



Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 13-Apr-2020 | Report No: PIDISDSA28497



BASIC INFORMATION

A. Basic Project Data

Country Tajikistan	Project ID P172924	Project Name Additional Financing for PFMMP 2	Parent Project ID (if any) P150381
Parent Project Name Public Finance Management Modernization Project 2	Region EUROPE AND CENTRAL ASIA	Estimated Appraisal Date 30-Mar-2020	Estimated Board Date 27-May-2020
Practice Area (Lead) Governance	Financing Instrument Investment Project Financing	Borrower(s) Republic of Tajikistan	Implementing Agency Ministry of Finance

Proposed Development Objective(s) Parent

The development objective of the project is to improve effectiveness, control and accountability of public expenditure of the Republic of Tajikistan.

Components

1. Public Finance Management Modernization
2. Strengthening Public Procurement
3. Strengthening External Audit
4. Managing Public Administration Reforms
5. Project Management

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	6.00
Total Financing	6.00
of which IBRD/IDA	6.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	6.00
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IDA Grant	6.00
Environmental Assessment Category	
C-Not Required	
Decision	
The review did authorize the team to appraise and negotiate	

Other Decision (as needed)

B. Introduction and Context

Country Context

1. Tajikistan needs good social and economic infrastructure to sustain its economic growth, support private sector development, and meet the needs of its growing population. The most significant challenge involves achieving a qualitative improvement in public investments. To attain more accelerated, export-led growth, Tajikistan will need to improve its primary infrastructure, as well as the efficiency and effectiveness of its public investments.
2. Fiscal space must exist or be created if additional resources are to be made available for productive government spending. Thus, the public investment project (PIP) system (which includes a PIP and public-private partnerships [PPPs]) must comply with quality formulation and evaluation standards. It should also be controlled and monitored under uniform and transparent rules. In addition, adequate public participation of both public institutions and civil society — including interest groups, nongovernmental organizations (NGOs), and private sponsors — ought to be ensured. A formal system of PIP-PPP operations appraisal will provide the basis and conditions for the government to move forward with establishing a rolling three-year capital budget in line with the orientation of the National Development (NDS) 2030. Only those initiatives that are demonstrably the most economically attractive for the society as a whole will be considered. This new approach will allow for the transformation of investment ideas into PIP and PPP decisions and projects.
3. The government will develop and adopt a Public Investment Management (PIM)-PPP policy to strengthen the robustness and reliability of its PIM system for both public sector institutions and private sector stakeholders. It will seek to promote a unified approach at the upstream points of identification, selection, and registration for preparing and implementing investment projects. This policy would be expected to have broad application, avoiding any exemptions. The policy's main purpose will be to provide an overarching framework for the efficient and effective management of public investments encompassing project planning, selection, development, implementation, management, and monitoring to ensure value for money and the optimal use of public resources. It will also take a broader perspective, identifying opportunities to integrate climate change considerations, including cost-benefit analysis, across the new policy framework.



4. Moreover, updated PIM procedures will comprise a glossary of technical concepts related to public investment management, simplified general guidelines for economic appraisal of projects (with Excel spreadsheets) for both infrastructure and social projects. Sector guidelines will be prepared for selected key line ministries (for example, the Ministry of Energy and Water Resources, the Ministry of Education and Science). In addition, guidelines for the pre-selection of investment projects (with simplified Excel spreadsheets) will be prepared.
5. Finally, the PIM policy framework will provide a standard PIM approach to facilitate project identification, selection, appraisal, and registration in a national registry of investment projects (NRIP) to be developed. The project's technical support will be provided through consultancies, training and information technology (IT) software, e.g. PIM Module. The institutional setup of the Ministry of Economic Development and Trade (MoEDT) Project Investment Program unit and its regional offices will also be strengthened.

Sectoral and Institutional Context

6. A key objective of Tajikistan's NDS 2030 is to create an effective public administration system as a basis for sustainable economic development and poverty reduction. The governance and public administration priorities identified by the Government include: increasing the effectiveness of the national development strategy; improving public administration in line with market economy principles; enhancing the effectiveness of public finance management; establishing a modern professional civil service; and forming local self-governance capable of providing quality services to the population.
7. The authorities have sought the Bank's assistance in four areas of this broader agenda: public financial management; public procurement; external audit; and management of public administration reforms. This request builds on earlier Bank support. From 2006-2011, the World Bank-financed Public Sector Reform Project (PSRP) supported implementation of the 2006 Public Administration Reform Strategy. The PSRP helped the authorities develop the civil service registry, update civil servants' job descriptions and training modules, introduce a new wage grid and competitive recruitment process, and conduct vertical functional reviews of ten ministries. A subsequent Public Financial Management Modernization Project (PFMMP), which became effective in 2010, was designed as a two-phase Adaptable Program Loan (APL) supporting the Government's Public Financial Management Strategy. The parent project for this additional financing is the second phase of the APL.
8. The Government of Tajikistan requested the World Bank for additional financing to complete implementation of activities planned under the parent project that are now facing funding shortage (i.e., the implementation of Tajikistan Financial Management Information System [TFMIS]) and to scale up good performing activities to sustain the reforms achieved to date. The most critical of which relate to Public Accounting Reform Roadmap and the Strategic Planning Law, extending functionalities of HR/Payroll Information System, and Public Accounting System as well as financing additional activities in strengthening State-Owned Enterprise (SOE) monitoring and reporting. Non-completion of these reforms would compromise sustainability of outcomes achieved as well as undermine the Government's public finance management (PFM) reform. Likewise, to ensure a more comprehensive



and deeper PFM reform, the Government requested support for the implementation of reforms in internal audit and public investment management, areas that originally were not included in the parent project. These areas received the lowest scores in the most recent Tajikistan Public Expenditure and Financial Accountability (PEFA) Assessment 2017, and the Government intends to enhance overall PFM effectiveness by improving performance in those key PFM areas. Table 1 summarizes the remaining key challenges in areas proposed to be supported by the additional financing.

Table 1. Tajikistan PFM Reforms and Remaining Challenges to be Supported

Areas	Remaining Key Challenges
Public Financial Management Modernization	<p>Related to TFMIS, cash management, commitment control and assets management modules are expected to be introduced in January 2021. IPSAS/TPSAS need to be incorporated into the TFMIS. However, work is constrained by funding shortfall under parent project.</p> <p>There is a need to develop secondary legislation and capacity building to implement the “Treasury System and Public Sector Accounting Reform Roadmap for 2019-2024”.</p> <p>SOE Monitoring Unit needs further strengthening.</p> <p>IFRS adoption (as mandated by law) by all SOEs remains outstanding.</p>
Public Procurement	<p>Procurement reform recommendations from the 2013 Country Procurement Status Review (CPSR) (e.g., strengthening regulatory function of SAPP; development of comprehensive set of implementing regulations and procurement manual; more effective integration of procurement planning and the budget processes; improvements in performance monitoring and streamlining of processes by implementing a robust e-Government Procurement system; developing a procurement profession) need a legislative framework and the revised Public Procurement Law, currently in preparation and scheduled for submission to Parliament in 2020 will provide this.</p>
Internal Audit (new)	<p>Internal audit is not risk-based, mainly focused on compliance with financial obligations. Financial and performance audits are not applied. Also, the independence of internal auditors is poorly regulated by the legislation. According to Tajikistan PEFA 2017, the rating for public sector internal audit is “C”.</p>
Public Investment Management (new)	<p>Compared to international benchmarks of public investment management, Tajikistan still remains at a very low level: PEFA 2012 and 2017 rates Investment budgeting at the lowest ‘D’ level. Criteria for selecting investment projects are neither specified, nor standardized; economic analysis is performed only for individual large investment projects; information is published only on the implementation of projects with external assistance; and medium term forward recurrent (for operational and maintenance) costs</p>



	for the on-going and new investment projects are not properly accounted and budgeted in the budget preparation process.
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9. The overall project will contribute to the Bank Group’s twin objectives of ending extreme poverty and promoting shared prosperity by enabling the allocation of resources in line with national development and poverty reduction goals. This will be achieved through improvements in public investment management, budgeting and expenditure planning, budget execution, financial accounting, internal control and reporting, public procurement systems, and the creation of incentives for improvements in financial management through strengthened policy coordination, external oversight and performance management for senior personnel. These issues are addressed in the World Bank Group Country Partnership Framework (CPF) for FY2019-23 (Report No. 135875-TJ) where strengthening public institutions and their sustainability is treated as a cross-cutting theme, supporting the core objectives of private sector development, social inclusion and regional integration. In addition, within the context of COVID-19, the proposed additional financing supports activities that will build resilience in PFM systems in the event of future emergencies.

C. Proposed Development Objective(s)

Original PDO

The development objective of the project is to improve effectiveness, control and accountability of public expenditure of the Republic of Tajikistan.

Current PDO

The development objective of the project is to improve effectiveness, control and accountability of public expenditure of the Republic of Tajikistan.

Key Results

- 1) Improved effectiveness of public expenditure measured by the increased alignment of expenditure with policy priorities
- 2) Improved control of public expenditure measured by the stock of expenditure payment arrears (in percent of total expenditure by period)
- 3) Improved accountability of public expenditures measured by the quality of annual financial reports
- 4) Improved accountability of public expenditures measured by the quality of annual financial audit.

D. Project Description



10. The proposed additional financing of US\$6 Million will cover funding for the parent project's financing gap from cost overruns (approximately US\$0.3 million), and scale-up existing activities (US\$5.7 million). The additional financing will revise the parent project's components and costs, extend the parent project's closing date, and adjust the results framework. The additional financing will provide for adequate financing to the implementation of the TFMIS that now faces a funding gap. The revisions to the components and costs will primarily focus project activities to critical and good-performing activities for scale-up. New sub-components will be introduced to support reforms on internal audit and public investment management. The existing project activities will be focused on: (i) delivering a more comprehensive Public Accounting Reform, (ii) implementing Strategic Planning Law; (iii) extending functionalities of human resources/payroll information system and an integrated financial accounting and reporting system; and (iv) strengthening SOE monitoring and reporting (through gradual improvements in performance management and quality of financial information). Support to the implementation of the new Public Procurement Law will continue subject to the draft Public Procurement Law submitted to the Parliament (disbursement condition). Likewise, project management will be reinforced with information technology experts to ensure successful implementation of the systems being deployed under the overall project. Further, the results framework will be updated to reflect the impact of the additional financing. In addition, the closing date of the parent project will be extended by three years and will be aligned with that of the additional financing.

Financing Gap (US\$0.3 Million)

11. The additional financing will continue to support Component 1 (Part 1) – Public Financial Management Modernization that supports implementation of the Public Financial Management Reform Strategy (PFMRS), strengthening the budget planning, budget execution, treasury, accounting and financial reporting functions across government. Specifically, the additional financing will fund the financing gap in the amount of US\$0.3 Million for the implementation of subcomponents/Parts 1.2 (a) and (b) that were originally to be fully financed under the DFID grant.

Scale-Up of Existing Good-Performing Project Areas (US\$4.2 Million)

12. The additional financing will support scaling-up of activities under Part 1.2 (c) and (d) in the amount of US\$2.1 Million. To effectively utilize TFMIS, additional activities include developing a secondary legislation supporting TFMIS (e.g., for the new Treasury legislation) and capacity building to implement the TPSAS that are broadly aligned to International Public Sector Accounting Standards (IPSAS). The TFMIS will also be enhanced by adding TPSAS-compliant accounting, consolidation and reporting and revenue modules. Other activities to be supported will include a systemic review of the TFMIS to address bottlenecks and integrate the Chart of Accounts with TPSAS in compliance with Government Finance Statistics 2014. This support is aimed at a phased transition to the TPSAS-based modern public sector accounting system. This will enhance transparency and strengthen accountability and improve the quality of public financial management in the public sector.
13. The additional financing will support scale-up of activities in the amount of US\$0.4 Million under Part 1.3, that was originally fully funded by the DFID grant. It will provide continuing support to



improvements in quality of financial reporting and auditing standards, including capacity building to selected state-owned enterprises on implementation of International Financial Reporting Standards (IFRS), and assist with SOEs' accountability by improving oversight and performance monitoring and management by the Ministry of Finance's (MOF's) SOE Monitoring Department. This will contribute to improving fiscal risk management as well as enhancing transparency and strengthening accountability of SOEs.

14. The additional financing will continue to support Component 2 (Part 2) – Improving Public Procurement that seeks to strengthen the regulatory and institutional framework for public procurement and support implementation of an e-Procurement system. Specifically, the additional financing will provide US\$0.7 million in additional resources to ensure full financing of the capacity building activities and professionalization of the public procurement workforce, support to functional reorganization of the SAPP to deliver core functions mandated to it by the Law, and the development of a full-fledged e-procurement system supported under Part 2.3 of the parent Project. A fully functioning e-procurement system integrated with budgeting, execution, commitment and contract management, and reporting will help to ensure there is effectiveness, control and accountability in public expenditure.
15. The additional financing will continue to support Component 4 (Part 4) – Managing Public Administration Reforms that seeks to develop the institutional capacity of the EOP and dependent entities responsible for functions critical to the effective development of the PFM system. Specifically, the additional financing will provide US\$0.4 million in additional resources to support implementation of the Civil Service Human Resource Management Information System (HRMIS) under sub-components/Parts 4.3 (a) and (b) of the parent Project. The HRMIS is under development. To be a full functioning HRMIS, it needs to also include modules on performance appraisal, staff reserves, attestation, training management, self-service, property declaration and rotation. In addition to developing new functionalities, activities on this component also would include developing functional requirements and technical specifications for integrating the Civil Service HR/Payroll system with the databases of social sector ministries. A full functioning HRMIS helps ensure effectiveness, control and accountability in public expenditure.
16. The additional financing will also provide additional resources amounting to US\$0.6 million to Part 5 - Project Management. This is intended to finance local consultants involved in project coordination, local IT adviser and translation services. This is expected to facilitate project implementation and adequate support for IT systems financed under the project.

Scale-Up with New PFM Areas (US\$1.5 Million)

17. Under the proposed new sub-component/Part 1.4, Strengthening Public Investment Management will be introduced. Strengthening public investment management will be provided through, *inter alia*: (i) appraisal of the formal system of Public Investment Project (PIM) and Public Private Partnerships (PPP) operations; (ii) development and adoption of the PIM-PPP policy and development or update (as applicable) of the supporting documents, e.g. PIM procedures, sector guidelines for selected key line ministries, guidelines for the pre-selection of PIM and PPP investment projects; (iii) develop a national registry of investment projects in line with policy framework; (iv) purchasing of the relevant



software for the MoEDT; and (v) training and capacity building for the relevant units of the MoEDT, its regional offices and government institutions. Total amount of the sub-component is US\$0.8 million.

18. Under the Additional Financing, a new sub-component/Part 1.5 to strengthen internal audit will be introduced. Strengthening of internal audit will be provided through, *inter alia*: (i) assisting the MoF to implement provisions of the new government methodology on internal audit; (ii) strengthening MoF's and central government institutions audit department capacities in conducting financial, information system and performance (value for money) audits; (iii) development of national internal audit standards based on international standards; (iv) purchase and installation of internal audit software and purchase of some of the related office equipment; (v) assisting the MoF in development and implementation of a risk management framework; (vi) Training of internal audit for MoF and central government institutions. Total amount of the sub-component is US\$0.8 million.

E. Implementation

Institutional and Implementation Arrangements

19. The implementation period for the parent project will be extended by three years. This takes into account the parent project risk related to procurement that has materialized and may continue given the decision-making structure in the country, the operational disruptions due to COVID-19, and to ensure full implementation of planned activities as well as full disbursement of the IDA and DFID financing. Accordingly, both the parent project and additional financing will have the same closing date of June 30, 2024. However, the DFID grant (TF0A1735) is expected to close on June 30, 2021.
20. Implementation arrangements will, for the most part, remain the same. However, as per Bank policy, the Procurement Regulations for Investment Project Financing (IPF) Borrowers of July 2016, revised on November 2017 and August 2018, will apply to procurement that will be financed under the additional financing loan. The Project Procurement Strategy Document is being prepared and will provide further details on the applicable procurement process. Project inputs under the additional financing will primarily be consultancy services, software and hardware, minimal office equipment, workshops and training, and operating costs.
21. The Ministry of Economic Development and Trade will be included as a project beneficiary and a new member to the Project Steering Committee headed by the First Deputy Prime Minister. This would help address in an efficient manner all the issues related to coordination of PIM reforms with ongoing PFM reforms.



F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

The proposed project comprises of activities focused on improving public sector management. Activities will be undertaken in Dushanbe. No safeguard-related impacts are expected.

G. Environmental and Social Safeguards Specialists on the Team

John Bryant Collier, Environmental Specialist
Suryanarayana Satish, Social Specialist
Kristine Schwebach, Social Specialist
Hmayak Avagyan, Environmental Specialist

SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	No	
Performance Standards for Private Sector Activities OP/BP 4.03	No	
Natural Habitats OP/BP 4.04	No	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/BP 4.11	No	
Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	No	
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	



KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

n/a

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

n/a

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

n/a

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

n/a

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

n/a

B. Disclosure Requirements (N.B. The sections below appear only if corresponding safeguard policy is triggered)

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting) (N.B. The sections below appear only if corresponding safeguard policy is triggered)

CONTACT POINT

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APPROVAL

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