I. Introduction and Context

Country Context

Tajikistan is a small, landlocked country with a GNI per capita of $880 per annum (2012). After years of social and political turmoil and economic crisis, peace and stability have been restored, the economy is picking up, and living standards are improving from the low levels experienced during most of the 1990s. Poverty incidence declined from a crushing 81 percent in 1999 to 38 percent in 2013. Even though the economy has recently been gaining momentum, Tajikistan faces serious challenges in further development and especially public service delivery. Remittance-led growth supported continued poverty reduction, and several key non-income dimensions of living conditions also improved. Notwithstanding progress, access to essential public services and their quality requires significant improvement. This weakens the country prospects for growth and prosperity. The reforms to improve governance in public administration and SOEs included reducing corruption at all levels of government, strengthening public procurement and financial management systems, and reducing involvement of the state in economic activities in order to promote private sector development. The government is intending further increases in public spending on education...
and health in order to promote attainment of the MDGs. Financing reforms aim to improve the efficiency and equity of public spending through introducing per-capita financing in social sectors, while structural reforms (targeting institutions, human resource management, and infrastructure) are expected to improve the quality of and access to public services over the medium- to long-term.

**Sectoral and Institutional Context**

**Public Finance**

Tajikistan has made considerable progress in reforming public administration and public financial management. Since the adoption of the PFM reform strategy in 2009, substantial progress has been achieved under the support from the World Bank and other donors.

A key PFM reform objective is to establish basic processes for the efficient and transparent management of public expenditures through implementing an automated financial management information system (FMIS). To achieve this objective, the MoF has conducted substantial preparatory work on capacity building, IT development and institutional change. The preparatory work included improving legislation, modernizing ICT infrastructure, customizing an information system package acquired from Turkey (SGB.NET) and progress in developing adequate HR capacities to support reform implementation.

The Government of Tajikistan is committed to continue PFM reform. It is expected that the Government will have a full MTEF in place by 2018. The national strategy will be translated into sector strategies which have clear and costed objectives, with monitoring frameworks in place. Line ministries will present budgets in which all programs have performance indicators. The annual budget and the medium term expenditure framework will be integrated. The MTEF will be rolled forward on a three-year basis.

The Government will have a FMIS operational by January 2015. It will cover the Treasury functions across the whole of Tajikistan, covering all units and levels of government. Data exchange and submission will be automated and will include, in addition to the core Treasury functions, additional modules for managing assets, payroll and the administration of revenues.

The financial reporting framework, step-by-step, will be consistent with International Public Sector Accounting Standards (IPSAS) accrual accounting standards. Transparency and accountability of state owned enterprises (SME) will further improve through improving the quality of financial reporting (IFRS).

**Public Administration**

In the Public Sector reform area the number of preparatory reforms were implemented, including the automated civil services registry was implemented, civil servants job descriptions and training modules for civil servants were updated, a new wage grid was introduced, a competitive recruitment process was established, and vertical functional reviews of ten ministries were conducted.

One of the important lesson in the public sector reform is the importance to assign a unit in the Government in charge of policy coordination and public administration reform for more effective policy implementation and reform sustainability. As a result of reorganization of the Executive Office of President (EoP) in early 2014, the Strategic Planning Department (SPD) was established.
in EoP. This unit is expected to strengthen strategic planning and policy coordination, and provide for better integration of strategic decisions and current policies. Developing proper capacities for SPD is one of the Government priorities.

The Government of Tajikistan aims to develop a more transparent, accountable and cost-effective government through the use of information and communication technologies. Building capacity in the area of e-government strategy implementation, formulation of key policies related to the use of information and communication technologies (ICT) in the public sector, institutional framework for e-government are critical components of this overall goal.

To achieve the above objective, the Government needs support with developing a program for implementation of priorities identified in the E-Government Concept and provide guidance on capacity building and institutional strengthening of the Information Technology Unit (ITU) in EoP, which is in charge of e-government reform coordination.

The Country Procurement Status Review identified a number of weaknesses in public procurement. While the public procurement legislative and regulatory framework has considerably evolved and continues to evolve in Tajikistan, there is still room for improvement in certain aspects of public procurement.

Overall, the public procurement performance will improve by reviewing legislative framework to ensure that the various legislative instruments are comprehensive, coordinated and current and implement robust e-Government Procurement (e-GP) system. Further there is a need for better integration of procurement reforms with a broader governance reform agenda, including public administration, PFM, audit and accountability, and anti-corruption matters.

**Relationship to CAS**

The proposed intervention is consistent with the CAS for 2015-2018 cross-cutting governance program. The Country Partnership Strategy for Tajikistan for 2015-2018 intends to promote improved governance through a number of programs and projects that focus on increasing transparency and accountability, strengthened oversight for financial risk from public sector entities, improvements in national procurement capacity and systems, continuing to foster demand for good governance from civil society, and improving access and quality of data for evidence-based policymaking, monitoring and evaluation.

**II. Proposed Development Objective(s)**

**Proposed Development Objective(s) (From PCN)**

The development objective of the project is to enhance the effectiveness of public sector management through strengthening policy coordination and strategic planning functions in the center of government and streamlining business processes in the public finance and public procurement management. Specific project activities include: (i) enhancing efficiency and transparency of public financial management through implementation of an automated FMIS with interfaces with related PFM functions and processes; (ii) strengthening institutionally and developing capacities of the Strategic Planning Department and Information Technology Unit in EoP to enhance effectiveness of public sector management and implementing performance-based
appraisal system for civil servants to provide them incentives for better performing of their duties, and (iii) improving public procurement performance through increased use of information technology to achieve efficiency, transparency, competition and better value of money.

**Key Results (From PCN)**
The key results indicators correspond to the project development objective and are as follows:

- Enhanced transparency and improved accountability in financial reporting measured by the number of new IPSAS compliant standards implemented;
- Improved quality of financial information for SOEs as measured by the number of annual financial statements of SoE’s meet generally accepted accounting standards and their reliability is validated;
- Enhanced government capacity in policy coordination, strategic planning and evaluation;
- Improved performance of civil servants as a result of implementing performance appraisal system;
- Increase in certified public procurement professionals;
- Increase in share of bidding opportunities and contract awards published.

### III. Preliminary Description

#### Concept Description

It is proposed that the project would consist of four components, the implementation of which would be managed by the Ministry of Finance, President’s Administration and the Public Procurement Agency.

Component 1: PFM Modernization.

This component will aim to build capacity for PFM; enhance training management capacity; improve HR management; modernize the treasury by introducing new budget execution functions such as cash management, payroll management and asset management; upgrade of the current Ministry of Finance information system and integration of it with other PFM information systems; provide connection of budget organizations to the main information system of the Ministry of Finance; develop and adopt a new set of IPSAS compliant standards; and enhance the quality of SoE’s financial reporting.

Component 2: Building Capacity for Strategic Planning, Policy Coordination and Modernization in Public Sector.

This component will aim at developing capacities for the Strategic Planning Department and Information technology Unit in EoP; implementing a performance appraisal system and providing for its linkage to promotion and wage increases.

Component 3: Improving e-Government Procurement (e-GP) System and Infrastructure.

The project will support the modernization of the public procurement to ensure transparency, competition and growth.

Component 4: Project Management.

The preliminary cost estimate for the proposed Bank-funded project is US$10 million.

### IV. Safeguard Policies that might apply
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V. Financing (in USD Million)

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VI. Contact point

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