

**ATTACHEMENT 1**

**TAJIKISTAN**

**COUNTRY PORTFOLIO PERFORMANCE REVIEW**

**WORLD BANK PORTFOLIO**



**October 2006**

**The World Bank Dushanbe Country Office**

## 1. Portfolio Overview

**1.1 Country Partnership Strategy for 2006-2009.** The active portfolio is fully consistent with the CPS for FY006-2009 discussed by the Board on July 26, 2005. CPS assists the Government in achieving objectives of its Poverty Reduction Strategy for 2007-2009, which is based on the country's development vision reflected in the National Development Strategy for 2005-2015. NDS and PRS follow the three main priorities: (1) public administration reform, (2) private sector development and investments attraction, and (3) human capital development. The underlying basis for realization of these priority areas is sustainability of pro-growth. Based on the PRSP and the discussions with the Government CPS specifically focuses on (i) improving business opportunities in rural and urban areas, (ii) enhancing and preserving the quality of human capital, and (iii) exploiting the country's hydropower potential. Improvement of governance and state capacity is the cross-cutting focus area of CPS. Table 1 below provides some more detailed information on the contribution of WB-funded operations to CPS and PRSP objectives,

PRSP priority	CPS objective	Portfolio	Analytical and Advisory Assistance
1. Reform of public administration	1. Improvement of governance and state capacity	<p><i>On-going:</i></p> <ol style="list-style-type: none"> <li>1. Public Sector Reform Project</li> <li>2. Programmatic Development Policy Financing 1</li> <li>3. Strengthening National Statistics System</li> </ol> <p><i>Pipe-line:</i></p> <ol style="list-style-type: none"> <li>7. Public Financial Management Modernization Project</li> <li>8. Programmatic Development Policy Financing 2</li> </ol>	<ol style="list-style-type: none"> <li>1. Programmatic Public Expenditure Review</li> <li>2. Public Expenditure and Financial Accountability Assessment</li> <li>3. Education Sector Fiduciary Capacity Assessment</li> <li>4. IDF for Public Procurement Reform</li> <li>5. IDF for Strengthening the Institute of Civil Servants Training</li> <li>6. IDF for Building Twinning Partnership in Public External Audit</li> </ol>
2. Private sector development and investments attraction	<p>2.1 Improving business opportunities in rural and urban areas:</p> <ul style="list-style-type: none"> <li>• financial sector</li> <li>• reducing the cost of doing business</li> <li>• access to agricultural land</li> <li>• cotton sector.</li> </ul>	<p><i>On-going:</i></p> <ol style="list-style-type: none"> <li>1. Rural Infrastructure Rehabilitation Project</li> <li>2. Community Agriculture and Watershed Management Project</li> <li>3. Ferghana Valley Water Resource Management Project</li> <li>4. Land Registration and Cadastre System Project</li> <li>5. Programmatic Development Policy Financing 1</li> <li>6. Poverty Alleviation Project 2</li> </ol> <p><i>Pipe-Line:</i></p> <ol style="list-style-type: none"> <li>7. Cotton Sector Recovery Project</li> <li>8. Programmatic Development Policy Financing 2</li> </ol>	<ol style="list-style-type: none"> <li>1. Agriculture Sector Review</li> <li>2. Cotton Sector Note</li> </ol> <p><i>Under preparation:</i></p> <ol style="list-style-type: none"> <li>3. Private Sector Development Note</li> </ol>

	<p>2.2 Exploiting the country's hydropower potential:</p> <ul style="list-style-type: none"> <li>• efficiency of the domestic energy sector through improved cost recovery</li> <li>• attracting foreign investment in the hydropower sector.</li> </ul>	<p><i>On-going:</i></p> <ol style="list-style-type: none"> <li>1. Energy Loss Reduction Project</li> <li>2. Pamir Private Power Project</li> <li>3. Programmatic Development Policy Financing 1</li> </ol> <p><i>Pipe-Line:</i></p> <ol style="list-style-type: none"> <li>4. Regional Central Asia – South Asia Electricity Trade Project</li> <li>5. Programmatic Development Policy Financing 2</li> </ol>	<ol style="list-style-type: none"> <li>1. Regional Electricity Export Potential Study</li> <li>2. TA on Energy Policy Dialogue</li> </ol>
3. Human capital development	<p>3. Enhancing and preserving the quality of human capital:</p> <ul style="list-style-type: none"> <li>• resource allocation to education and health</li> <li>• teaching and primary school attendance</li> <li>• utilization of primary healthcare</li> <li>• supply of safe water in selected areas.</li> </ul>	<p><i>On-going:</i></p> <ol style="list-style-type: none"> <li>1. Education Modernization Project</li> <li>2. Fast Track Initiative Project 1</li> <li>3. Community and Basic Health Project</li> <li>4. Dushanbe Water Supply Project</li> <li>5. Municipal Infrastructure Development Project</li> <li>6. Poverty Alleviation Project 2</li> <li>7. Programmatic Development Policy Financing 1</li> </ol> <p><i>Pipe-line:</i></p> <ol style="list-style-type: none"> <li>8. Supplemental Dushanbe Water Supply Project</li> <li>9. Public Financial Management Modernization Project</li> <li>10. Programmatic Development Policy Financing 2</li> </ol>	<ol style="list-style-type: none"> <li>1. Programmatic Public Expenditure Review</li> <li>2. Public Expenditure Tracking Survey</li> <li>3. Public Expenditure and Financial Accountability Assessment</li> </ol>

Table 1. Contribution of WB-supported operations to PRSP

1.2 **IDA allocation to Tajikistan.** Current indicative IDA allocation to Tajikistan in FY2006-2009 is estimated to be around US\$148 million, which is by 28 million larger than the amount initially foreseen in the CPS. It is expected that out of the total amount of US\$148 million about 90 million will be provided on grant basis<sup>1</sup>. In FY2006 Tajikistan being eligible for financing on fully grant basis received US\$44 million IDA grant for 5 projects: Ferghana Valley Water Resource Management (US\$13 ml) , Municipal Infrastructure Development (US\$15 ml), Community Basic Health (US\$10 ml), Strengthening National Statistics System (US\$1 ml) and Avian Flue Risk Mitigation Project (US\$5 ml)<sup>2</sup>. In FY2007 IDA allocation is US\$37.8 ml out of which US\$16.8 ml are grants, i.e.

<sup>1</sup> The total amount of IDA allocation and its grant-credit ratio might change based on the country's CPIA [including debt sustainability situation], portfolio and governance ratings updated annually.

<sup>2</sup> Significant donor co-financing has been also catalyzed in FY2006 totaling US\$18.6 ml grant (Multi-Door Financing for Fast Track Initiative for US\$9.2 ml, SIDA co-financing for Community Basic Health for US\$6.2 ml and SIDA and DFID co-financing for Strengthening National Statistics System Project for US\$3.2 ml).

grant/credit share is 45 to 55%. Two projects have been approved in FY2007 for the total amount of US\$15 ml grant financing: Public Sector Reform Project (US\$5 ml) and Programmatic Development Policy Grant (US\$10 ml).

- 1.3 **Portfolio Size:** IDA financing commitments between FY1996-FY2006 amounts to US\$422 million, of which about US\$327 million has been disbursed. As of September 25, 2006 the active portfolio of Bank-supported projects consists of 15 investment and 1 development policy operations, with commitments totaling US\$184 million<sup>3</sup>, of which about 65% remain to be disbursed. Avian Flue Risk Mitigation Project (US\$5 ml) has been signed, and effectiveness expected to be declared by October 25, 2006.
- 1.4 **Portfolio Composition:** The portfolio includes one development policy grant as well as 15 investment credits. The largest shares of the portfolio are in rural development/environment and infrastructure/energy sectors each having about  $\frac{1}{3}$  of the portfolio. Human development (education, health and poverty alleviation) covers  $\frac{1}{4}$  of the portfolio followed by 8 per cent share attributed to the economic management sector (see Table 2). List of all IDA-financed or administered projects is given in the Annex 1.

**Table 2: Tajikistan – Active Portfolio of IDA-supported Operations**  
(as of September 25, 2006)

Sector/Project	Financing Amount (US\$ m) <sup>4</sup>	% of portfolio	Undisbursed (%) <sup>5</sup>	Disbursement Lag (months) <sup>6</sup>	Project age
<b>Rural Development/ Environment TOTAL</b>	<b>65.74</b>	<b>34</b>	<b>66</b>		<b>2.5</b>
1. Rural Infrastructure	22		12.5	11	5.75
2. Community Agr.	15.21		85	1	1.8
3. Land Cadastre	10.14		95	9	0.9
4. Avian Flue	5.04		100	0	0
5. Ferghana Valley	12.78		98.4	2	0.7
6. Lake Sarez	0.57		33	48	5.9
<b>Human Development TOTAL</b>	<b>48.4</b>	<b>25</b>	<b>51</b>		<b>2.5</b>
7. Poverty 2	16.4		11.3	6	4
8. Education Modern.	21.8		63	4	3
9. Basic Health	10.2		90	0	0.4
<b>Infrastructure/Energy TOTAL</b>	<b>65.14</b>	<b>33</b>	<b>56</b>		<b>2.2</b>
10. DWSP	20.06		16	8	3.8
11. Pamir Private Power	11.7		5.4	15	3.6
12. Energy Loss	17.7		100	0	0.8
13. Municipal Infrastr.	15.68		95	2	0.5
<b>Economic Management TOTAL</b>	<b>16.2</b>	<b>8</b>	<b>99.4</b>		<b>0.15</b>

<sup>3</sup> Based on the commitment US\$ amount as reflected in financing agreements.

<sup>4</sup> Based on the US\$/XDR exchange rate as of September 25, 2006.

<sup>5</sup> Based on SDR numbers.

<sup>6</sup> Original disbursement lag, which measures the difference in months between the amount actually disbursed and the date at which this amount was to have been disbursed according to the disbursement schedule.

14. Statistics	1.03		96.2	1	0.25
15. Public Sector Reform	5.17		99	0	0.1
16. PDPG	10		100	NA	0.1
<b>TOTAL</b>	<b>195.5</b>	<b>100</b>	<b>61.2</b>		<b>2.3</b>

- 1.5 **Portfolio Age:** On average Tajikistan portfolio's age of 2.3 years is relatively young being significantly below ECA average of 3.5 years. This is due to the fact that 9 projects are below 1 year old. It is expected that average portfolio age will further decrease with at least one project closing by the end of 2006 calendar year, namely the Lake Sarez Risk Mitigation Project. Rural Infrastructure Rehabilitation and Pamir Private Power projects planned to be closed by end December 2006 are likely to be extended by 0.5 and 1 year respectively to enable full utilization of still available significant IDA financing.
- 1.6 **Disbursements:** Due to portfolio performance tracking becoming an on-going process the situation with disbursements has improved noticeably: disbursement ratios have been steadily increasing from 11.2% in FY2003 to more than 36% in FY2005. In FY06 disbursement ratio was at the level of 29.1%, which was the highest ratio in CA and one of the highest in ECA (ECA FY2006 average was 17%). As of September 25, 2006 FY2007 disbursement ratio makes 6.2 percent (ECA average 4.6 per cent). Given the fact that there are many new projects it is important to ensure and that such "young" project as Land Cadastre Project, Community Agriculture and Watershed Management Project, Community Basic Health Project, Public Sector Reform Project, National Statistics Project and Avian Flue Risk Project are implemented without delays. The disbursement performance is presented in Table 3.
- 1.7 **Project audit:** Financial statement audit under all IDA-funded and IDA-administered projects<sup>7</sup> in Tajikistan is carried out on the block audit arrangement managed by the Aid Coordination Unit. The experience from three block audit arrangements shows that there is significant economy of project funds due to economy of scale<sup>8</sup>. It is important to ensure timely processing of the fourth block auditor procurement in order to ensure timely submission of reports to the Bank<sup>9</sup>. Also special attention has to be given to the closing projects to ensure that auditor ToR is ready before project closure and necessary amount of financing is transferred to an escrow account for after-the-grace-period payments. In FY2006 all projects have submitted audit reports, none of which was qualified.
- 1.8 **Effectiveness Delay:** There are projects in the portfolio flagged for effectiveness delay.
- 1.9 **Closing Date Management:** Timely project closure remains an issue. Out of the 12 closed projects only three closed on time: two one-tranche adjustment lending operations and one technical assistance credit. In some cases investment projects are extended by 2 years, and SAC2 has been closed 1.5 years after the initially planned closing date. On average projects are extended by 1 year. In the current portfolio out of the four projects expected to close by end December 2006 (Second Poverty Alleviation Project, Pamir Private Power

<sup>7</sup> With the exception of Pamir Private Power and Dushanbe Water Supply Projects, where audits of relevant entities is also required. Small GEF TF for Dashtodjum Biodiversity has not been included into the FY2006 block audit because of the time constraints.

<sup>8</sup> According to ACU estimations the economy is as high as 50 per cent.

<sup>9</sup> Though audit is conducted based on the client's fiscal year, audit reports are to be submitted to the Bank by the end of the fiscal year of the Bank, i.e. by end June each year.

Project, Rural Infrastructure Rehabilitation Project and Lake Sarez Risk Mitigation Project) it is likely that Pamir Private Power Project and Rural Infrastructure Rehabilitation Project) are going to be extended by one year and half year respectively. It is important to consider the fact of fiscal costs related to project extension, namely that the country has to continue paying the commission fee. Extensions have reflection on the administrative cost related to project supervision both by the government and the Bank.

- 1.10 **Portfolio Risk Assessment:** Currently there are neither actual problem projects nor potential problem projects in the portfolio. Table 3 contains risk ratings. Two projects which have moderately satisfactory ratings are of concern: Community Agriculture and Watershed Management Project has “MS” IP rating, and Land Cadastre Project, which has “MS” ratings on both DO and IP.
- 1.11 **Past Portfolio Quality Review:** Ratings of the Independent Evaluation Group (IEG) for 12 closed projects show that, while 75 per cent of projects had satisfactory outcomes,  $\frac{1}{3}$  of the closed projects was not likely to be sustainable and only 25 per cent had substantial institutional impact. The issue of sustainability and institutional impact of the Bank-supported projects and proposed remedial options were discussed at the 2005 CPPR and several actions have been realized in order to improve project implementation set-up (see Attachment 2 on implementation of the CPPR 2005 Action Plan). The issue of project and portfolio sustainability is also discussed in the Joint Background Paper.
- 1.12 **Pipe-line projects.** Currently there two projects under preparation: Supplemental Financing for Dushanbe Water Supply project (US\$5 ml) and Cotton Sector Recovery Project (US\$15 ml) to be delivered this FY. While the issue with extending the Service contract with the Operator seems to be resolved now and is not likely to affect the supplemental nature of financing, weak financial management systems in DushanbeVodoKanal pose a significant risk for the supplemental financing. As the recent financial statement audit of DVK showed there are significant problems with availability and reliability of financial data, and because of this the auditor could not issue any statement. Actions as recommended in the Project Data Sheet are to be taken to enable processing of the supplemental financing. Cotton Sector Recovery Project is at the Quality Enhancement Review stage. The key issue for the project processing is the proper implementation structure, which would be in charge of technical issues of implementation of both IDA- and ADB-financed projects aimed at resolving the cotton debt issue.

## 2. *Performance Review of Individual Operations*

- 2.1 All PIUs were visited in preparation of this CPPR. A collective meeting with PIUs was held in Country Office jointly with CA Fiduciary Team on September 26, 2006. Portfolio meeting was held with CO sector staff on September 8, 2006. Based on these discussions, the most recent project documentation and Task Teams’ inputs Project Data Sheets have been prepared for each operation summarizing the implementation progress and identifying the critical implementation issues and time-bound recommendations, which need to be followed up.

**Table 3: Tajikistan – Selected Indicators of Bank Portfolio Performance**  
(as of September 25, 2006)

<i>Fiscal Year</i>	2001	2002	2003	2004	2005	2006
<i>Indicator</i>						
<b>Active Portfolio</b>						
Number of Projects Under Implementation	9	10	11	10	9	16
Total Commitments (US\$m)	129.7	151.5	171.5	127.3	129.7	184
Total Disbursement (US\$m)	10.3	32.7	9.8	44.1	36.8	27
Disbursement Investment (US\$m)	10.3	7.9	9.8	16.1	36.8	27
Disbursement Adjustment (US\$m)	---	24.8	---	28	---	---
<b>Portfolio Performance</b>						
Average Implementation Period (years)/b	2	2	2	3	3	2.5
Percent of Problem Projects by Number/a,c	22	10	0	20	11	0
Percent of Problem Projects by Amount/a,c	14.7	0.3	0.0	42.0	5	0
Percent of Projects at Risk by Number/a,d	22.2	30.0	30.0	40.0	11	0
Percent of Project at Risk by Amount/a,d	14.7	12.7	19.0	60.0	5	0
Disbursement Ratio (%) /e	17.8	16.3	11.2	15.7	36	29.1
Pro-activity Index (%) /f	100	100	100	---	100	---
Realism Index (%) /g	100	25	0	100	---	---
<b>Development Impact</b>						
Number of OED evaluated Projects	2	2	---	2	2	1
Percent rated satisfactory	100	50	---	100	50	100
Percent rated sustainable	50	0	---	50	100	100
Percent rated as having substantial institutional impact	50	0		0	50	0

- a. As shown in the BW.
- b. Average age of projects in the Bank's country portfolio.
- c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).
- d. Includes problem projects (i.e. with unsatisfactory DO and/or IP ratings) and potential problem projects (i.e. at risk of not meeting DO and/or IP ratings).
- e. Ratio of disbursement during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.
- f. Pro-activity is defined as [#of projects that were problem projects 12 months ago, but for which proactive actions have been taken within the year] / [#of projects that were problem projects 12 months ago].
- g. Realism is defined as [#of projects rated as problem projects] / [#of projects rated at risk]. Problem projects have DO or IP rated unsatisfactory. Projects at risk include both problem projects and potential problem projects.

*Note:* All indicators are for projects active in the portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects, which exited during the fiscal year.

## List of IDA-financed or administered projects in Tajikistan

Project Name	Currency	Principal mln	Amount Available	Disbursed	Effective Date	Closing Date	
<b>IDA</b>							
Avian Influenza and Human Pandemic Preparedness and Response Project	USD	5,04	5,04	NA	N/A	01-Dec-09	
Cmty/bsc health	USD	10,2	9,09	1,11	18-Apr-06	31-Mar-10	
Commtly agric & watershed mgmt	USD	4,99	4,38	0,61	25-Nov-04	30-Apr-11	
Commtly agric & watershed mgmt	USD	5,8	4,50	1,29	25-Nov-04	30-Apr-11	
Dushanbe water	USD	17	2,95	16,91	31-Oct-02	30-Jun-07	
Educ mod	USD	14,09	8,88	5,21	26-Sep-03	31-Dec-08	
Educ mod	USD	7,68	4,66	3,02	26-Sep-03	31-Dec-08	
Energy Loss Reduction Pj	USD	14,77	14,77	NA	07-Dec-05	30-Jun-12	
Energy Loss Reduction Pj	USD	2,94	2,94	NA	07-Dec-05	30-June-12	
Ferghana valley water res	USD	12,78	12,58	0,20	19-Jan-06	31-May-11	
Lake sarez risk mitigation	USD	0,57	0,19	0,38	20-Dec-00	31-Dec-06	
Land Reg. & Cadastre Syst.for Sustain.Agr.Pr	USD	10,13	9,59	0,54	11-Oct-05	30-Sep-10	
Muni infra	USD	15,68	14,89	0,79	12-Apr-06	31-Aug-11	
Pamir priv power	USD	11,66	0,63	11,03	31-Mar-03	31-Dec-06	
Pov allv 2	USD	16,24	1,53	14,71	30-Sep-02	31-Dec-06	
Public Sector Reform TA	USD	5,18	5,10	0,08	08-Sep-06	01-Jun-11	
Rural Infr.Rehab. Pr	USD	21,71	2,46	19,25	14-Dec-00	31-Dec-06	
Streng. the Nat.Stat. Syst	USD	1,03	0,98	0,05	26-June-06	30-Jun-11	
Programmatic Development Policy Grant	USD	10	10	0	25-Aug-06	31-Mar-07	
<b>TRUST FUNDS</b>							
DFID	Pov allv 2	USD	2,70	1,39	1,31	15-Jun-04	31-Dec-05
SIDA	Cmty/bsc health	USD	6,00		6,00	18-Apr-06	31-Mar-10
JPN	Dushanbe ws	USD	2,53	0,91	1,62	07-Mar-03	31-Dec-06
JPN	Lake sarez risk mitigation	USD	1,58	0,72	0,86	21-Feb-04	31-Dec-06
JPN	Lake sarez risk mitigation	USD	0,09	0,04	0,05	21-Oct-03	31-Dec-06
MBTF	Publ. Proc. Reform & Instit.Strength. IDF Grant	USD	0,22	0,13	0,09	08-Oct-04	08-Oct-07
MBTF	Public Sector Accountability Capacity Building - Twinning Arrangement In Public Sector Audit IDF Grant	USD	0,29	0,23	0,06	12-Nov-04	11-Nov-07

<i>MBTF</i>	Strength civil serv cap idf	USD	0,21	0,03	0,18	14-Sep-04	14-Sep-07
<i>MULT</i>	Commty agric & watershed mgmt (gef)	USD	4,50	4,14	0,36	25-Nov-04	30-Apr-11
<i>MULT</i>	Streng. the Nat.Stat. Syst	USD	3,09	3,04	0,05	26-Jun-06	30-Jun-11
<i>SWTZ</i>	Lake Sarez risk mitigation	USD	1,70	0	1,70	18-Oct-00	31-Dec-06
<i>SWTZ</i>	Pamir priv power	USD	5,0	3,56	1,44	12-Mar-03	31-Aug-13