Report Number: ICRR0024714

1. Operation Information

Operation ID	Operation Name
P177930	TJK DPO FY23
Country	**Practice Area (Lead)**
Tajikistan	Macroeconomics, Trade and Investment

Non-Programmatic DPF

L/C/TF Number(s)	Closing Date (Original)	Total Financing (USD)
IDA-E1440	30-Jun-2024	52,749,840.00
Bank Approval Date	**Closing Date (Actual)**	
12-Jan-2023	30-Jun-2024	

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	50,000,000.00	0.00
Revised Commitment	50,000,000.00	0.00
Actual	52,749,840.00	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
Kari Hester Indira Grenade	Vandana Chandra	Sonia Araujo	IEGEC

2. Program Objectives and Pillars/Policy Areas

a. Objectives

The program development objective (PDO) of the Resilient and Sustainable Tajikistan Development Policy Operation (DPO) was to “support the authorities in increasing resilience and sustainability of growth by (i) improving the business environment, the integrity of the financial sector, and financial inclusion;

(ii) strengthening the efficiency, transparency, and accountability of the public sector, including state-owned enterprises; and (iii) enhancing social and environmental resilience to shocks" (PD, p.3).

For the purposes of this ICRR, the PDOs against which outcomes will be assessed are taken to be:

- **PDO1:** To improve the business environment, the integrity of the financial sector, and financial inclusion.
- **PDO2:** To strengthen the efficiency, transparency, and accountability of the public sector, including state-owned enterprises (SOEs).
- **PDO3:** To enhance social and environmental resilience to shocks.

The Financing Agreement (FA) did not include a PDO statement.

b. Pillars/Policy Areas

The DPO had three pillars, which were stated as follows:

Pillar 1: Improving the business environment, the integrity of the financial sector, and financial inclusion.

Pillar 2: Strengthening the efficiency, transparency, and accountability of the public sector, including SOEs.

Pillar 3: Enhancing social and environmental resilience to shocks.

Summary descriptions of the three pillars are as follows:

Pillar 1: Improving the business environment, the integrity of the financial sector, and financial inclusion - supported policy and legislative reforms to: (i) improve the business environment and reduce regulatory compliance costs for businesses by streamlining and unifying all business-related licenses and permit documents; (ii) strengthening the integrity of the financial sector by aligning the anti-money laundering and counter-terrorism financing framework with international standards; and (iii) increasing financial inclusion by expanding digital financial services and enhancing digitalization in the banking sector.

Pillar 2: Strengthening the efficiency, transparency, and accountability of the public sector – supported policy, institutional, and legislative reforms to: (i) increase public debt transparency and accountability by modernizing and strengthening the legal framework for the management of public debt; (ii) improve transparency and governance of the SOEs through a new SOE Fiscal Risks Management Program and publication of financial statements and fiscal risk statements of the largest SOEs; and (iii) modernize and improve public procurement through new legislation consistent with good international practice.

Pillar 3: Enhancing social and environmental resilience to shocks – the package of reforms covered by the respective prior actions (PAs) focused on: (i) strengthening targeted social assistance to expand social safety net access for poor households, including female-headed and climate change or natural-disaster affected households; (ii) increasing economic resilience to natural disasters through a new Disaster Risk Financing Strategy and rules-based post-disaster source of financing; and (iii) improving cost recovery and equity of electricity tariffs.

c. Comments on Program Cost, Financing and Dates

Total financing was a US$50,000,000.00 equivalent grant from the International Development Association (IDA), that was approved on January 12, 2023, became effective on January 23, 2023, and closed as scheduled on June 30, 2024. The actual amount disbursed was US$52,749,840.00 (ICR, p. ii). The difference between the approved and actual amount disbursed was attributable to the SDR/US exchange rate change.

3. Relevance of Design

a. Relevance of Objectives

The operation was the first reengagement DPO since 2012 and the PDOs were relevant to addressing both the structural reforms pending for a long time, aiming to accelerate growth and mitigate economic vulnerabilities, as well as the macroeconomic and broader sustainable development challenges at appraisal of the DPO in June 2022.

Country Context: Tajikistan is a lower-middle-income, landlocked, and mountainous country in the Europe Central Asia (ECA) region. Although it is rich in natural resources including hydropower, minerals, and fertile agricultural lands, Tajikistan faces significant development challenges, including heavy reliance on remittances, elevated poverty rates, a challenged business environment, and vulnerability to natural hazards.

At appraisal of the DPO, Tajikistan's macroeconomic context reflected a strong post-pandemic recovery, tempered by structural vulnerabilities and external risks. Its economy showed resilience despite being impacted by compounding external shocks, including volatility of global commodity prices, the COVID-19 pandemic, climate hazards, and spillovers from Russia's invasion of Ukraine. Estimated GDP growth averaged 8.1 percent in 2021-2022, and poverty (measured by $3.65 a day (2017 PPP) for lower middle-income economies) fell from 16.2 percent in 2020 to 12.5 percent in 2022. With a narrowing of the fiscal deficit and a reduction in public debt, fiscal performance improved in 2022 relative to 2020 though risks of debt distress were assessed as high. The liquidation of four insolvent banks, including two state-owned ones, improved confidence in the financial sector by reducing non-performing loans, raising capital adequacy ratios, and lowering foreign exchange risks.

Government Priorities: The PDOs were consistent with the government's reform priorities outlined in the 2015 National Development Strategy (NDS) and sought to improve living standards by aiming to: (i) ensure energy security and efficiency; (ii) improve transport and digital connectivity; (iii) promote food security and access to quality nutrition for the population; and (iv) expand productive employment. The NDS was operationalized through five-year Medium-Term Development Programs (MTDPs). At appraisal of the DPO, the 2021-2025 MTDP focused on: (i) improving Tajikistan's investment climate; (ii) strengthening public service delivery and the efficiency of public institutions; (iii) reducing social and gender imbalances; and (iv) ensuring ecological sustainability and adaptation of the economy to climate change (PD, p.17).

World Bank Strategy: The DPO was aligned with World Bank Group's (WBG's) Country Partnership Framework (CPF) for FY19–FY23. PDO1 was aligned with the CPF's third strategic area that focused on private-sector growth and market creation to improve the business environment and facilitate sustainability of exports. PDO2 was consistent with the CPF's second strategic area that covered public institutions and sustainability. PDO3 aligned with the first focus area of the CPF of human capital and resilience. The DPO was also consistent with the 2018 Systematic Country Diagnostic in supporting WBG's twin goals of ending extreme poverty and advancing shared prosperity. Some of the prior actions (PAs) of the DPO were directly aligned with the Global Crisis Response Framework such as the second pillar aimed at Protecting People and Preserving Jobs; and the third pillar of the Framework on Strengthening Resilience. Other WBG operations complementing the DPO included: (i) a hybrid program-for-results/investment project financing to support tax reform implementation; (ii) a social protection operation to strengthen shock-responsiveness; (iii) an investment operation to support digital transformation of the economy; and (iv) a proposed project-based technical assistance (TA) for developing a financing framework for the Rogun Hydro Power Plant.

b. Relevance of Prior Actions

Rationale

Table 1: Prior Actions

PDO1: To improve the business environment, the integrity of the financial sector, and financial inclusion.
PA1: To improve the business environment and reduce regulatory cost of compliance for businesses, the Recipient has: i. approved and submitted to Parliament, for its approval, a draft of the new Permit System Law, which unifies the regulatory environment for business-related licenses and other types of permit documents and issuance procedures and sets the legal basis for using an electronic application system, as evidenced by Government Resolution #592 dated December 1, 2022; and ii. approved and submitted to Parliament, for its approval, a draft Law on introducing amendments and additions to the Law on Inspections of Business Entities' Activity, which reduces the number of government agencies authorized to perform inspection functions, as evidenced by Government Resolution #546 dated November 23, 2022.
PA2: To strengthen the integrity of the financial sector, the Recipient has approved and submitted to Parliament, for its approval, a draft of the new Law on Combating the Legalization (Laundering) of Criminal Proceeds, Terrorism Financing, and Financing of the Proliferation of Weapons of Mass Destruction, which will increase domestic legislative compliance with the international standards recommended by the Financial Action Task Force, as evidenced by Government Resolution #544 dated November 23, 2022.
PA3: To increase financial inclusion, including through the development of digital financial services, the Recipient has: i. approved a new National Financial Inclusion Strategy for 2022-2026 (NFIS) and an NFIS action plan for improved access and inclusion of the population to financial services, as evidenced by Government Resolution #314 dated July 1, 2022; and ii. as part of the implementation of the NFIS action plan, approved and submitted to Parliament, for its approval, a new Law on Electronic Document and Electronic Signature, aiming to facilitate the development of digital financial services, as evidenced by Government Resolution #545 dated November 23, 2022.
PDO2: To strengthen the efficiency, transparency, and accountability of the public sector, including state-owned enterprises (SOEs).

PA4: To increase public debt transparency and accountability, the Recipient has approved and submitted to Parliament, for its approval, a draft of the new Law on Public and Publicly Guaranteed Debt that modernizes and strengthens the legal framework for the management of public debt, as evidenced by Government Resolution #292 dated June 24, 2022.
PA5: To improve transparency and governance of the state-owned enterprise (SOE) sector, the Recipient has: i. approved and published on the website of the Ministry of Finance a new SOE Fiscal Risks Management Program for 2023-2027 and a corresponding action plan, aiming to strengthen the Ministry of Finance capacity for monitoring and assessment of fiscal risks from the SOE sector and improve corporate governance in SOEs that are subject to monitoring by the Ministry of Finance, as evidenced by Government Resolution #547 dated November 23, 2022; ii. collected and published on the website of the Ministry of Finance externally audited financial statements for 2020 of 17 largest SOEs that are subject to monitoring by the Ministry of Finance, as evidenced by a confirmation letter from the Ministry of Finance to the IDA #5/3-4/331 dated April 29, 2022; and iii. produced and published on the website of the Ministry of Finance an SOE fiscal risk statement for 2021, covering all 27 SOEs that are subject to monitoring by the Ministry of Finance, as required by the SOE Fiscal Risks Management Program for 2023-2027 and as evidenced by a confirmation letter from the Ministry of Finance to the IDA #5/5-19/913 dated November 22, 2022.
PA6: To modernize and improve the efficiency of public procurement, the Recipient has approved and submitted to Parliament, for its approval, a draft of the new Law on Public Procurement that covers, inter alia, provisions for the better inclusion of state-owned enterprises, and that encourages measures contributing to sustainable and social development, including for women engaged in entrepreneurship, as evidenced by Government Resolution #591 dated December 1, 2022.
PDO3: To enhance social and environmental resilience to shocks.
PA7: To expand social safety net access for poor households, including female-headed and climate-change or natural-disaster affected households, the Recipient has: i. adopted a new methodology to better identify beneficiaries for targeted social assistance (TSA), as evidenced by the Order of the Ministry of Health and Social Protection #738 dated October 6, 2022; and ii. established a new approach to determine TSA benefit amounts that are greater in size and are based on a per-child approach, as evidenced by Government Resolution #548 dated November 23, 2022.
PA8: To increase economic resilience to natural disasters, including those caused by the impact of climate change, the Recipient has approved a new Disaster Risk Financing Strategy up to 2037, which defines the country's priorities and actions for a more cost-effective and timely financing of post-disaster needs, as evidenced by Government Resolution #504 dated October 25, 2022.
PA9: To improve cost recovery and equity of electricity tariffs, the Recipient has approved a decree mandating a 50 percent increase in TALCO's tariff, which will become effective on January 1, 2023, as evidenced by Government Resolution #593 dated December 1, 2022.

PDO1: To improve the business environment, the integrity of the financial sector and financial inclusion.

PA1 focused on legislative reforms to improve the business environment by revising the inspection system, reducing the number of licenses, permits and inspections required to do business, as well as establishing an electronic platform for obtaining documents in December 2023. However, according to the ICR, "there is no strong evidence that streamlining licenses, permits and inspections was a key bottleneck for private sector development, but pursuing these reforms was appropriate in the context of a re-engagement DPO," (ICR, p.7). The key constraints were taxation, access to finance, electricity shortages, education and skills, trade tariffs and high transportation cost (ICR, p.7 citing the World Bank's Enterprise Survey in Tajikistan, 2024). **Relevance of PA1: Satisfactory (S).**

PA2 aimed to strengthen the integrity of the financial sector by aligning anti-money laundering and countering the financing of terrorism (AML/CFT) framework with international standards. Financial intermediation was low, which constrained correspondent banking relationships with the rest of the world (PD, p.20), and restricted Tajikistan's ability to send and receive funds internationally. PA2 directly contributed to PDO1 by supporting important legislative reforms to advance Tajikistan's compliance with international standards that addressed most of the technical shortcomings identified by the Financial Action Task Force (FATF). **Relevance of PA2: Highly Satisfactory (HS).**

PA3 directly contributed to PDO1 by supporting relevant and timely legislative reforms to increase financial inclusion by advancing digital financial services through new accounts and reforms to introduce electronic contracts. At appraisal, digitization and e-commerce were nascent in Tajikistan and financial indicators suggested a declining trend in financial inclusion (PD, p.21). The National Financial Inclusion Strategy (NFIS) supported by the PA provided a credible foundation for the sustainable development of the digital economy by laying the groundwork for several aspects of financial inclusion. For example, the adoption of the Law on e-document and e-signature was a critical part of the NFIS implementation plan, which aimed to enhance the enforceability of electronic contracts, increase legal certainty and predictability, and boost e-commerce for businesses and consumers (ICR, p.8). **Relevance of PA3: Highly Satisfactory (HS).**

PDO2: To strengthen the efficiency, transparency, and accountability of the public sector, including SOEs.

PA4 focused on increasing public debt transparency and accountability including any debt on climate change mitigation and adaptation. PA4 specifically supported draft legislation on public and publicly guaranteed debt that modernized and strengthened the regulatory framework by providing a definition of public debt management compliant with sound international practices and institutionalized the preparation of debt management strategies and annual public reporting on debt management operations. PA4 directly improved transparency by expanding the scope of publicly available information on public debt and government's borrowing policies (ICR, p.8). **Relevance of PA4: Highly Satisfactory (HS).**

PA5 was highly relevant in contributing to PDO2 by addressing challenges that undermined good governance and transparency of the SOE sector. Even though Tajikistan met best practice transparency standards in the disclosure of SOEs' contingent liabilities, the results were mixed (PD, p.25). According to Tajikistan's Tax Committee, its tax arrears were highly concentrated in the largest SOEs (ICR, para 19). Strengthening independent verification through annual external audits and regular reporting was critical in mitigating fiscal risks posed by SOEs. The development of a SOE Fiscal Risks Management Program that included the publication of fiscal risk statements and disclosure of audited financial statements were key steps in the sequence of PA5 reforms to improve SOE and overall fiscal risk management (ICR, p.8). **Relevance of PA5: Highly Satisfactory (HS).**

PA6 focused on legislative reforms to modernize the public procurement framework through the enactment of a new Public Procurement Law to create a uniform procurement policy across all public sector entities, including SOEs and women-led businesses. The new Public Procurement Law enhanced transparency and fairness in procurement by SOEs. It also promoted gender equality and non-discrimination in the public procurement process, thus aligning directly with PDO2 (PD, p.28). **Relevance of PA6: Highly Satisfactory (HS).**

PDO3: To enhance social and environmental resilience to shocks.

PA7 led to reforms that improved targeting and adequacy of the Targeted Social Assistance (TSA) program. Tajikistan's budget allocation to social assistance was 0.13 percent of GDP in 2021, the lowest in the ECA region (PD, p.28). The policy actions supported by the PA expanded social safety nets for the poor, female-headed households, and climate- or disaster-affected households. The PA introduced (i) a proxy means testing formula intended to reduce inclusion and exclusion errors; and (ii) an approach for determining the TSA benefit that based the amount on per-child calculations rather than a fixed household benefit (ICR, p.9). These actions were expected to lead to more effective protection of the extreme poor and enhance their resilience to shocks among those at risk of falling into poverty. **Relevance of PA7: Highly Satisfactory (HS).**

PA8 supported the adoption of a Disaster Risk Finance Strategy (DRFS) and action plan with a view to increasing economic resilience to natural disasters, including those caused by the impact of climate change. The PA supported the establishment of a rules-based mechanism for sources of post-disaster financing, which would replace the prevailing reactive with a proactive approach to financial management of climate-related disasters (PD, p.32). It also supported an institutional framework to create fiscal space for climate reforms and enhance access to climate funding. PA8 was highly relevant for the proactive management of post-disaster costs, especially because of Tajikistan's vulnerability to natural hazards (ICR, p.9). **Relevance of PA8: Highly Satisfactory (HS).**

PA9 backed reforms aimed at improving cost recovery and equity of electricity tariffs. Below cost-recovery tariffs were the main challenge underlying the financial difficulties of the Tajik Aluminum Company (TALCO) that was the main consumer and accounted for 15 percent of total electricity consumed in Tajikistan in 2021 (PD, p.32). PA9 supported a 50 percent increase in the tariff applied to TALCO that would represent the first step towards the goal of full recovery of supply costs to TALCO by 2027. **Relevance of PA9: Highly Satisfactory (HS).**

Rating

Highly Satisfactory

4. Relevance of Results Indicators

Rationale

Table 2: Results Indicators by Objective and PAs; Baseline and Target Values; Status and Achievement

RI Description	Associated PA(s)	RI Relevance	Baseline	Target	Actual Value as of Target Date	Actual Change in RI Relative	Most Recent Value Available	RI Achi men

						to Targeted Change		Rati
PDO1: To improve the business environment, the integrity of the financial sector and financial inclusion								
RI1. Number of business-related licenses and other types of permit documents issued by government authorities to business entities, as reported by the State Committee on Investment.	PA1	HS	78 types of licenses and 175 types of other permit documents [253 in total] (2022)	A reduction of 10% [from 253 to 228] (2024)	A reduction of 17.8% from 253 to 208 (2024)	180%	Not available	High
RI2. Customer due diligence carried out by banks on public institutions, pursuant to paragraph 43 of Guidance No. 200 issued by the National Bank of Tajikistan	PA2	S	Not required (2022)	Required and enforced (2024)	Required and enforced by verifying customer identities and assessing risks when establishing business relationships or conducting transactions remotely, to mitigate potential risks of money laundering and terrorist financing	100%	Not available	High
RI3. Number of bank accounts opened, as reported by the National Bank of Tajikistan	PA3	HS	7,775,146 (original) (2022) 7,134,655 (revised)* (2022)	An increase of 40% (2024)	12,631,000 (2024)	193%	Not available	High
PDO2: To strengthen the efficiency, transparency, and accountability of the public sector, including SOEs								
RI4. Quality of the debt management legal framework for central government debt and loan	PA4	HS	The old law did not include key debt management	The quality of the new legal framework improved, with better	The score for the quality of the legal framework of debt management	100%	Not available	High

guarantees, as assessed by the Debt Management Performance Assessment (DeMPA)			provisions and clear authorizations to borrow (DEMPA, 2016)	coverage of public debt, clear authorizations to borrow, and improved reporting standards (DEMPA, 2023)	was upgraded from C to B (DEMPA, 2023)			
RI5. Transparency ranking in reporting of 'other debt statistics/contingent liabilities,' as evaluated in the World Bank's Debt Reporting Heat Map	PA5	MS	Debt Reporting Heat Map 2021: Limited reporting (orange color) (2022)	Debt Reporting Heat Map 2023: Partial reporting (yellow color) (2024)	Debt Reporting Heat Map 2024: Partial reporting (yellow color) (2024)	100%	Not available	[High
RI6. Number of public procurement contracts signed with women-led firms, as reported by the State Agency on Public Procurement	PA6	MS	276 contracts (January 1, 2021 – December 31, 2021)	At least 10% increase, i.e. 304 contracts (January 1, 2023 – December 31, 2023)	18.6% increase, i.e. 363 contracts (January 1, 2023 – December 31, 2023)	311%	Not available	[High
PDO3: To enhance social and environmental resilience to shocks								
RI7. Expected social assistance to the poorest decile of the population, as computed by the World Bank's poverty team	PA7	MU	38% (2022)	63% (2024)	No recent household survey was available to estimate coverage of the poorest decile (2024)	0%	Not available	Negl
RI8. Number of rule-based post-disaster sources of financing available to ministries and agencies, as established by the Ministry of Finance	PA8	HS	0 (2022)	At least 1 (2024)	0 (2024)	0%	0 (March 2025)	Negl

RI9. Contribution of the increased tariff for better recovery of electricity system costs of supply to TALCO	PA9	HS	Cash collected per kWh of electricity supplied to TALCO recovers 21% of total system cost of supply to TALCO (January 1, 2021 – December 31, 2021)	Cash collected per kWh of electricity supplied to TALCO recovers at least 50% of total system cost of supply to TALCO (July 1, 2023 – June 30, 2024)	Due to payment arrears, cash collected for electricity supplied to TALCO recovered an estimated:15.6% of total system cost of supply from July 2023 to June 2024	-18.6%	30.5% of total system cost of supply from July 2024 to December 2024	Negl

Note: A rating within [,,] denotes a downgrade in the overall assessment of efficacy due to low relevance.

* The TTLs indicated that the baseline was corrected at the ICR stage by using the published official statistics by the National Bank of Tajikistan (NBT). The baseline data used at appraisal was estimates from NBT, whereas actual data was used at the ICR assessment.

PDO1: To improve the business environment, the integrity of the financial sector, and financial inclusion

RI1 measured the reduction (percentage) in the number of business-related licenses and other types of permit documents issued by government to business entities. It was clear, included baseline data and a credible target, and appropriate for effectively measuring PA1's contribution to reducing regulatory compliance costs for businesses and by extension, its contribution towards achieving PDO1. **Relevance of RI1: Highly Satisfactory (HS).**

RI2 measured customer due diligence performed by banks on public institutions. It was suitable to assess whether the integrity of the financial sector was enhanced after the new AML/CFT law was enacted to bring Tajikistan's AML/CFT framework in line with international best practices. The AML regulation focused on streamlining rules concerning customer/client/counterparty due diligence, reporting and transparency on beneficial owners. However, the RI could have been more relevant if it had addressed specific areas, such as technical compliance, where its compliance with FATF standards was deficient. Instead, the RI measured Tajikistan's achievement in areas in which it was already rated largely compliant with the FATF recommendations prior to the implementation of the PA (ICR, p.10). **Relevance of RI2: Satisfactory (S).**

RI3 measured the number of bank accounts opened (as reported by the NBT) and was highly relevant for tracking progress in financial inclusion and PA3's contribution to PDO1. By improving financial inclusion, RI3 contributed to reducing the general public's mistrust of the banking sector which encouraged avoidance of taxation through an expansive "grey economy" of cash-payment systems (ICR, p.12). RI3 was measurable with clear baseline data and a credible target. **Relevance of RI3: Highly Satisfactory (HS).**

PDO2: To strengthen efficiency, transparency, and accountability of the public sector, including SOEs

RI4 measured the quality of the debt management legal framework for central government debt and loan guarantees applying the Debt Management Performance Assessment (DeMPA) assessment standards which assigned each country a score for the quality of its legal framework governing central government debt management. A change in the DEMPA score provided an appropriate measure for evaluating improvement in the legal and institutional framework for public debt management. The RI was aligned to PA4 and appropriate for assessing its role in achieving PDO2. It was clearly defined with baseline information and a measurable target. **Relevance of RI4: Highly Satisfactory (HS).**

RI5 measured the transparency ranking of Tajikistan in the reporting of other debt statistics/contingent liabilities, using the World Bank's Debt Reporting Heat Map. RI5 was only partially relevant for tracking progress in PA5 because by focusing on other debt statistics/contingent liabilities of SOE's, RI5 missed tracking progress in other factors (such as information on recently-contracted debt, annual borrowing plans, and debt management strategy) that also affected the overall financial performance of SOEs (targeted by PA5), and were equally integral to improving the transparency and accountability of the public sector (ICR, p.12**). Relevance of RI5: Moderately Satisfactory (MS).**

RI6 was only partially relevant for tracking progress in PA6 whose primary focus was on modernizing and improving the efficiency of public procurement by inter alia (i) defining clear requirements for SOEs' participation in the procurement process as purchaser and supplier, and (ii) encouraging measures that contribute to sustainable and social development, including for women engaged in entrepreneurship (PD, 28). However, by only measuring the number of public procurement contracts signed with women-led firms, as reported by the State Agency on Public Procurement, RI6 missed monitoring the impact of the PA6's full contribution to PDO2 (ICR, p.12). **Relevance of RI6: Moderately Satisfactory (MS).**

PDO3: To enhance social and environmental resilience to shocks

RI7 was relevant for assessing PA7's progress toward enhancing social resilience to shocks (PDO3) by measuring the impact of one of two reforms covered by PA7. The RI measured the expected social assistance to the poorest decile of the population which is an appropriate measure of the effectiveness of protection of the extreme poor if data are available. The RI was directly aligned with PA7 as the new proxy means test formula supported by PA7 was expected to increase the coverage of the bottom decile by about 25 percentage points by June 2024 (ICR, p.13). However, RI7 was not measurable as a new household survey had not been launched, and its results would not be available by the operation's closing in 2024. **Relevance of RI7: Moderately Unsatisfactory (MU).**

RI8 was aligned clearly with PA8 as the "Disaster Risk Financing Strategy up to 2037," supported by the DPO involved establishing rules-based post-disaster sources of financing. RI8 would track progress in PA8 by monitoring the increase in the number of rule-based post-disaster sources of financing available to ministries and agencies. RI8 was also suitable for measuring progress in improving financial preparedness for natural hazards, which is considered important for enhancing social and environmental resilience to shock. The RI was clearly defined with baseline data and a target. **Relevance of RI8: Highly Satisfactory (HS)**

RI9 assessed PA9's contribution to PDO3 by measuring improvements in cost recovery in the power sector related to electricity supplied to TALCO. **Relevance of RI9: Highly Satisfactory (HS).**

Rating

Satisfactory

5. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

PDO1: To improve the business environment, the integrity of the financial sector, and financial inclusion

Rationale

RI1: The targeted reduction in the number of business-related licenses and other types of permit documents issued by government authorities to business was surpassed. The total number of licenses and permits was 208 in 2024, down 17.8 percent from the 2022 baseline, exceeding the 10 percent reduction target. Additionally, the government-to-business e-service portal was established, and the number of government agencies authorized to issue licenses and permits and conduct inspections was reduced. Reforms are under consideration to further reduce the number of licenses and permits to no more than 60 percent of the 2022 baseline (ICR, p.10). **Achievement rating of RI1: High.**

RI2: The new AML/CFT framework requires banks to systematically perform due diligence on all clients as mandated by NBT. Since the enactment of the new AML/CFT Law in 2023, banks have been applying customer due diligence to public institutions in accordance with paragraph 43 of Guidance No. 200 from NBT; no such requirement existed in 2022. The revised AML/CFT Law aligned the AML/CFT framework with international standards and addressed several FATF recommendations, as reflected in the fifth (May 2024) and sixth (November 2024) FATF follow-up reports to Tajikistan's assessment of AML/CFT measures (ICR, p. 12). **Achievement rating of RI2: High.**

RI3: Bank accounts rose by 77 percent to 12,631,000 in June 2024 compared to June 2022, surpassing the RI's 40 percent growth target. Of these, 30 percent belonged to women, 134,108 were owned by legal entities, and the remainder by individuals (ICR, p. 13). **Achievement rating of RI3: High.**

The **achievement rating for PDO1** is **High** based on high/substantial relevance and High achievement of all three RIs.

Rating

Highly Satisfactory

OBJECTIVE 2

Objective

PDO2: To strengthen the efficiency, transparency, and accountability of the public sector, including SOEs

Rationale

RI4: The quality of the legal framework for the management of public debt improved significantly (ICR, p. 13). The DeMPA evaluation score of the quality of the legal framework for central government debt management (Debt Performance Indicator 1.1) was upgraded from C to B in the 2023 DeMPA compared to 2016 DeMPA. In addition, since Parliament's approval of the new Law on Public and Publicly Guaranteed Debt (PPG Debt Law) on December 24, 2022, the Debt Management Strategy has been regularly updated. **Achievement rating of RI4: High.**

RI5: The October 2024 Heat Map upgraded the 'additional statistic/contingent liabilities' score from 'orange' to 'yellow' (partial reporting), meeting RI5's target. The ICR used the latest Heat Map to assess outcomes because it offered a more accurate benchmark for tracking the DPO's progress through June 2024 than the October 2023 Heat Map (ICR, p. 14). However, due to a low relevance rating of MS, the achievement of RI5 is downgraded from High to Substantial**. Achievement rating of RI5: Substantial.**

RI6: The number of public procurement contracts awarded to women-led firms rose by 18.6 percent between 2021 and 2023, exceeding the targeted increase of 10 percent for that period. The number of contracts further expanded by 32 percent during 2023-2024. Additionally, the value of contracts awarded to women-led firms increased by 31 percent from 2021 to 2023, after adjusting for inflation (ICR, p. 16). However, due to a low relevance rating of MS, the achievement of RI6 is downgraded from High to Substantial. **Achievement rating of RI6: Substantial.**

The achievement rating of PDO2 is **Satisfactory** given that most of the RIs are rated Substantial **or higher and there are no** Negligible ratings.

Rating

Satisfactory

OBJECTIVE 3

Objective

PDO3: To enhance social and environmental resilience to shocks

Rationale

RI7: Results for the TSA coverage of the poorest decile could not be assessed because the relevant Household Budget Survey had not even started at the time of the ICR's assessment. The survey is expected to be launched in October 2025 and completed by June 2026 (TTL interview). Still, a 21.8 percent increase in TSA beneficiaries from 2022 to 2024 suggests some progress. **Achievement rating of RI7: Negligible.**

RI8: The target for the RI was not achieved at the time of operation closure in June 2024. On June 24, 2025, the government approved a decree establishing the Accumulative Disaster Prevention and Response Fund. It is expected to be operationalized by June 2026 (TTL interview). **Achievement rating of RI8: Negligible.**

RI9: The RI's 50 percent cost recovery target was not achieved due to TALCO's electricity bill payment arrears. The target assumed full electricity bill payments from TALCO. From July 2023 to June 2024, TALCO paid only 31.6 percent of its bills, resulting in a cost recovery rate of 15.6 percent which was lower than the 2021 baseline of 21 percent. In late 2024, payment rates improved to 58.8 percent and cost recovery rose to 30.5 percent, but this remained below the target of 50 percent. **Achievement rating of RI9: Negligible.**

The achievement rating for PDO3 is **Highly Unsatisfactory** as the achievement of all three RIs is rated Negligible.

Rating

Highly Unsatisfactory

Overall Achievement of Objectives (Efficacy)

Rationale

The overall Achievement rating is **Moderately Satisfactory (MS)** given that PDO1 and PDO2 are rated Satisfactory or higher, and PDO3 is rated Highly Unsatisfactory**.** The DPF made strong progress in reforms targeted at improving the business environment, the integrity of the financial sector, and financial inclusion (PDO1), as well as in strengthening the efficiency, transparency, and accountability of the public sector, including SOEs, although several of these reforms could have been better targeted at the most compelling constraints. Achievement was weak across the board in all three areas of reforms targeting strengthening Tajikistan’s social and environmental resilience to shocks.

Overall Efficacy Rating

Moderately Satisfactory

6. Outcome

Rationale

With the relevance of the PAs rated Highly Satisfactory and overall achievement rated Moderately Satisfactory, the Outcome is rated **Moderately Satisfactory (MS)**.

a. Rating

Moderately Satisfactory

7. Risk to Development Outcome

According to the ICR (p. 23), sustaining the DPF's development outcomes is subject to macroeconomic risks and post operation implementation risks due to institutional capacity constraints.

Macroeconomic risks: External economic shocks continue to pose significant risks to the sustainability of ongoing reforms. Economic growth is projected to slow in 2025 and 2026. Inflation is expected to remain near the central bank's target range of 6 (±2) percent. Key downside risks to the macroeconomic outlook include a decline in remittances potentially resulting from escalating regional conflicts or an economic slowdown among major trading partners, notably China and Russia during 2025-26. On the upside, additional reductions in the public debt, particularly in the context of forthcoming Eurobond repayments, would bolster fiscal resilience. Sustained increases in gold prices could serve as a buffer against adverse external shocks. Prudent macroeconomic management will be required to mitigate risks.

Risks related with institutional capacity for implementation: Implementation and sustainability risks remain significant due to coordination challenges among implementation agencies and government ministries. Newly established institutions will require time to identify and recruit sector experts, as well as to develop clear policies, strategies, and enforce their specific responsibilities. The government has acknowledged these challenges and is taking measures to address them. Risks related to reform implementation are influenced by Tajikistan's current economic performance, historical record, and program management at various policy levels.

8. Assessment of Bank Performance

a. Bank Performance – Design

Rationale

Lessons from Previous Operations: The Bank's capacity to incorporate recent lessons from earlier operations was limited as the DPO was the first since 2012 (PD, p.5). The operation was initiated in response to the government's request for Bank support to further structural reforms aimed at fostering sustainable economic growth, enhancing economic resilience, and supporting the development of the Rogun Hydropower Plant (HPP).

PA5 drew on insights gained from the previous SOE Fiscal Risks Management Program. Reforms that had not been previously enacted were supported by TA from the WBG and the International Monetary Fund (IMF), enabling the government to formulate the new Medium-term Action Plan for the updated SOE Fiscal Risks Management Program (PD, p.26). Overall, the DPO renewed policy engagement with national authorities and laid the foundation for a potential series of subsequent operations to advance a comprehensive reform agenda.

Analytical Underpinnings: During the design phase of the DPO, the WBG team conducted evidence-based studies to consider the country context and provide the foundation for developing PAs aligned with good international practices. The formulation of each PA and related RI was guided by 26 analytical studies, policy notes, diagnostic reports, medium-term strategic documents, and TA reports detailed in the PD (Table 4). Examples include IFC's report for the Tajikistan Competitiveness Enhancement project, which reviewed the legal and institutional framework of permits and licenses; the Joint World Bank-IMF

Debt Sustainability Analysis (2022), the Public Expenditure and Financial Accountability (PEFA) Assessment (2022), and the IMF report on developing the second SOE Fiscal Risks Management Strategy (2021). The PAs and RIs under Pillar 3 benefitted from important analytical work on disaster risk finance, adaptive social protection systems, and power utility financial recovery among others.

Risks Assessment and Mitigation Measures: The Bank assessed the overall risk to the DPO as substantial. The key risks were political and governance, macroeconomic, institutional capacity for implementation and sustainability, and stakeholder risks. The following mitigation measures were adopted to address each. Political and governance risks had the potential to derail the timely implementation of PAs (PD, p. 43) were addressed through the establishment of a public finance management secretariat, institutional strengthening of Tajikistan's Supreme Audit Institution, and consultations with stakeholders and beneficiaries. To reduce macroeconomic risks emanating from a larger than anticipated downturn, the DPO team focused on the enhancements to the TSA program as a potential mitigation measure and automatic budget stabilizer for the poor and vulnerable during economic downturns. Policy dialogue and implementation support were also intended to help mitigate macroeconomic risks. Institutional capacity risks for program implementation and sustainability were mitigated through capacity building of public officials and the strengthening of inter-agency collaboration interventions, supported by the WBG and other development partners. The WBG extended substantial TA during the preparation of the DPO in the following reform areas: (i) the drafting of the new Law on Public and Publicly Guaranteed Debt (PA 4); (ii) the preparation of the new Public Procurement Law (PA 6); (iii) the improvement of the proxy means test for the TSA program (PA 7); and (iv) the preparation of the Disaster Risk Finance Strategy (PA 8) (ICR, p.26). The government adopted its own risk mitigation measures. To address risks from multiple government stakeholders in DPO policy design and implementation, the Executive Office of the President and the Ministry of Finance oversaw the DPO and coordinated inter-agency efforts. For external stakeholders, the government held consultations during the development of strategy documents and draft legislation. The WBG also supported a communication campaign that included public consultations and information dissemination for the DPO.

Collaboration with Other Development Partners: The WBG team collaborated with key development partners in the preparation of the DPO including bilateral partners such as the U.S. Embassy, the U.S. Agency for International Development, the Swiss Cooperation Office, the British Embassy, the U.K. Foreign, Commonwealth & Development Office, and the Japan International Cooperation Agency. The team also engaged with multilateral institutions comprising the IMF, the Asian Development Bank (ADB), the Eurasian Development Bank and its arm - the Eurasian Stabilization Fund, and relevant United Nations agencies (PD, p. 36). Specific collaboration on PAs entailed: for PA1, the Swiss Cooperation Office, UK Foreign, Commonwealth & Development Office, and ADB. For PAs 2–5, the DPO team worked with the IMF and ADB on financial sector reforms and Sustainable Development Finance Policy. On PA6, WBG led public procurement reform with international financial institutions and for PA7, the DPO team partnered with ADB to expand TSA in 2022 (ICR, p.22).

However, the operation had some design deficiencies. Several RIs could have measured more directly core program outcomes instead of focusing on a selected aspect of reform. RI2 could have focused on areas of weak FATF compliance in the financial sector instead of focusing on areas of strength (ICR). RI5 focused on the one aspect of SOE contingent liabilities excluding other key aspects of overall financial performance of SOEs that were equally integral to improving the transparency and accountability of the public sector (ICR, p.12**).** RI5, RI6 and RI7 each introduced multiple significant reforms but the design of the DPF did not include appropriate and sufficient RIs to measure their contribution to the respective PDOs. RI6 could have been more relevant if it tracked progress in modernizing and improving public procurement, which was the main element of PA6 reforms. RI7 missed measuring progress in the new approach to determine TSA benefit amounts that are greater in size and are based on a per-child approach that PA7 introduced. Other RI-related deficiencies relate to measurement issues. In most cases, the baseline data existed but the RI could not be measured against targets. RI7 required a new household survey at the closing of the operation to measure progress but the survey was not launched at the time of appraisal. Design deficiencies related to PA9 that focused on cost recovery in the electricity sector to strengthen Tajikistan's resilience to shocks. PA9 reflected a design deficiency by focusing exclusively on TALCO and ignoring other subsidized users like agricultural irrigation stations. The negligible achievement ratings for RI7, RI8, and RI9 (Table 2) under PDO 3 (To enhance social and environmental resilience to shocks), indicated measurement and data challenges.

Rating

Satisfactory

b. Bank Performance – Implementation

Rationale

Monitoring: The WBG provided TA and monitored reform implementation, extending support through analytical work and follow-up operations under the DPO. The implementation of the DPO was closely tracked.

At the time of the ICR's assessment, ongoing projects included the Tajikistan Disaster Risk Management Development Policy Financing with CAT-DDO (P180881) which focused on rules-based financing, and the First Competitive, Inclusive, and Resilient Tajikistan DPO (P501015) which supports reforms in public procurement, SOE governance, and electricity tariffs.

Rating

Highly Satisfactory

c. Overall Bank Performance

Rationale

WBG's overall performance is rated **Satisfactory (S**), given the Satisfactory rating for design and the Highly Satisfactory rating for implementation.

Overall Bank Performance Rating

Satisfactory

9. Other Impacts

a. Social and Poverty

The ICR lacked evidence of ex-post social and poverty impacts of the operations, focusing instead on expected impacts discussed in the PD. Poverty in Tajikistan is believed to have declined from 12.4 percent in 2022 to an estimated 9.2 percent in 2024 under the lower middle income poverty line (US$3.65 a day, 2017 PPP). This improvement was associated with economic growth, increased remittances, real wage increases, and social protection measures. The implementation of a new proxy-means test formula (PA7) will improve targeting of social assistance for low-income households, which should help support poverty reduction efforts. Related to the TSA, after operation closure, budget allocations were increased more than what the DPO envisioned because of the IMF Policy Coordination Instrument (PCI) program that joined efforts on pro-poor spending by the government. In addition, reforms aimed at reducing regulatory burdens on businesses (PA1) and promoting financial inclusion (PA3) will contribute to poverty reduction through expanded business creation and economic empowerment.

b. Environmental

The ICR does not provide evidence of ex-post environmental impacts but suggests that PAs under PDO1 and PDO2 are expected to have mostly neutral or long-run positive environmental impact. Reducing the cost of regulatory compliance by reducing the number of licenses and inspections (PA1) is expected to have a neutral environmental impact.

c. Gender

The ICR does not provide evidence of ex-post gender impacts of the DPO. However, the achievement of some RIs should have a beneficial effect on gender outcomes. For example, bank accounts rose by 77 percent to 12,631,000 in June 2024 compared to June 2022, surpassing RI3's 40 percent growth target. Of these, 30 percent belonged to women. Additionally, the number of public procurement contracts awarded to women-led firms (RI6) rose by 18.6 percent between 2021 and 2023, exceeding the targeted increase of 10 percent for that period. The number of contracts further expanded by 32 percent during 2023-2024. Additionally, the value of contracts awarded to women-led firms increased by 31 percent from 2021 to 2023, after adjusting for inflation.

d. Other

None

10. Quality of ICR

Rationale

The ICR provides a coherent account of the DPO, encompassing its context, rationale, objectives, policy actions, and outcomes. The report delivers a concise and thoroughly informed evaluation of the program's performance, with an efficacy assessment focused on outcomes and grounded in the achievement of result targets. Explanations pertaining to unmet targets are informed and supplemented with developments after the operation's closing to signal progress. The ICR offers substantial evidence supporting its assessment of the WBG's performance during the design and implementation stages, as well as a comprehensive enumeration of the analytical underpinnings of the operation. Its lessons are salient and offer valuable insights for future operations.

a. Rating

High

11. Ratings

Ratings	ICR	IEG	Reason for Disagreement/Comments
Outcome	Moderately Satisfactory	Moderately Satisfactory	
Bank Performance	Satisfactory	Satisfactory	
Relevance of Results Indicators	---	Satisfactory	
Quality of ICR	---	High	

12. Lessons

IEG concurs with all four lessons in the ICR and offers one additional lesson.

A self-standing DPO can be successful in testing government commitment to and ownership of reforms for reengagement with development policy operations. Despite the DPO being the first operation since 2012, the government exhibited strong commitment to a credible program of reforms. Coordination was placed directly in the Executive Office of the President which coordinated with the Ministry of Finance, highlighting the government's dedication in driving successful implementation and achieving desired results.

13. Project Performance Assessment Report (PPAR) Recommended?

No