assessments provides additional evidence that objectives 1 and 2 were achieved, with improvements in the following PEFA indicators: *PI-5 Classification of the budget* (from D to B), *PI-22 Timeliness and regularity of accounts reconciliation* (from B to B+), *PI-25 Quality and timeliness of annual financial statements* (from D+ to C+) and *PI-10 Public access to key fiscal information* (from D to C in 2012). Tajikistan's score in the Open Budget Index has also improved slightly from 17 in 2012 to 25 in 2015.

Objectives 3 and 4 (*to develop adequate institutional capacity to support the <u>implementation</u> and <u>sustained functioning</u> of an automated financial management information system (FMIS))* were also achieved (rating Substantial). With assistance of the project, the Ministry of Finance improved the overall institutional capacity needed to implement the TFMIS. A PFM Council was established to oversee the implementation of the PFM reforms. More than 9,000 staff from the Ministry of Finance, line ministries and agencies, representing 90% of all staff working on PFM issues in Tajikistan, were trained through the upgraded Training Center of the Ministry of Finance. An IT Center was established in 2012 to support first the reforms of the Treasury and later on to facilitate SGB.NET customization and implementation. Twelve IT specialists were hired, most of whom were retained at the IT Center after the project completion.

Last but not least, the implementation of the project was efficient. The return on investment for the project is 41%, even under conservative assumptions. The net present value of economic benefits is US$ 5.2 million using a discount rate of 12 percent. It declines to US$ 2.6 million if the discount rate is 20 percent. This high rate of return was achieved through the implementation of the FMIS, which added a high value to the country's PFM system. Rolling out the TSA to all local governments and implementing the different FMIS modules, including accounting, generated substantial savings from eliminating transaction fee payments, earning interest on idle cash balances and eliminating the need to purchase accounting software for 90 percent of the country's budget organizations.

1. Project Context, Development Objectives and Design

1.1 Context at Appraisal

1. **Country context**. Tajikistan is a small economy in Central Asia with a population of 7.1 million and real GDP per capita of US$518 in 2007. Tajikistan underwent a period of severe civil unrest during the late 1990s until peace accords were signed in 1997. Thereafter, despite major structural and geographic challenges, the country's economy grew steadily, external debt was reduced to 30 percent of GDP in 2007, and the groundwork for important institutional reforms was laid. The two main goals of the 2007 Poverty Reduction Strategy Paper were to alleviate poverty and maintain growth and macroeconomic stability. The poverty rate in Tajikistan in 2007 was 53 percent, while extreme poverty was 17 percent. The worsening global economic situation had an impact on the availability of finances through remittances and credits, thus posing additional constraints to growth and development. Consequently, improvements in the allocation, transparency and efficiency of the use of public resources were identified as critical contributors to the sustainable growth and social development of Tajikistan.

2. **Sector Policy.** Tajikistan's 2006 Public Administration Reform Strategy laid out the key public financial management (PFM) objectives that the Government sought to achieve, namely: (i) closer coordination between the budget and economic policy; (ii) greater coherence in the responsibilities for PFM (with a view to integrating more closely investment planning and the budget process and providing the Ministry of Finance (MoF) with the overall responsibility for linking strategies and programs with the budget process); (iii) better procedures for financial decision-making in ministries; (iv) reformed internal control and audit systems; (v) greater effectiveness of public procurement; and (vi) optimized revenue allocation mechanisms among levels of government.

3. **Sector Context.** By the time of PFMMP preparation results had already been achieved with regard to: establishing the Treasury in 1997, covering all components of the state budget; incremental improvements in the budget classification; and piloting medium-term budgeting and aligning expenditures with evolving sector strategies. A partially automated Treasury system had been operating at the Central Treasury for budget execution and reporting since 2001. The local treasuries used bank accounts at local branches of the Amonat Bank, which is the State Savings Bank of the Republic of Tajikistan. A new budget classification (economic and functional segments) was developed in 2004 with IMF support largely based on Government Financial Statistics (GFS) 1986 classifications. MoF was in the process of developing the administrative segment of the budget classification and planned to introduce it for the preparation and execution of the 2010 budget. Most other segments had either been revised, such as the economic and functional segments, or developed, such as the fund type and territorial segments. They were supposed to be implemented by 2011, although the program classification remained partial. There were ongoing efforts in pilot sectors (education and health) to strengthen strategic planning and resource allocation over the medium-term looked promising, although there were still challenges in establishing a proper sector-driven expenditure management process. These challenges included capacity constraints, limited role of central ministries with regard to budgeting for decentralized services, and incomplete financial and performance information.

4. Diagnostic reports issued in 2007, such as the Public Expenditure and Financial Accountability Assessment (PEFA), the IMF's Report on The Observance of Standards and Codes (ROSC)—Fiscal Transparency Module, the Bank's Second Programmatic Public

Expenditure Review, and the review of the public sector accounting system sponsored by the Swiss State Secretariat for Economic Affairs (SECO), provided an assessment of achievements and challenges ahead. The most important challenges identified were: (i) fragmentation of the budget process (the MoF has to work with a high number of spending entities); (ii) deviations between the planned and implemented budgets at the substantial level, both in amount and composition; (iii) lack of a proper link between the commitment tracking and control systems and the decentralized procurement system; (iv) incomplete reforms in the Treasury such as improving cash management and several TSA functions; (v) lack of an administrative segment in the budget classification as well as weaknesses in other segments of the classification; (vi) lack of a Chart of Accounts that would be integrated with the budget classification; and (vii) inadequate public access to fiscal information. The challenges at the subnational level were caused by the absence of an automated budget execution system, weak personnel capacity, and insufficient communication between local departments and treasury offices. These weaknesses had several implications for the overall public financial management system of the country, such as: weak commitment controls; inaccurate, untimely and paper-based budget reporting; and inadequate asset management. The implementation of a new core FMIS based was seen as a solution to many of these problems. Champions of the reforms advocated for a fully integrated system would incorporate multiple functionalities, such as macroeconomic forecasting, debt management, payroll management, and asset/inventory management.

1.2. Original Project Development Objective (PDO) and Key Indicators

5. The Project Development Objective in the Project Appraisal Document (PAD- Report No: H463-TJ) is: (a) to establish basic processes for efficient and transparent management of public expenditures; and (b) to develop adequate institutional capacity to support the implementation and sustained functioning of an automated financial management information system (FMIS).

6. These objectives were to be pursued by strengthening budgeting and treasury functions, improving transparency and communications, designing and implementing improvements of the public financial management information systems, and building capacity in core areas of public financial management. The indicators proposed in the PAD includes the following:

(i) Orderly budget cycle is implemented and reflected in law.

(ii) Budget classification (BC) and chart of accounts (COA) are integrated and allow for preparation and execution of the republican and local budgets based on the following titles: administrative unit, economic item, and function. Improved BC and COA are implemented by updating and expanding existing information systems for budget preparation and execution before FMIS.

(iii) A core training capacity for PFM is developed and key staff is trained, including strengthening their basic technical capacity to use automated systems developed at central and local levels.

(iv) The MOF IT Center is established with an adequate number of trained technical specialists to ensure user support and sustainability of information systems.

(v) Information on central and local budget needed for managerial decisions is available at least twice faster than currently, or within one working day (currently 2 days) using a modern FMIS (APL2).

(vi) Accountability to citizens on budget planning and execution is improved through timely publishing of documentation o Budget submissions to the Parliament, the Budget Law and amendments, as well as budget execution reports are published regularly on the Ministry of Finance website (www.moliya.tj). n budget planning and execution (quarterly and end-of-year fiscal statement).

7. The outcome indicators are described in Annex 3 of the PAD are: the MOF and budget organizations practice streamlined business processes for budget preparation and execution; the budget is prepared and executed based on an upgraded budget classification (BC) which is integrated with the Chart of Accounts (COA); Budget submission to Parliament, the Budget Law and amendments, and Quarterly and Annual budget execution reports are published on the MOF's web page by Year 4; the MOF has adequate technical capacity to implement redesigned procedures and manage existing applications, support users and sustain IT systems.

8. In addition, intermediate results under each of the project's three components were tracked through the following intermediate results indicators:

Component 1

- Improved capacity of the MoF to manage the reforms: (i) Organizational structure of the MoF is streamlined, properly staffed, and core staff has relevant skills; (ii) Management and operational skills of MoF's management and staff allow them to perform their functions effectively; (iii) The MOF has implemented the Staff Retention Plan (SRP).
- Sustainable training capacity is developed and core staff in financial departments and treasury divisions are trained in PFM procedures: (i) The MoF manages on-the-job skill development training program in PFM procedures delivered by the Training Center; (ii) Training courses are developed in PFM basics and local trainers trained and certified; (iii) At least 60% of the core PFM staff country-wide is trained in the basic skill development courses.

Component 2

- Budget preparation cycle is improved and integrates MTEF as a regular budget cycle phase (i) 2012 budget is implemented on the basis of improved budget circular including incorporating MTEF parameters; (ii) 2014 Budget document is consistent with strategic planning and macro-fiscal forecasting as reflected in MTEF document for 2014-2016
- Budget classification and chart of accounts are integrated and brought in line with international standards: (i) 2012 budget is prepared and executed on the basis of revised budget classification including administrative segment; (ii) 2012 budget is executed on the basis of the new chart of accounts integrated with the revised budget classification compliant with COFOG and GFS2001.
- Procedures for budget execution through the treasury system are improved: (i) Integrated Treasury Single Account system established at the NBT covering countrywide operations; (ii) Local Treasury bank accounts at commercial banks are converted into transit zero balanced accounts on a daily basis; (iii) 2013 budget is executed on the basis of the revised manual for budget execution through the treasury system; (iv) Budget execution reports are published on the MoF's website.

- Central and local ICT systems modernized in Year 3: (i) Budget execution system is upgraded to implement 2012 budget based on the new BC and COA; (ii) Budget consolidation and preparation module is developed based on the ungraded BC

Component 3

- The MoF's IT Center is established, and an adequate number of specialists is recruited and trained: (i) MoF's IT Center with a proper organizational structure to support key ICT functions is established in 2011; (ii) MOF's ICT infrastructure is enhanced to enable FMIS implementation; (iii) At least 12 ICT specialists at the central level and at least one technical staff for each regional treasury office are recruited and trained in Years 1-2.

1.3. Revised PDO and Key Indicators and Reasons/Justification

9. There were no revisions of the PDO and other key indicators.

1.4. Main Beneficiaries

10. The project was prepared before the implementation of the current PAD template and, therefore, no primary target group was identified in the PAD. However, based on the description of the project, Implementation Status Reports (ISRs), Aide Memoirs (AMs), and Annual Reports, it is clear that the direct beneficiaries of the project were the Ministry of Finance, including the Treasury, as well as officials and staff both at the central and the sub-national levels. Some of the benefits they received include extensive training, improved business processes, development of an FMIS system, upgraded IT and network equipment. Line ministries and agencies also benefited from improvements in the Treasury system through improvements in cash and expenditure management.

1.5. Original Components

11. The Public Financial Management Modernization Project (PFMMP) had the following components:

Component 1: Building Capacity for Public Financial Management (US$4.18 million): The main activities of this component were:

(i) Supporting the capacity of the MoF to manage PFM reforms at strategic and operational levels. The objective of this support was to ensure synergy among various activities, coordinate initiatives and monitor results, and to advise on the proper sequencing and timely decision-making on reform issues. This support was provided to the Minister of Finance, the PFM Secretariat, the PFMMP Project Director and to Activity Leaders;

(ii) Improving the MoF's institutional capacity, which included support to optimizing the organizational structure of the MoF to align tasks and responsibilities with reformed business processes;

(iii) Supporting the development of PFM skills in the country and strengthening MoF's capacity to develop the PFM skills of public officials and enable them to work with the improved PFM system;

(iv) Supporting effective Project fiduciary management and project audit.

Component 2: Streamlining Core Budget Management Procedures (US$3.95 million): The main activities of this component were:

(i) Support for improvement of budget planning and budget preparation;

(ii) Support for implementation of the integrated chart of accounts and improved budget classification system aligned with international standards;

(iii) Support for improvement of procedures for budget execution through the treasury system;

(iv) Support for redesigning the existing information systems to align operations with changes to the budget classification system and chart of accounts;

(v) Support to implementation of upgraded information system (developed in activity (iv)); and

(vi) Support for systematic revision and improvement of primary and secondary legislation regulating PFM areas.

Component 3: Preparation for Automation of Core PFM Operations (US$ 4.67 million): The main activities of this component are:

(i) Support for establishing and building the capacity of the MoF's IT Center, including advisory support, training for the MoF IT Center, setting up a training facility for hands-on ICT training, and a feasibility study on establishing common ICT network infrastructure;

(ii) Modernization of the MoF ICT infrastructure, including an upgrade of the existing information systems and an upgrade of the ICT equipment for Main System and Backup Centers and Local Treasury Offices (LTO);

(iii) Support for change management (technical training, study visits for the MoF and IT Center staff and workshops); and

(iv) Preparation of the FMIS technical requirements and procurement documents.

1.6. Revised Components

12. There were no revisions in the Components.

1.7. Other Significant Changes

13. The Ministry of Finance requested a seven-month extension of the closing date of the project from August 31, 2014, to March 31, 2015 to complete the implementation of three activities: procurement and installation of the Data Center equipment, institutionalization of the Training Center and institutionalization of the IT Center. This was the only restructuring of the project.

14. According to the original plan, the Swiss State Secretariat for Economic Affairs (SECO) was to provide parallel support for the implementation of the public sector accounting reform and for scaling up the envisaged reforms. Tentative SECO parallel financing was projected to be equivalent to approximately US$2 million. In the end, some of the activities on accounting reform (accounting strategy and chart of accounts) were funded by the PFMMP while SECO provided funding for a separate project implementing public sector accounting standards.

15. The most important change in the project design was the decision to improve the FMIS and the Treasury systems by implementing the software "SGB.NET" as a temporary solution instead of purchasing a Commercial off-the- Shelf (COTS) solution during the second phase of

the APL. This decision was a reflection of the flexible and rational approach of both the Government and the Bank which allowed them to use the opportunity of adopting an alternative solution. A technical assessment of the functional capability of SGB.NET was undertaken in 2011. It confirmed that the software would meet the Tajik authorities' near- term requirements and could therefore be implemented. This deferred investments in a much more expensive and more sophisticated IFMIS solution until a later date when the regulatory framework would be more stable and business requirements clarified through on-going PFM reforms.

2. Key Factors Affecting Implementation and Outcomes

2.1 Project Preparation, Design, and Quality at Entry

16. **Quality at entry.** The Bank team tried to incorporate into the project design important lessons learned from an IEG review of a previous project- the Institution Building Technical Assistance 2 Project (IBTA-2) which closed in 2005- and drew lessons learned. The key lessons applied into the design of the PFMMP included: (i) proper sequencing of PFM reforms in line with client capacity and internal demand; (ii) maintaining Government commitment and ownership of reforms throughout project implementation; (iii) maintaining an effective governance structure for implementing PFM reforms; and (iv) promoting PFM reforms through budget support operations of the Bank and donors.

17. In addition, an independent assessment of the capacities to undertake PFM reforms in Tajikistan was conducted during the preparation of the project. The review recommended the inclusion of capacity building as an integral part of all reform initiatives. It also concluded that PFM reforms might have better chances of sustainability if they supported broader governance improvements introduced by the Government, such as reform of the financing principles of social services, decentralizing the authority for budget execution, conducting sector- wide wage reforms, etc.

18. **Project design.** The project was designed as a two-stage Adaptable Program Loan (APL) operation, rather than as a traditional one-step sector investment loan based on lessons learned from previous operations. Experience has shown that projects are more successful if finance ministries undertake reforms related to budget process, treasury operations, accounting and reporting before attempting automation. Implementation of these reforms can take a long time and requires a lot of capacity building. Therefore, this project was designed in two stages, whereby the implementation of complex IT solutions for the PFM system would be done at the second stage. This would allow the Bank team to incorporate lessons learned from reforms implemented during the first stage into the second stage. It would also provide more flexibility in mobilizing financing as the functional and institutional requirements for automation would become clearer once regulatory and business process reforms had been agreed.

19. Another positive feature of the project design was the fact that it focused on sequencing the reforms in line with the MoF's low absorption capacity and taking into account complementary activities undertaken by other donors. The project's sought to build strong foundations of the PFM system instead of implementing more advanced reforms. This entailed a focus on budget formulation and execution systems. Concentrating the support on these core PFM areas helped build strong technical capacity and strengthened the client's ownership of the reforms.

20. **Risk**. The overall risk of the project in the PAD was assessed as Substantial. The project team identified a number of risks to the achievement of the PDO: weakening of the client's commitment to the PFM reform agenda; weak implementation capacity due to insufficient skills, staff turnover, and problems with attraction and retention of skilled specialists; weak donor coordination; and corruption.

21. The risk mitigation measures suggested by the project team were solid and their viability was reconfirmed during the implementation stage. The measures concentrated on: building and enhancing the MoF's ownership of the reforms and the project; hiring external consultants to help the MoF at the initial stages of the project and eventually integrating them in its structure; improving donor coordination on PFM issues through regular meetings of the Donor Coordination Council; and involving donors in project implementation. In addition, the risk of corruption was mitigated by strengthening the capacities of the Administrative and Procurement Support Team (APST) under the MoF to apply the Bank's fiduciary guidelines and by publishing as much information as possible about the project. As a result of these risk mitigation measures, the key risks did not materialize and the overall project risk was downgraded from Substantial to Moderate during the Mid-Term Review (MTR).

2.2. Implementation

22. **Key ratings.** The implementation of all project components proceeded well albeit at a slow pace. The feasibility assessment of the SGB.NET information system took almost a year and slowed down progress in overall project implementation and disbursement rate. Once a decision had been taken to proceed with the SGB.NET option, implementation picked up. However, project results could only be achieved when the SGB.NET system became operational. As a result, the PDO and Implementation Progress (IP) ratings stayed at Moderately Satisfactory and Moderately Unsatisfactory levels throughout most of the project's lifetime. Both PDO and IP ratings were upgraded to Satisfactory when budgeting and accounting reforms were applied in the preparation of the 2015 budget and SGB.NET was approved for application in budget execution.

23. **Mid-Term Review**. A Mid-Term Review of the project was conducted in September 2012 and concluded that the MoF had made noticeable progress in implementing the project activities. Specifically, progress was achieved with regard to: adoption of the Training Strategy, the Treasury Modernization Plan, and the Public Sector Accounting Reform Strategy; modernization of the ICT network; customization of the budget preparation module of the SGB.NET information system; extension of the Treasury Single Account (TSA); and adoption of the new GFS 2001 compliant Unified Chart of Accounts. the MTR identified problems with the attainment of the following two intermediate indicators: *Implementation of staff retention plan* and *Organizational structure of MOF is streamlined and properly staffed*. Nonetheless, the MTR found that the PDO and key monitoring indicators could be achieved but delays in the delivery of project outputs indicated that it was necessary to focus on keeping the project on schedule.

24. **Restructuring**. The project was restructured only once to extend the closing date with seven months. The extension facilitated the attainment of the PDO and allowed for a smooth transition towards the follow-up operation.

25. **Institutional changes**. Changes in the top management of the MoF, including changing of the Minister, occurred during the last year of the project. However, these changes did not

affect negatively the project outcomes. On the contrary, the new Minister took key decisions which helped the project achieve its outcomes and ensured its sustainability.

26. The institutional changes supported by the project were transformative. At preparation, the MoF relied on largely paper based systems, there was very limited IT capacity, accounting and budgeting regulations were out dated and did not facilitate alignment of resources with policy objectives. By project closing, the MoF had put in place a modern accounting and budgeting system, automated core PFM functions through the implementation of a financial management information system, MoF had a modern IT center, MoF and line agency technical capacity had significantly improved and the institutional arrangements were in place for on-going delivery of training.

2.3. Monitoring and Evaluation (M&E) Design, Implementation and Utilization

27. **M&E design.** The results of the Government's program were monitored through performance indicators agreed during project negotiations and designed in consultations with the MoF staff, donors and the Bank. On the whole, the results framework of the project was adequate. It included PDO indicators which measured two of the aspects of the PDO: operational efficiency and transparency. However, there was no PDO indicator on improving institutional capacity: the indicators that did capture this aspect of the PDO were listed as an intermediate outcome indicators. Furthermore, most of the indicators were qualitative in nature. Based on the findings of the MTR, the indicators could have been revised to incorporate quantitative measures, such as indicators from the Open Budget Index (OBI) and different quantitative characteristics of the Treasury system (e.g. number of transactions per annum, number of system users, number of connections, budgetary savings from better liquidity management). Public Expenditure and Financial Accountability (PEFA) indicators could have also helped track improvements in the PFM system but they were available only for 2011 and the next PEFA assessment was scheduled to be performed after the end of the project.

28. **M&E implementation.** The Bank task team monitored project implementation progress through semi-annual project supervision missions. The findings of these supervision missions were shared with other donors. Progress toward achieving project outputs and outcomes, as well as disbursement rates, were summarized in ISRs. An MTR to assess the progress towards achieving the PDO and to review the status of APL2 triggers was conducted in September 2012, although it was supposed to be completed by December 2011

29. **M&E utilization.** Two key reports were used for monitoring and evaluation purposes by the MOF, APST and the Bank: *Quarterly Progress Reports* on implementation progress were prepared by Component Leaders and submitted to the Project Director; and an *Annual Project Report* was prepared within the first quarter following the end of each fiscal year. The annual report summarized the results accomplished against the planned performance indicators and results commitments, as set out in the project Annual Work Plan. This report was endorsed by the PFM Council and was circulated to a wider stakeholder group. The APST maintained special monitoring tables, updated them on a monthly basis and used them for preparing the reports.

2.4. Safeguard and Fiduciary Compliance

30. The Bank's assessment of May 2012 found that C1 financial management (FM) system at that time was not fully automated, fixed assets did not have tag numbers, an Interim unaudited Financial Report (IFR) report was not generated from IC accounting software, and the

calculation of exchange rates was incorrect. Therefore, at that stage of the project, the financial management arrangements were assessed as Moderately Satisfactory. In order to address the low ratings, the Bank and APST implemented measures to strengthen the client's capacities for financial management and build the systems needed for project implementation within the MoF. As a result, the shortcomings identified by the Bank's assessment were fixed and reported to the Bank by the time of the MTR. Since then, the FM arrangements were maintained at a proper level throughout the project's lifetime and were rated Satisfactory. Quarterly financial monitoring reports for the project were submitted on time and were accepted by the Bank. Annual audit reports were submitted on time and were unqualified, no issues were raised by auditors in the management letters.

31. The project supported building of the MoF's procurement capacity through the APST. The project's procurement specialist completed a training in procurement at the International Labor Organization (ILO) in Turin and acquired experience in managing the procurement of goods and consulting services in line with the Bank's Procurement Guidelines. A procurement review found that the procurement files were complete and in good order, while documents were kept in separate bookshelves. The project Procurement Plans were updated and approved by the Bank. The procurement process was in line with the agreed Procurement Plan, which was published on the project's public website (www.pfmmp.tj) and on the Bank's external website. All eight project implementation covenants had been complied with by the MTR, although with some delays. Nonetheless, the MTR rated the project procurement arrangements as Moderately Satisfactory due to delays in the procurement of several contracts. As the performance of the procurement process improved this was upgraded to Satisfactory. Goods and services were delivered in full amount and on time and there were no delays in payments. The APST was selected to implement the follow- on operation which was a testimony of the high quality of its work.

32. The project did not trigger any social or environmental safeguards and thus was rated as "C" for both.

2.5 Post-completion Operation/Next Phase

33. Based on the achievements and lessons learned during the implementation of the PFMMP, the Tajikistan Public Finance Management Modernization Project II (P150381, implementation in June 2015- June 2021) was approved by the World Bank Board of Directors on June 1, 2015 in the amount of ZDR7.2 million (about USD10 million). The project is expected to be co-financed by the UK's Department for International Development (DFID) in the amount of USD11 million. The development objective of the project is to improve the effectiveness, control and accountability of public expenditure of the Republic of Tajikistan. The project will fund the following four Components: "Public Finance Management Modernization", "Strengthening Public Procurement", "Strengthening External Audit", "Managing Public Administration Reforms".

3. Assessment of Outcomes: PDO and Intermediate Results Indicators

3.1 Relevance of Objectives, Design and Implementation

- **Relevance of Objectives: High**

34. The relevance of the project objectives is rated as High at design and throughout project implementation. PFMMP supported the Government's Public Financial Management Strategy

(2009-2018). The following medium- term priorities identified in the Strategy are relevant to the project development goals: developing PFM capacities, expanding the coverage of medium-term budget planning, automating PFM management. In addition, the project supported also Tajikistan's Public Administration Reform Strategy (2006), the National Development Strategy (2007) and the Second Poverty Reduction Strategy Paper (2007).

35. The objectives of the project were also relevant to the Bank's strategy for Tajikistan as described in the Country Partnership Strategy (CPS) 2006-2009. The CPS identified the improvement of governance and state capacity as a cross-cutting objective, underpinning the development goals of improving the business environment, social services and the reliability of energy services. To facilitate governance improvements, the CPS envisaged the provision of technical assistance to public sector reforms and treasury operations. The Bank's subsequent strategies for Tajikistan, namely the CPS 2010-2013 and the CPS 2015-2018 both highlight governance and in particular PFM reforms as one of the cross-cutting themes in support of other broad areas of engagement or pillars. In particular, the priorities in the area of public sector and PFM reform in the current CPS are to continue the work on budget transparency and accountability through the PFM investment project (APL2), which was preceded by the PFMPP (APL1). The CPS notes that the APL1 helped create preconditions for the implementation of the FMIS and has supported the reengineering of business processes and reforms of the institutional structure of the MoF.

- **Relevance of Design: Substantial**

36. The project components and activities are consistent with the stated objectives. The decision to design the project as a two-phase APL operation — rather than a traditional one-step sector investment loan — reflected lessons learned from past projects, in particular those related to the need to accompany PFM reform efforts with capacity building. The two-phased design allowed the Bank to lay the foundations of the FMIS and simultaneously build the capacities needed system implementation. The activities that supported the establishment of basic processes for more efficient PFM included the technical assistance on: the Law on Public Finance and its supporting regulations; improvements in budget circulars and business processes; upgrading the budget classification and Chart of Accounts; improvements in Treasury management; publication of budget documents and reports on the website.

37. In terms of capacity building, the project helped develop adequate institutional capacity to support the implementation of an automated FMIS through technical assistance on improving the organizational structure of the MoF, training of 90% of the relevant staff on the new PFM procedures, establishing the MoF's IT Center equipped with a modern Data Center and staffing it with employees hired at competitive salaries. Other relevant activities aimed at building institutional capacity included technical assistance on customizing some of the modules of SGB.NET to the needs of the Government, development of proper manuals for business processes and upgrading of the ICT infrastructure.

38. The phased approach also allowed for learning lessons from the reforms conducted during APL1 and taking them into account in the design of APL2. The APL provides more flexibility in terms of mobilizing financing, given that the design is more specific and the financial commitment does not have to be locked up during a long preparation period. The two-stage allowed APL1 to concentrate on a narrowly defined set of reforms related to budget formulation and execution. APL1's focus on core areas of the budget management cycle

accompanied by capacity building was a prerequisite for the successful implementation of FMIS through APL2. Last but not least, concentrating the support on core PFM areas helped build strong technical capacity and Government ownership.

39. In sum, the solid results achieved by the project, the high level of ownership demonstrated by the Government and the MOF, the flexibility of the project design, which allowed the incorporation of SGB.Net into the PFM system as an interim solution, the effective role of the APST and the successful preparation and approval of the follow- on operation (APL2), demonstrated the validity and relevance of the project design.

- **Relevance of Implementation: Substantial**

40. Project activities remained relevant throughout implementation. Although there were some delays in project implementation, eventually all key activities were completed and the project was almost fully disbursed at closing. The APST was very efficient in communicating to the MOF and the Government, as well as in implementing the Bank's fiduciary requirements, so that even difficult contracts were signed and executed by the project's closing date. In addition, the flexibility demonstrated when opting for an alternative solution rather than an off-the-shelve one, showed that the project was able to adapt to changing circumstances and respond to the client's needs.

3.2 Achievement of Project Development Objectives

41. The PDO of the project is clearly defined and activities under each component are closely linked to the achievement of each objective. Progress against the four elements of the PDO – *efficient* and *transparent* management of public finances, and institutional capacity for the *implementation* and *sustained functioning* of an automated FMIS – are reviewed in turn below, drawing on information from project supervision and monitoring reports, the Project Completion Report prepared by the MoF, reports of consultants and third party sources (PEFA assessments and data from the Open Budget Index).

42. **Objective 1.** Objective 1 *(to establish basic processes for <u>efficient</u> management of public expenditures)* is achieved and is rated **Substantial**. Both of the PDO indicators measuring this aspect of the PDO were fully achieved albeit with some delays (see below). With the support of the project, Tajikistan made significant progress in streamlining its budget process. This was achieved by adopting the Law on Public Finance in 2011, which laid the foundations for an improved budget process, as well as by developing and implementing a large number of instructions related to budget preparation and execution at the central and local levels. Business procedures defining the interactions between the MoF and the Ministry of Economy regarding the investment budget were also updated and a regulation on budgetary hearings was developed. Furthermore, the project developed guidelines and model calculations for the formulation of the baseline budget by local authorities. The Project supported also program budgeting, the development of draft strategic budget plans and produced methodological instructions on how to determine the ceilings of the central budget by sectors and ministries/agencies. The Budget Circulars for 2014-2016 and 2015-2017 are based on the new business process and the budget reflects the Medium Term Expenditure Framework (MTEF) and macro-fiscal forecasts. However, while these forecasts proved a reliable basis for budget preparation during the project period when Tajikistan realized steady economic growth, subsequently, as Tajikistan has experienced a recession, the forecasts have proved overambitious. This is an area where further work is needed at a policy level.

43. **PDO Indicator 1 and Intermediate Indicator 3.** PDO Indicator 1 (*The MoF and budget organizations practice streamlined business processes for budget preparation and execution*) and Intermediate Indicator 3 (*Budget preparation cycle is improved and integrates MTEF as a regular budget cycle phase*) are fully achieved. The improvements in the way the budget process in Tajikistan works today are clearly visible- in the latest Budget Circulars for 2014-2016 and 2015-2017, the MoF prescribed specific templates and business process steps which are now used as the basis for budget formulation with a three year indicative expenditure plan. The budget also reflects the MTEF and macro-fiscal forecasts.

44. **PDO Indicator 2 and Intermediate Indicator 4.** PDO Indicator 2 (*The budget is prepared and executed based on an upgraded budget classification which is integrated with the chart of accounts*) and intermediate indicator 4 (*Budget classification (BC) and chart of accounts (COA) are integrated and brought in line with international standards*) have been fully achieved. The project supported the development and approval of a public sector accounting reform strategy, as well as the development of a new budget classification in line with GFS 2001 and a manual for its use. The MoF adopted the new budget classification in June 2012 and its implementation was scheduled for 2013, but due to delays in the implementation of the training program and the development of the customized IT solution, the new budget classification was implemented only with the 2014 budget. Furthermore, thanks to the project, the first eight national public sector accounting standards based on IPSAS were introduced in 2014. A unified Chart of Accounts, integrated with the budget classification and supporting the IPSAS was approved as well, together with instructions for its application.

45. **Intermediate Indicator 5.** Intermediate Indicator 5 *(Procedures for budget execution through the treasury system are improved)* is fully achieved. The project made significant improvements into the treasury system. In particular, a five-year strategic plan for the development of the treasury system was developed and approved as well as a new structure of the Main Department of the Central Treasury of the MoF. New Treasury instructions on budget execution that included new features for cash and liability management were also prepared. A central level (Republican) budget Treasury Single Account (TSA) was created and there was a gradual transition of all 73 local finance offices to the Treasury. The TSA system now covers all Republican budget transactions. The budget is executed via the new automated budget execution module of the Tajikistan Financial Management Information System (TFMIS), in line with the new manuals. The TFMIS is based on the Turkish SGB.NET system but was customized to fit the conditions in Tajikistan implementing first the budget preparation, execution, and accounting modules.

46. **Additional indicator: PEFA.** The 2012 PEFA Assessment, funded by DFID and SECO, provides additional evidence that Objective 1 was achieved: in comparison to 2007, Tajikistan improved its scores on the following three indicators: *PI-5 Classification of the budget* (from D to B), *PI-22 Timeliness and regularity of accounts reconciliation* (from B to B+), *PI-25 Quality and timeliness of annual financial statements* (from D+ to C+). PEFA ratings would be significantly higher if they were based on the results achieved by 2015.

47. **Objective 2, PDO Indicator 3 and Additional indicator**. Objective 2 *(to establish basic processes for transparent management of public expenditures)* was achieved and is rated **Substantial.** Budget submissions to the Parliament, the Budget Law and amendments, as well as budget execution reports are published regularly on the MoF website (www.moliya.tj). Therefore, PDO Indicator 3 (*Budget submission to Parliament, the Budget Law and amendments,*

and Quarterly and Annual budget execution reports are published on the MoF's web-page by YR4) was fully achieved. An additional indicator, which is supporting the rating is the increase of Tajikistan's score on the OBI from 17 in 2012 to 25 in 2015. The OBI report mentions that since 2012 the Government of Tajikistan has increased the availability of budget information to the public by publishing the Executive's budget proposal, the pre-budget statement and a citizens' budget. In addition, Tajikistan's score on the PEFA indicator *PI-10 Public access to key fiscal information* improved from D in 2007 to C in 2012.

48. **Objective 3 and Intermediate Indicator 7**. Objective 3 (*to develop adequate institutional capacity to support the* <u>*implementation*</u> *and sustained functioning of an automated financial management information system (FMIS))*, is achieved and is rated **Substantial**. With assistance of the project, the MoF was able to improve the institutional capacity to implement the Tajikistan FMIS. In order to support the implementation of the TFMIS, the MoF established a PFM Council, which represented the strategic decision-making level and was supported by international and local advisors. The PFM Council was chaired by the Minister of Finance and oversaw the implementation of the PFM Strategy. The Council decided on the nature, sequence and format of the technical assistance needed to support PFM reforms. In 2011, international consultants assisted the Council in assessing the SGB.net suitability for the MOF's needs. In 2012, based on the recommendations of the report, the MoF decided to adapt and adopt SGB.NET. Consequently, a Project Initiation Document (PID) for the implementation of SGB.Net was developed to define the scope of the automation and confirm project management structure and arrangements. In order to customize and implement SGB.Net, twelve IT specialists were hired, most of whom were retained at the IT Center after the project completion. The IT Center[1] was established in 2012 to support first the reforms of the Treasury and later on to facilitate SGB.NET customization and implementation. Therefore, intermediate indicator 7 (*MoF's IT Center established, adequate number of specialists recruited and trained*) was fully achieved (see also the paragraphs below for additional information on this indicator).

49. **FMIS implementation.** In 2011, during the initial stages of APL1 implementation, when the project was assisting the MoF in upgrading the existing budget preparation and budget execution (TFMIS v2) modules, the MoF informed the Bank that it had signed a Protocol[2] with the Turkish MoF to adapt the Turkish SGB.NET application software for the budget preparation, execution, accounting and reporting needs of Tajikistan. The SGB.NET solution was offered free of charge and the Turkish MoF had agreed to provide technical assistance to customize the proposed software to the needs of the MoF in Tajikistan. The Bank team initiated a review[3] of the SGB.NET software before implementation. The review recommended proceeding with the deployment of SGB.NET and the development of additional modules (e.g. TSA sub-accounts and accounts payable) in the medium term. The report also indicated that there would likely be a requirement to move to a COTS product in the late medium term. Based on the positive conclusion of the review, the MoF decided to implement SGB.NET and the project implementation plan was accordingly revised. As a result, thanks to the thorough review of SGB.NET, the sustained commitment of the Borrower, the flexibility of all stakeholders and the availability of local IT experts, the MoF was able to implement the FMIS already within the APL1.

[1] The Charter of the Center was approved by MoF Order#27 dated April 13, 2012.
[2] The Protocol was signed by both parties on December 8, 2010
[3] The review is attached in Annex 8

50. The initial functionality of the SGB.NET software included eight modules[4], while based on its business needs, the MoF decided to implement only the following three modules: Medium Term Budgetary Framework (MTBF); Budget Preparation and Execution; Access Control. All modules were developed by the end of the project in line with the initial project implementation plan. In line with the Protocol between the MoF and the National Bank of Tajikistan signed in 2006, the MoF became a participant in the banking system of Tajikistan, as the TFMIS was connected to the banking system. In 2014, SGB.Net was assessed as to whether it was suitable as an alternative solution to purchasing a COTS FMIS. The result of the analysis was positive, with some provisos[5], and concluded that only two core modules required development in the medium to longer term in order to meet the standards of the COTS systems for fragile states with low capacity. These modules were Cash Management/Planning and Accounts Payable.

51. **Intermediate Indicator 1.** Intermediate indicator 1 (*Improved capacity of the MoF to manage reforms*) is fully achieved. The new MoF and Treasury organizational structures approved by the Government enhanced the effectiveness of the Ministry's management which supported changes in different PFM reform areas, including a PFM Council and a Secretariat which was headed by a Deputy Minister- Project Director. The new structure of the MoF was approved in April 2015, after the end of the project[6] and has not been reviewed. MoF is properly staffed and adequate management skills developed. In line with the project design, the MoF approved its Human Resources Management (HRM) Strategy and created a new HRM Department. A course on HRM and leadership in PFM was developed and followed by the employees of the newly created department and its subordinate organizations. In addition, the staff of the HR Department were trained to work with the first version of the HRM information system.

52. **Intermediate Indicator 2.** Intermediate indicator 2 *(Sustainable training capacity is developed and core staff in financial departments are trained in PFM procedures)* is fully achieved. The project supported the development of a training strategy for staff working in the area of PFM. During the implementation of this strategy more than 9,000 staff from the MoF, line ministries and agencies, the Chamber of Accounts, budget organizations and other organizations, were trained. This represents 90 percent of all staff working on PFM issues in Tajikistan. This was achieved through a complete upgrade of the Training Center within the MoF, which included redesign of its physical infrastructure, development of specialized learning modules on the new budget procedures, training of trainers, repair of existing facilities, installation of furniture and modern equipment and an uninterrupted power supply. Following this upgrade, the Training Center was able to provide continuous education for all staff working in the area of PFM. A new plan for development of the Training Centre has been recently approved and additional (substantial) budgetary allocations were provided in the 2015 central

[4] The modules: Strategic Plan; Performance-Based Budgeting Management; Analytical Budget Preparation; Analytical Budget Execution; Expenditure Management and Processes (Receivables Follow-up); Ex-Ante Financial Control (Movables); Final Account; Personnel (Library, Accounting)

[5] The conditions included recruitment of system development staff, creation of PIU to support implementation of SGB.NET, introduction of project management methodologies (PMM), and recruitment of an international project manager to provide advice.

[6] MoF's new more streamlined organizational structure was enacted in April 2015 (Government Resolution #187 dated April 2, 2015).

budget for the Centre. A first version of the Center's website was developed as well and it currently available within the local network of the MoF.

53. **Objective 4**, **PDO Indicator 4 and Intermediate Indicator 6.** Objective 4 (*to develop adequate institutional capacity to support the implementation and sustained functioning of an automated financial management information system (FMIS)),* was achieved and is rated **Substantial**. The MoF established an IT Center to ensure the proper functioning of the TFMIS. Twelve IT specialists were hired and trained at the central level and seventeen IT specialists were trained to assist with the maintenance of the information systems at the local level. In order to retain qualified staff, starting in April 2015, the MoF has provided competitive salaries to the staff of the IT Center. The MoF's ICT infrastructure was enhanced through the purchasing and installing of modern network and data equipment. A modern Data Processing Center was constructed, equipped, and became fully functional at the MoF premises. PDO indicator 4 (*The MOF has adequate technical capacity to implement redesigned procedures and manage existing applications, support users and sustain IT systems*) and intermediate indicator 6 (*Central and local ICT systems modernized in YR3*) are fully achieved.

3.3 Efficiency: High

54. Implementation of the project was efficient. The return on investment for the project is 41 percent, even under conservative assumptions. The net present value of economic benefits is US$ 5.2 million using a discount rate of 12 percent. It declines to US$ 2.6 million if the discount rate is 20 percent. This high rate of return was achieved through the implementation of the FMIS, which added a high value to the country's PFM system. Rolling out the TSA to all local governments and implementing the different FMIS modules, including accounting, generated substantial savings from eliminating transaction fee payments, earning interest on idle cash balances and eliminating the need to purchase accounting software for 90 percent of the country's budget organizations. The estimated annual saving form non-payment of transaction fees and interest earned on depositing idle cash balances is Somoni 8.2 million or $1.2 million in 2015. This saving will accrue annually prorated for inflation and growth by 1 percent. Annex 5 provides the full economic and financial analysis, including the assumptions used.

3.4 Justification of Overall Outcome Rating

Rating: Satisfactory

55. The overall outcome rating of **Satisfactory** is based on the individual ratings for relevance, efficacy and efficiency as showed in Table 1. All ratings were either Substantial or higher, with High ratings for relevance of objectives and efficiency.

Table 1. Calculation of the Overall Project Outcome Rating

Relevance of		**Efficacy: Objective**				**Efficiency**	**Overall Outcome**
Objectives	Design	1	2	3	4		
High	Substantial	Substantial	Substantial	Substantial	Substantial	High	Satisfactory

3.5 Overarching Themes, Other Outcomes and Impacts

(a) Poverty Impacts, Gender aspects, and Social Development

56. There was no direct poverty, gender and social development impact on the population. Indirectly the whole population of the country, both poor and rich and men and women benefited from the strengthened budget process, improved budget data, improved PFM and the improved expenditure and liquidity management by the Treasury. The project has facilitated the implementation of a more progressive fiscal policy. The share of spending on social policies in total public expenditures went up from 31 percent in 2007 to over 48 percent in 2014. This was mainly due to material increases in pensions and salaries in the public sector. The social protection sector by far is the largest recipient of budgetary funds, with 22 percent of total expenditures in 2014, followed by education with 18 percent.

(b) Institutional Change/Strengthening

57. The PFMMP, as an institutional building project, facilitated the deepening of institutional reforms through improvements in the legal and normative framework. It improved the business processes for the PFM system both at the central and the sub-national level. It led to the restructuring of the Ministry of Finance and the Treasury, which optimized their resources, and created a modern Data Center within the MoF connecting all local finance departments/treasuries.

(c) Other Unintended Outcomes and Impacts

58. The project created positive externalities for the government and the MOF of the Kyrgyz Republic, where the authorities are implementing similar reforms in the PFM area and are looking at the option to implement the SBG.NET system as a next step in improving their FMIS. In May 2015, the Bank organized a study tour for a delegation from the Kyrgyz MOF to Dushanbe to look at the advantages and disadvantages of SGB.NET in Tajikistan.

3.6 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops

59. No beneficiary survey or stakeholder workshops were conducted during the preparation of this report.

4. Assessment of Risk to Development Outcomes

Rating: Negligible to Low

60. The risks to development outcomes are negligible or low because the likelihood of changes occurring that may be detrimental to the achievement of the project's development outcome is very low. The project laid the foundations for a modern PFM system in Tajikistan which will be further enhanced by the follow-on operation APL2. APL1 introduced a qualitatively new framework for PFM in Tajikistan. It improved the physical infrastructure and built adequate human capacity in the PFM and Treasury systems of the country. In addition, numerous legal and normative acts, as well as instructions/procedures in the PFM area were adopted and implemented. Officials and staff of line ministries and local governments received training on PFM issues. The Government and key stakeholders across the administration demonstrate strong commitment and ownership of the system and institutional improvements supported by the project in discussions during the PFM Council. The one risk that the ICR team highlights is the critical role played by the Project Coordinator who has played an important leadership, managerial and technical role in project implementation and now leads the IT Center. This individual would be difficult to replace.

5. Assessment of Bank and Borrower Performance

5.1 Bank Performance

(a) Bank Performance in Ensuring Quality at Entry: Satisfactory

61. The Bank performance in ensuring quality at entry is **Satisfactory.** During the identification, preparation, and appraisal stages of the project, the Bank team studied carefully lessons learned from previous operations in Tajikistan and from other FMIS related projects implemented in Eastern and Central European countries. In addition, a special study of the feasibility and sequence of PFM reforms in Tajikistan was conducted. This informed the design of the project as a two- stage APL with a strong focus on capacity building activities in all project components and a narrow focus on specific PFM reforms. Project risks were appropriately identified and mitigation measures envisaged in the project design. The project was consistent with the CPS, Government's, the MoF's and donors' priorities at the time of preparation. Nonetheless, in retrospect, the team could have incorporated in the project design activities dedicated to exploring the availability of free FMIS systems developed by other donors. In addition, the Results Framework of the project could have been strengthened through the use of quantitative indicators, using methodologies similar to the PEFA and Open Budget Index scoring.

(b) Quality of Supervision: Satisfactory

62. The Bank's performance at the implementation stage was **Satisfactory**. The project had sufficient funds and staff dedicated to supervision. Supervision costs were kept low by combining missions across on-going PFM projects in Tajikistan, combining with missions to PFM projects in Kyrgyz Republic and making extensive use of staff in the field. The team was in full compliance with the Bank supervision rules: it conducted regular semi-annual missions; prepared regular aide memoires and ISRs; conducted special reviews of the procurement and financial management arrangements; and conducted an in depth MTR, which identified the project's successes and critical issues for improvement; and conducted an ICR mission in May 2015. The project's ISR ratings were realistic and reflected slow but consistent progress in project implementation and achievement of project development outcomes, which was reflected in the gradual increase from Moderately Unsatisfactory and Moderately Satisfactory to Satisfactory ratings at the end of the project. The Bank's financial management and procurement staff invested a lot of effort in increasing the APST's capacity, as well as in monitoring and suggesting corrective actions. The project benefitted also from the transfer of TTL-ship from headquarters to the Bank's local office in Dushanbe in April 2011. This reinforced the successful collaboration between the Bank, the MoF and donors. During the ICR mission, both the MoF and donors showed high respect for the TTL of the project and specifically for his achievements, drive for results, technical skills, and constructive communication style. Finally, with the decision to adopt SGB.NET as an interim solution, the Bank team showed flexibility and a rational approach to project implementation.

(c) Justification of Rating for Overall Bank Performance: Satisfactory

63. Based on Bank's performance during project identification, preparation, appraisal, and supervision discussed above, the overall Bank's performance is rated **Satisfactory**.

5.2 Borrower Performance

(a) Government Performance: Satisfactory

64. The Finance Minister, Deputy Ministers, and Project Coordinators demonstrated strong ownership and commitment to reforms throughout. Furthermore, the Ministry made effective use of the technical assistance provided by the project. MoF took the initiative in proposing the Turkish SGB.NET information system but awaited the results of an independent assessment before proceeding to develop the budget preparation and budget execution modules through local IT specialists. MoF was receptive to fundamental reforms in its working practices and internal organization. A new Budget classification was developed in line with Government Finance Statistics Manual (GFSM) 2001. The Treasury was reorganized and a Unified Chart of Accounts was developed. A TSA was established and budget execution data were published regularly on the MoF's website. An IT Center equipped with modern equipment and staffed with qualified staff was established. A competitive salary scale for the staff of the IT Center was established in order to attract and retain the staff. The Training Center was transferred to the Finance and Economics Institute of Tajikistan which is also under the MoF.

65. There were some changes in the initial project plan and some implementation delays. First, there were delays in fulfilling the effectiveness conditions of the project due to delays in approving the Staff Retention Plan. Second, the MoF changed its initial plans with regard to the automation of the FMIS. Instead of developing a customized IT system for budget preparation and execution, the MoF decided to adopt an off-the-shelf solution, SGB.NET, with more limited customization. Third, there were delays in adapting the HRM Strategy, implementing the Unified Court of Account and reorganizing the MoF structure, which took place only after the closing of the project. Notwithstanding these delays, the Ministry made steady progress and completed all major outputs before project closing.

(b) Implementing Agency or Agencies Performance: Satisfactory

66. The M&E and fiduciary arrangements performed by the APST, located within the MOF, were adequate and provided solid support for the successful implementation of the project. FMRs were delivered on time and deemed satisfactory by the Bank. APST regularly updated and followed its procurement plans. The Training Center, IT Center, Central Treasury and the Accounting Methodology Department were all actively involved into day-to day project implementation. MoF effectively coordinated across the various institutions, ensured a shared vision for reforms and addressed implementation challenges through the PFM Council.

(c) Justification of Rating for Overall Borrower Performance: Satisfactory

67. In view of the performance ratings of the Government and the implementing agency, the overall Borrower performance is rated as **Satisfactory**.

6. Lessons Learned

68. **Realism in the project's objectives and the reform trajectory allowed the authorities to implement reforms at their own pace and thereby ensured their ownership and commitment to results.** The authorities came under pressure from a number of external stakeholders to adopt a more ambitious reform agenda and timetable, including proposals to accelerate the adoption of medium-term expenditure planning, performance budgeting, international accounting standards and the implementation of a state of the art financial management information system. The Bank project team argued against initiatives that they considered too ambitious given the political context and institutional capacity in Tajikistan. Some external partners, under pressure themselves to create an institutional framework for sector

budget support operations, advocated a more accelerated approach. The PFM Council proved successful as a forum for resolving differing perspectives and ensuring that partners respected a common on the PFM reform agenda. In addition, the Donor Coordination Council, which holds regular meetings of donors involved in PFM reform, provided an effective platform for coordination and harmonization of donors' activities. The long-term commitment to PFM reforms on the part of Government and the key development partners enabled all parties to build trust and take a more strategic perspective on PFM reforms, rather than focusing on short-term deliverables.

69. **Active participation of MoF management structures in project implementation ensured that works plans were realistic and were followed up by the appropriate government officials**. Availability of client's dedicated team of reformers is important for the success of project implementation. PFM reforms and the project enjoyed the vigorous support and commitment from two Ministers of Finance, Deputy Ministers, many department heads and Treasury top managers, program coordinators and APST staff.

70. **Attention needs to be paid to the role of center of government institutions in the implementation of PFM reforms.** Some institutional decisions beyond the control of the MoF were delayed due to the centralized nature of the decision making process in the country. The involvement of the Presidential Administration at all stages of project preparation and implementation could have helped ensure more timely decision making and facilitated collaboration with other Government agencies. The Presidential Administration will play a particularly important role in the next phase of reforms when systems are rolled out across Government. The new PFMMP II project provides for creation of the Steering Committee led by a senior official from the Presidential Administration, who is expected to coordinate activities of different project stake-holders involved in project implementation.

71. **The availability of high quality project management and technical expertise helped the team to adjust international best practices to the country context**. The project provided the Government with excellent international consultants - both individuals and firms- who worked closely with Government officials, Bank staff and other donor partners. The Bank provided diverse and experienced team to support preparation and supervision, while the transition of the TTL function to the field reinforced the good relations with the client and strengthened project supervision. International expertise helped ensure that reforms are consistent with international standards whilst at the same time the seniority of the staff involved gave them the confidence and authority to advocate for a realistic pace of implementation.

72. **Informed flexibility during project implementation can contribute to positive development outcomes**. The adoption of SGB.NET, which was not foreseen at the design stage, was critical to the project's success. This represented a significant change in the project design. The proposal originated from MoF. While there were some concerns on the part of the Bank team regarding the functionality of the SGB.NET and the likely impact of adoption on the longer-term objective of establishing an integrated FMIS, the team supported an independent assessment and reviewed the results in consultation with Government. Based on this assessment and respecting the MoF's preference, the Bank team agreed to support the implementation of SGB.NET as an interim solution. This allowed the authorities to put in place a reasonably robust financial management system in place quickly and at very low cost.

7. Comments on Issues Raised by Grantee/Implementing Agencies/Donors

(a) Grantee/Implementing agencies

No issues were raised by the Borrower (see Annex 6 for the Borrowers comments on draft ICR)

(b) Co-financiers/Donors

NA

(c) Other partners and stakeholders

NA

Annex 1. Project Costs and Financing

Project Cost by Component (in USD Million equivalent)

Components	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
Building Capacity for Public Financial Management	4.18	3.8	90.9
Streamlining Core Budget Management Procedures	3.55	3.47	97.7
Preparation for Automation of Core Public Financial Management Operations	4.27	4.0	93.7
Total Baseline Cost	**12.0**	**11.27**	**93.9**

Financing

Source of Funds	Type of Cofinancing	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
Borrower	**APL**	1.33	0.95	71.4
IBRD Technical assistance/investment loan		5.0	4.96	99.2
MDTF		4.70	4.58	97.4
PHRD		0.97	0.78	80.4
Total		**12.0**	**11.27**	**93.9**

Annex 2: Assessment of Achievements by Objective

Objective 1: Establish basic processes for efficient management of public finances **Rating:**				
PDO Outcome Indicator/ Intermediate Indicators/ Additional indicators	Baseline	Target	Actual	Comments
1. Improved MoF and budget organizations' business processes for budget preparation and execution	Preparation of annual budget separated from medium-term planning; current expenditure planned separately from capital investments	2014 budget document consistent with strategic planning and macro-fiscal forecasts as reflected in 2014-2016 MTEF	2014 annual budget is consistent with MTEF	Budget Circulars for 2014-2016 and 2015-2017 provide templates and procedures for preparation of the annual budget with a 3-year indicative forward expenditure estimates
2. Law on Public Finance	Lack of clear roles and responsibilities, underdeveloped processes for budget preparation and budget	Law laying out clear roles, responsibilities and processes for budget preparation and execution	Public Finance Law adopted in 2011	Key things laid out by this law Regulations developed to support implementation of the Law on: - budget preparation - budget execution - financial reporting - preparation of capital investment budget and - budget hearings Guidelines prepared to support implementation of the Law on: • formulation of the baseline budget, model • calculation for local governments' baselines budgets • program budgeting, strategic

				budget plans • determination of aggregate and sectoral ceiling for the central government budgets
3. Upgraded budget classification integrated with Chart of Accounts (COA) Additional PEFA indicator PI-5 Classification of the budget	Use of COA based on IMF GFMS 1986 and pre-1991 accounting standards. 2007 PEFA score D	New budget classification and COA aligned with international government financial statistics and public sector accounting standards introduced and used for FMIS implementation	Budget classification and unified COA enacted by MoF's Order No. 40, 13 June 2012. FMIS uses new COA integrated with new budget classification. 2012 PEFA score B	• New budget classification aligned with IMF's GFS 2001 developed and approved, including administrative, functional and economic classifications • Manual for new budget classification prepared • Public sector accounting reform strategy developed and approved • Unified COA capable of supporting IPSAS standards • Manual for COA application developed
4. Improved Treasury management	No TSA; underdeveloped and not fully documented Treasury procedures; weak internal controls	Integrated TSA covering country-wide operations.	TSA established covering central and all 73 local financial departments	• 5-year Strategic Plan for Developing a Treasury System prepared and approved • New structure of the Central Treasury in MoF prepared and approved • Budget

Additional PEFA Indicator PI-22 Timeliness and regularity of accounts reconciliation PI-25	PEFA 2007 score B PEFA 2007 score D+		PEFA 2012 score B+ PEFA 2012 score C+	executed based on the new manual for budget execution including cash and liability management
Objective 2. Establish basic processes for transparent management of public finances **Rating:**				
PDO Outcome Indicator/ Intermediate Indicators/Additional indicators	Baseline	Target	Actual	Comments
1. Publication of key budget documents and reports OBI score PEFA Score Indicator PI-10	Draft budget law or amendment not published before approval; budget execution reports published irregularly and their consolidation requires manual effort OBI score 2012 17 PEFA 2007 score D	Budget and financial reports published on MoF's website	Budget and financial reports published on MoF's website regularly OBI score 2015 25 PEFA 2012 score C	Budget prepared and executed through upgraded FMIS
Objective 3. Develop adequate institutional capacity to support implementation of an automated FMIS **Rating:**				
PDO Outcome Indicator/ Intermediate Indicators/Additional indicators	Baseline	Target	Actual	Comments
1. Improved	MoF structure	MoF's	MoF's	Government

organizational structure of MoF	and skills of core staff poorly match organizational tasks	organizational structure streamlined, properly staffed and management and operational skills developed	organizational structure streamlined in April 20015	Resolution No. 187, April 2, 2015 • New MoF's organizational structure approved • MoF's human resources management strategy developed and approved • New HR unit operational
2. Sustainable training capacity and core PFM staff trained	Inadequate skills of staff in financial departments; lack of permanent training capacity	MoF's training center delivers training program on PFM procedures; training courses developed and local trainers trained; 60% of core PFM staff trained	MoF's training center delivered training on new PFM procedures; training courses developed and local trainers trained; 90% of PFM related staff trained	9,000 staff from MoF, line ministries and agencies, Chamber of Accounts and budget organizations trained on new budget preparation, budget execution and financial reporting procedures
3. Establishment of MoF's IT Center	No IT Center; 3 staff support maintenance of existing information systems; lack of capacity for upgrading systems	IT Center established and adequately staffed to support implementation of FMIS	IT Center established and fully staffed in 2012; provides support to central and local treasury offices	Charter of the Center approved by MoF order No. 27, April 13, 2012. • IT Center equipped with a modern Data Center • Staffed with employees hired at competitive salaries
Objective 4. Develop adequate institutional capacity to support sustained functioning of an automated FMIS **Rating:**				
PDO Outcome Indicator/ Intermediate Indicators/Additional indicators	Baseline	Target	Actual	Comments
1. Establishment of MoF's IT Center	No IT Center; 3 staff support maintenance of existing information systems; lack of capacity for	IT Center maintained	IT Center fully staffed, provides support to central/regional/local offices	IT Center equipped with a modern Data Center Staffed with employees hired at competitive salaries

	upgrading systems			
2. FMIS rollout and better control over budget execution	Budget preparation and execution not fully automated; existing information systems cannot support new COA and budget classification	Modules for budget preparation and execution, aligned with new COA and budget classification, operational and used for 2013 budget execution	3 modules of upgraded FMIS operational used for 2015 budget execution. Budget preparation module operational since 2014, budget execution module since 2015.	• Budget prepared and executed through upgraded FMIS modules • Manuals supporting new business procedures include: budget preparation, budget execution, financial reporting
No. of transactions	Expenditure transactions: 88,434 Revenue transactions: 158,436		Expenditure transactions: 678,153 Revenue transactions: 742,231	
No. of users	173 users in 2010		2310 users in 2015	

Annex 3. Outputs by Component

Table 1 below depicts the results achieved by the Project as measured by the Output Indicators stated in the PAD.

Table 1: Status of Intermediate Outcome Indicators by Output, Component and Subcomponent

Intermediate Results Indicator	End of Project Target	Achievement
Component 1: Building Capacity for Public Financial Management		
1. Improved capacity of the MoF to manage reforms	• Organizational structure of the MoF is streamlined, properly staffed, and core staff has relevant skills; • Management and operational skills of MoF's management and staff allow them to perform their functions effectively; • The MoF has implemented the Staff Retention Plan (SRP);	***Fully Achieved (with some delay).*** • MoF's new more streamlined organizational structure was enacted in April 2015 (Government Resolution #187 dated April 2, 2015);
2. Sustainable training capacity is developed and core staff in financial departments and treasury divisions are trained in PFM procedures	• The MoF manages on-the-job skill development training program in PFM procedures delivered by the Training Center; • Training courses are developed in PFM basics and local trainers trained and certified; • At least 60% of the core PFM staff country-wide is trained in the basic skill development courses;	***Fully achieved*** • The Center delivered training on new PFM procedures. Necessary training courses were developed and local trainers were trained; • 9,000 staff trained.
Component 2: Streamlining Core Budget Management Procedures		
3. Budget preparation cycle is improved and integrates MTEF as a regular budget cycle phase	• 2012 budget is implemented on the basis of improved budget circular including incorporating MTEF parameters; • 2014 Budget document is consistent with strategic planning and macro-fiscal; • forecasting as reflected in MTEF document for 2014-2016;	***Fully achieved*** (with some delay) • 2014-2016 Budget Circular reflects MTEF and macro-fiscal forecasts;
4. Budget classification and chart of accounts are integrated and brought in line with international standards	• 2012 budget is prepared and executed on the basis of revised budget classification including administrative segment; • 2012 budget is executed on the basis of the new chart of	***Fully achieved (with some delay).*** • 2012 Budget was not prepared and executed based on new BC, as the new BC was enacted only in 2012 (MoF's Order #40 dated June 13, 2012).

Intermediate Results Indicator	End of Project Target	Achievement
	accounts integrated with the revised budget classification compliant with COFOG and GFS2001;	• 2015 budget is executed on the basis of new CoA integrated with the GFS2001.
5. Procedures for budget execution through the treasury system are improved	• Integrated Treasury Single Account system established at the NBT covering countrywide operations; • Local Treasury bank accounts at commercial banks are converted into transit accounts, zero-balanced on a daily basis; • 2013 budget is executed on the basis of the revised manual for budget execution through the treasury system; • Budget execution reports are published on the MoF's website;	***Fully achieved (with some delay).*** • Treasury Single Account (TSA) was created at the NBT covering countrywide operations; • In line with TSA implementation, all bank accounts at commercial banks were converted into transit accounts; • 2015 budget is executed on the basis of revised manual for budget execution; • Budget execution reports are regularly published on the MoF's website (www.moliya.tj).
6. Central and local ICT systems modernized in YR3	• Budget execution system is upgraded to implement 2012 budget based on the new BC and COA; • Budget consolidation and preparation module is developed based on the ungraded BC;	***Fully achieved (with some delay).*** • 2012 Budget was not implemented based on new BC an d COA, as the new BC and CoA were only enacted by the MoF's Order #40 dated June 13, 2012. Budget 2014 was developed based on new BC; • Budget preparation and execution modules based on new upgraded BC were developed.
Component 3: Preparation for Automation of Core PFM Operations		
7. The MoF's IT Center established, and adequate number of specialists recruited and trained	• MoF's IT Center having proper organizational structure to support key ICT functions established in YR1 • MoF's ICT infrastructure is enhanced to enable FMIS implementation • At least 12 ICT specialists at the central level and at least one technical staff for each regional treasury office recruited and trained in YR1-2.	***Fully Achieved (with some delay)*** • The IT Centre was established only in 2012 as a state unitary enterprise (SUE) and staffed. MoF has included funding for the new IT Centre and its association IT team in the 2015 budget with competitive salary scale for its staff. • The MoF's ICT infrastructure was improved, and enabled FMIS implementation. • In YR1-2, 13 trained IT

Intermediate Results Indicator	End of Project Target	Achievement
		specialists have been contracted to operate at the central level and 22 trained IT specialists at the regional level. In turn, these 22 IT specialists in the regions conducted cascade trainings for 73 specialists (covering 73 LTOs nationwide).

Annex 4. Grant Preparation and Implementation Support/Supervision Processes

(a) Task Team members

Names	Title	Unit	Responsibility/ Specialty
Lending/Grant Preparation			
Ronald Myers	Sector Manager	GGODR	
Bill Dorotinsky	Sector Manager	GGODR	
Svetlana Proskurovska	Senior Public Sector Specialist	GGODR	Task Team Leader
John Ogallo	Senior FM Specialist	OPSOR	
Cem Dener	Senior Public Sector Specialist	GGODR	Team Member
Elena Nikulina	Senior Public Sector Specialist	GGODR	Team Member
Fasliddin Rakhimov	Procurement Specialist	GGODR	Team Member
Virginia Yates	Program Assistant	GGODR	Team Assistant
Mario Sangines	Senior Public Sector Specialist	GGODR	Team Member
Stepan Titov	Senior Economist	GGODR	Team Member
Supervision/ICR			
Svetlana Proskurovska	Senior Public Sector Specialist	GGODR	Task Team Leader
Cem Dener	Senior Public Sector Specialist	GGODR	Team Member
Yelena Nikulina	Senior Public Sector Specialist	GGODR	Team Member
Hassan Aliev	Public Sector Specialist	GGODR	Task Team Leader
Migara de Silva	Senior Economist	GGODR	Team Member
Dilshod Karimova	Procurement Specialist	GGODR	Team Member
Shodi Nazarov	FM Analyst	GGODR	Team Member
Niso Bazidova	FM Analyst	GGODR	Team Member
Henry Forero	Senior Public Sector Specialist	GGODR	Team Member
David Nummy	Senior Public Sector Specialist		Team Member
Wyatt Grant	IT Consultant		
Ireneusz Smolewski	Procurement Specialist		
Stepan Titov	Senior Economist	GGODR	ICR Primary Author
Zhanybek Ybraiym Uulu	Public Sector Specialist	GGODR	ICR Team Member

(b) Staff Time and Cost

Stage of Project Cycle	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	USD Thousands (including travel and consultant costs)
Lending		
FY2006	6.74	21,019.40
FY2007	44.6	79,697.09
FY2008	80.77	88,606.70
FY2009	90.82	77,262.51
FY2010	0.00	0.00

FY2011	0.00	0.00
FY2012	0.00	0.00
FY2013	0.00	0.00
FY2014	0.00	0.00
FY2015	0.00	0.00
FY2016	0.00	0.00
Total:	222.93	266,585.70
Supervision/ICR		
FY2006	0.00	0.00
FY2007	0.00	0.00
FY2008	0.00	0.00
FY2009	0.00	0.00
FY2010	73.24	100,050.93
FY2011	71.94	46,134.96
FY2012	53.93	13,259.75
FY2013	54.48	60,490.96
FY2014	50.81	47,036.39
FY2015	52.38	36,228.35
FY2016	8.78	0.00
Total:	365.56	303,201.34

Annex 5. Economic and Financial Analysis

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
COSTS										
TSA/FMIS development & implementation costs (including IT infrastructure)	360,923	360,923	721,846	1,082,769	1,082,769					
FMIS operation & maintenance costs						360,923	368,142	375,504	383,014	390,675
Staff time costs for implementation	357	388	421	458	498					
TOTAL ECONOMIC COSTS	**361,280**	**361,311**	**722,267**	**1,083,227**	**1,083,267**	**360,923**	**368,142**	**375,504**	**383,014**	**390,675**
BENEFITS										
TSA saving (non-payment of transaction fee & interest earned)						1,223,528	1,309,175	1,400,817	1,498,874	1,603,796
FMIS saving (non-purchasing of accounting software)						2,585,520	2,611,375	2,637,489	2,663,864	2,690,502
TOTAL ECONOMIC BENEFITS						**3,809,048**	**3,920,550**	**4,038,306**	**4,162,738**	**4,294,298**
NET BENEFITS	-361,280	-361,311	- 722,267	- 1,083,227	- 1,083,267	3,448,125	3,552,409	3,662,802	3,779,724	3,903,623
Real US$										
TOTAL ECONOMIC COSTS	399,681	391,721	767,396	1,127,892	1,105,374	360,923	360,923	360,923	360,923	360,923
TOTAL ECONOMIC BENEFITS						3809048	3843677	3881494	3922641	3967268
NET BENEFITS	-399681	- 391720.5939	- 767396	- 1127891.6	- 1105374.4	3448125	3482753	3520571	3561718	3606344
IRR		41%								
NPV at discount rate	**12%**	5,186,068								
NPV at discount rate	**20%**	2,617,079								
Assumptions:										
FMIS operational for 5 years after implementation and replaced with a new system afterwards					Exchange rate as of October 2015 6.6 Somoni/US$					
Domestic inflation 6%					All costs grow by 2% annually					
US inflation 2%					All benefits grow by 1% annually					

Annex 6. Summary of Borrower's ICR and Comments on Draft ICR

The Government of the Republic of Tajikistan has outlined a number of important initiatives aimed at a better adjusting the public expenses in line with the priorities of the country's social and economic policy, as well as improving the efficiency of public expenses. The Public Administration Reform Strategy adopted in 2006 supports reforms in the area of public financial management (PFM), including ensuring: (i) greater coordination of budget and economic policy; (ii) greater consistency in the distribution of responsibilities on PFM (with a view of closer integration of the investment planning and budgeting process, along with the overall responsibility for the binding of strategies and programs to the budget process assigned to the Ministry of Finance of the Republic of Tajikistan); (iii) higher efficiency of financial decision-making procedures in the ministries; (iv) reforming the system of internal control and audit; (v) greater efficiency of public procurement; and (vi) optimization of the mechanisms for allocating budgetary receipts among the levels of state apparatus.

In order to continue the implementation of the mentioned initiatives, the Public Financial Management (PFM) Strategy of the Republic of Tajikistan was approved by the Decree of the President of the Republic of Tajikistan dated March 20, 2009, No. 639.

To support the implementation of the Public Financial Management Strategy of the Republic of Tajikistan, the Government of the Republic of Tajikistan has addressed to the International Development Association (IDA) a request for the allocation of a grant to support the Tajikistan Public Financial Management Reform.

IDA approved this request and a Financing Agreement for a grant allocation in the amount equivalent to 3.4 million SDR was signed on May 27, 2009 between the Republic of Tajikistan and IDA, for the implementation of the Public Financial Management Modernization Project (PFMMP). The aim of the project was to maintain the implementation of Tajikistan Public Financial Management Strategy. In addition to the Financing Agreement on the Public Financial Management Modernization Project, two additional grant agreements were signed for co-financing of the project: (1) A Multi-Donor Trust Fund (EC and DFID) was signed on February 9, 2010 in the amount of USD 4697 885.50 and (2) A Grant of the Japan Government (PHRD) was signed on August 21, 2009 in the amount of USD 971 821.00.

The Public Financial Management Modernization Project in Tajikistan became effective on February 12, 2010 and the Project closing date was August 31, 2014.

On February 13, 2014 the Ministry of Finance of the Republic of Tajikistan addressed to IDA a request for project extension until April 1, 2015. This request was approved by IDA and the project closing date was extended to March 31, 2015.

The purpose of the PFMMP is to support 1) some of the key PFM reforms, as defined in the PFM Strategy developed by the Government of the Republic of Tajikistan and 2) the capacity building in the Ministry of Finance of the Republic of Tajikistan (MoF RT) and the relevant departments. The project considers the additional reforms that are being implemented currently. Two-staged APL was chosen as the implementation approach of PFMMP. APL1 was aimed at addressing the capacity gaps, ensuring the modernization of the procedures for the preparation and execution of the budget, improving transparency and cooperation, as well as supporting the additional automation of financial transactions in the MoF RT, along with capacity building in the field of information technology (IT). APL2 will build on the results of the reforms implemented under APL1 and will support the automation of the upgraded public financial management processes.

The MoF RT was designated as the Project Executing Agency. To overcome the complexity of the management of the different activities, lead employees of the MoF RT were officially appointed to lead the main activities:

a. *Capacity building activities.* The Deputy Minister of Finance of the Republic of Tajikistan was appointed to lead these activities;

b. *Activities on improvement of the budget planning processes.* The Head of the Main Department of the State Budget of the MoF RT was appointed to lead these activities;

c. *Activities on improvement of the budget execution processes.* The first Deputy Director of the Main Department of the Central Treasury of MoF RT was appointed to lead these activities;

d. *Activities on accounting reform.* The Head of the Department of Accounting and Audit Methodology of MoF RT was appointed to lead these activities;

The Deputy Minister of Finance of the Republic of Tajikistan was appointed as the Director of the Public Financial Management Modernization Project. Deputy Minister of Finance became also the Head of the PFM Coordination Council Secretariat.

Extraneous factors caused some delays in the implementation of the project, including:

a. Discussing and agreeing on TORs for the different contracts with all donors (WB, EC, DFID, SECO) took much longer than expected;

b. The Bank's procurement procedures took longer than expected as well;

c. There was delay with establishing a trust fund account for SECO funding for the Accounting Reform Project.

d. The first tender procedure for the modernization of the MoF's ICT infrastructure was cancelled due to the lack of a sufficient number of bids and had to be retendered.

The project achieved the following results:

As part of the support of the *PFM Coordination Council*, the following activities were carried out:

a. First meeting of the Public Finance Management Coordinating Council. Adoption of the Regulations of public finance management Coordinating Council Secretariat and adoption of a three-year public finance management Implementation Strategy Plan for the years 2009-2011.

b. Second meeting of the Public Finance Management Coordinating Council and adoption of updated three-year public finance management Implementation Strategy Plan for the years 2012-2014.

c. Constant monitoring and evaluation of public finance management strategy implementation and quarterly reports at donor meetings on the progress of three -year public finance management Implementation Plans

d. New structure of the Ministry of Finance of the Republic of Tajikistan was developed and approved.

As a part of activities on *capacity building* of the employees that work in the system of public finance management.

a. Training strategy was developed and approved for those employees that are involved in the system of PFM.
b. During the implementation of this Strategy the staff of the MoF, MABAs, ABAs, RBFs and the staff of the Chamber of Accounts, financial organizations and other organizations have been trained.
c. Complete redesign of MoF Training Center to organize constant education process in PFM, including repair of existing facilities, installation of furniture and modern equipment and ensure uninterrupted power supply.
d. A plan for the development of Training Centre under the MoF was developed and approved. Taking into account the Plan activities, additional substantial budgetary funds were provided in the state budget for 2015 to the Training Center
e. Improved training programs for each training course.
f. Methodologies were developed for the preparation of specific courses to implement the curriculum.
g. Memorandum on Cooperation was signed between the Training Center, Finance and Economics Institute of Tajikistan and the Research Institute "Finance".
h. Memorandum was signed by the Training Center under the Ministry of Finance and the UK Institute of Public Finance and Accounting.
i. Memorandum on Cooperation signed between MoF Training Center and the Training Center of the Ministry of Finance of the Kyrgyz Republic.
j. Initial version of MoF of Training center web-site was prepared, including the curriculum, courses and other information. This web-site is currently running within the local network of the MoF until an administration institution is identified.

Under the activities to improve the *human resources management* system in the Ministry of Finance of the Republic of Tajikistan.

a. MoF Human resource management strategy was developed and approved.
b. In line with implementation of MoF’s HR management strategy, a new unit on HR management was developed and approved
c. Special course has been developed on HR management and leadership in PFM and related training materials for the needs of the MoF
d. Employees of MoF HR Department and its subordinate organizations were trained in special courses on HR management and leadership in PFM;
e. Recommendations for further implementation of staff retaining plan was developed and submitted to HR Department of the MoF.

f. The initial version of HR management system was prepared and HR Department staff were trained. Currently, the system is running within the local network of the MoF.

g. MoF HR Department staff were trained to work with the initial version of HR management information system

As part of improving the *budget planning* process the following tasks were carried out:

a. Instructions were developed and approved on development of main directions of finance and tax policy;

b. Piloting of basic budget calculation implemented at local level- piloting program budgeting at local level;

c. Budget preparation process organized and work plan for Main department of state budget (MDSB) on budget preparation process is streamlined and working plan for MDSB for FY 2015-2017 developed;

d. Interaction Procedure between the MoF and the Ministry of Economy on development of investment budget was developed;

e. New method on investment budget development was developed and introduced;

f. Regulation was developed on budget hearings;

g. Guidelines were developed on development of base budget, compilation of base budget of local authorities, preparation of budget priority proposals, program budgeting, development of draft of strategic budget plans

h. Training modules were developed on methodology of medium-term strategic budget planning teaching, program budgeting and the principles and objectives of PFM reform to staff of relevant central and local executive bodies;

i. Methodical instructions were developed on development of ceilings of state budget by sectors and MABAs;

j. Trainings were organized and delivered at central and local levels. Almost 500 employees were trained, and on-the- job trainings were organized as well;

k. Support was provided to six line ministries during budget preparation process (especially to the new pilot ministries - the Ministry of Transportation, Ministry of Agriculture and the Ministry of Energy and Water Resources);

l. Debugging and introduction of MTEF modules into the Finance Management Information System was made;

Under the *budget execution processes* improvement, the following tasks were carried out:

a. Five-year strategic plan on development of the treasury system was developed and approved;

b. New structure of the Main Department of the Central Treasury (MDCT) was developed and approved;

c. MDCT General Provision developed and approved;

d. Provisions were developed and approved for the MDCT departments and units;

e. New Treasury instructions on budget execution that included new features for cash and liability management were developed and on the stage of the approval ;

f. Training modules were developed for cash management, liability management, new system of budget execution, accounting in the Treasury and for budget and financial statements;

g. Necessary draft amendments prepared to PFM Laws and are under negotiation in MoF;

h. Debugging and introduction of budget execution modules and treasury accounting and BOs in the information system of finance management has been made (PFMIS);

i. Training was delivered to all MDCT employees, MABAs and to all 73 LFOs employees on new processes and procedures on budget execution, cash management, liabilities management, and the formation of budget and financial statements;

j. Republican budget Treasury Single Account (TSA) was created. In the frames of local TSA establishing a transition of all 73 LFOs on cash services was made in MF RT MDCT.

Under the preparation to the *reforming of accounting* in the public sector, the following tasks are carried out:

a. Public sector accounting reform strategy was developed and approved.

b. New budget classification was developed and approved as part of income, functional and economic classifications, in order to bring it in line with GFS 2001 as well as a manual for its use was developed;

c. Unified Chart of Accounts was developed and approved (UCoA), integrated with the budget classification and able to support IPSAS standards that are being introduced, also instructions for its use were developed.

Under the preparation to the *public finance management processes automation* of the following tasks were carried out:

a. Inter-budgetary financial operation support center created under the MoF.

b. Construction of a building for inter- budgetary financial operation support center under the MoF was completed taking into account allocation of Data Center;

c. The building of inter-budgetary financial operation support center under the MoF was equipped with furniture and access control management system (ACS);

d. The building of inter- budgetary financial operation support center equipped with office facilities and network infrastructure.

e. Starting from April 1, 2015, all PFMMP IT consultants have been transferred for a permanent work for inter- budgetary financial operation support center at the MoF with reasonable salaries;

f. New official website of the MoF was developed and was under the process of filling the content;

g. Budget expenditure planning module was introduced in to the integrated financial management information system (FMIS) based on the new budget classification;

h. budget revenue planning module was introduced in to the integrated financial management information system (FMIS) based on the new budget classification;

i. The module of budget revenue and expenditure execution was introduced in to the integrated financial management information system (FMIS) taking into account the new budget classification and unified chart of accounts (UCoA);

j. Debugging and introduction of accounting module in the information system of public finance management has been made (PFMIS);

k. Data Center was established.

l. Full modernization of the network infrastructure of the MoF and the 73 LFOs was completed

Annex 7. Comments of Cofinanciers and Other Partners/Stakeholders

There were no comments of cofinanciers or other partners.

Annex 8. List of Supporting Documents

- Project Appraisal Document on a Proposed Grant in the Amount of SDR 3.4 million (US$5 million Equivalent) to the Republic of Tajikistan for a Public Financial management Modernization Project Adaptable Program Loan dated March 26, 2009 (Report No: H463-TJ).
- Aide Memoires, Implementation Status Reports
- Project Progress Reports
- SGB.NET Assessment Reports
- Tajikistan Country Partnership Strategies 2006-2009, 2010-2013, 2015-2018
- Borrower’s Evaluation Report, dated June 2015

Annex 9. Map of Tajikistan