



**WORLD BANK
TAJIKISTAN COUNTRY OFFICE**



**ASIAN DEVELOPMENT BANK
TAJIKISTAN RESIDENT MISSION**

TAJIKISTAN:

**JOINT COUNTRY PORTFOLIO
PERFORMANCE REVIEW**

October 10, 2006

DISCUSSION NOTE

Dushanbe, Tajikistan

CONTENTS

I.	INTRODUCTION	3
II.	EVALUATION OF 2005 JOINT ACTION PLAN	4
III.	JOINT PORTFOLIO OVERVIEW	7
IV.	MAJOR ISSUES IN PORTFOLIO PERFORMANCE	13
	1. Project Sustainability and Institutional Impact	14
	2. Impact Orientation of Project Implementation and Portfolio Management	17
	3. Harmonization	19

Attachment 1: Portfolio of WB-funded Projects

Attachment 2: Portfolio of ADB-funded Projects

Attachment 3: Sample of a Results-Oriented Sectoral Matrix

Attachment 4: Status of 2005 Joint CPPR Action Plan

Attachment 5: Draft 2006 Joint CPPR Action Plan

Attachment 6: Harmonization in Procurement and Consultant Selection

Attachment 7: Proposed ADB-funded Technical Assistance on Managing for Results

1. *Introduction*

- 1.1 This CPPR is the third joint WB-ADB Country Portfolio Review. The two previous reviews took place in March 2004 and June 2005 both resulting in adopting of time-bound action plans. The Aid Coordination Unit of the Executive Office of the President has been the effective counterpart from the side of the Government of Tajikistan both in preparing the CPPR and implementing the recommended measures.
- 1.2 CPPR results will contribute to the preparation of the second Poverty Reduction Strategy for 2006-2009. The Government with support of the Donor Coordination Council is in the process of finalizing the country's long-term development vision, National Development Strategy (NDS) for 2005-2015, and developing the mid-term strategy, Poverty Reduction Strategy for 2006-2009 aimed at operationalization of NDS. PRSP priorities will direct the allocations of public expenditures, and public investments in particular. 2004 and 2005 disbursements under the externally-funded Public Investment Program were financed within WB- and ADB-funded projects at the range of 55 and 66 per cent respectively. Therefore portfolio performance review process aimed at timely, efficient and effective implementation of the portfolios of WB and ADB-financed projects is important for implementation of PRSP and attainment of its objectives.
- 1.3 The *overall objectives* of the portfolio reviews are (1) to ensure consistency of country portfolios of WB and ADB-financed projects with the country's development goals and the WB and ADB country strategies; and (2) to assess the portfolios' efficiency, effectiveness and development impact. The Banks and the Government also use the CPPR process to discuss and address generic issues affecting the portfolio.
- 1.4 The *specific objectives* for this CPPR are to (i) assess the status of implementation of the joint 2005 Action Plan, (ii) identify major generic problems affecting portfolio performance, and (iii) agree on a focused and time-bound joint 2006 Action Plan.
- 1.5 This joint discussion note provides an evaluation of the status of implementation of the 2005 joint Action Plan, an overview of the portfolio of projects supported by WB and ADB, an analysis of the key generic issues affecting portfolio performance and a set of recommendations to address the issues identified. Detailed description of WB and ADB portfolios, comprehensive information of the implementation of 2005 joint Action Plan and the proposed draft joint 2006 Action Plan are given in the Attachments 4 and 5.

2. Evaluation of 2005 Joint Action Plan

- 2.1 The last CPPR has identified four core generic issues: (i) sustainability and capacity building under the PIU approach, (ii) focus on tracking development impact in project implementation, supervision and evaluation, (iii) implementation procedures under the new taxation legislation, and (iv) procedures on project selection, approval and implementation. In the results of the CPPR discussions the Prime Minister approved a time-bound Joint GoT/WB/ADB Action Plan to address these 4 issues.
- 2.2 ***Overall implementation of the 2005 Action Plan is satisfactory.*** Out of the 17 actions foreseen 12 have been completed later than expected, and 5 are still under implementation (see detailed information in Attachment 4). Special attention should be given to the completion of the taxation related actions such as VAT-exemption procedures and finalization of the Single Manual on attracting, utilizing, coordinating and monitoring of the external aid in order to streamline the process of project selection, approval and implementation.
- 2.3 ***Project sustainability and capacity building.*** In August 2006 analysis of existing mechanism of implementation of the WB-funded projects has been finalized and submitted to the President's Office, ACU, Ministry of Finance, Ministry of Economy for comments. The analysis provides for a phased and pilot approach for gradual integration of the function of project implementation into the structures of the relevant ministries and agencies.
- 2.4 Given the recommendations of the last CPPR and provisions of the Paris Declaration it was attempted by the Government, where appropriate, to avoid creating dedicated structures for project implementation and transfer as much as possible implementation responsibility to the relevant ministries and agencies. The experience of the Public Sector Reform Project and the Strengthening National Statistics Project provides for a good basis for a non-PIU implementation set-up, which is, however, significantly constrained by the weak implementation capacity and insufficiently efficient public administration systems, and still requires suitable adjustments at the project level. A single PIU – per – ministry approach has been successfully tested in the transport sector. A single PIU is simultaneously implementing three ADB-funded projects, besides other projects. The PIU has accumulated significant project implementation capacities over time and has at the same time become better integrated with the corresponding line ministry. Another experiment that is currently being put together is a joint ADB-WB PIU for administering the forthcoming cotton subsector related projects.
- 2.5 ***Focus on tracking development impact in project implementation, supervision and evaluation.*** Upon recommendation of the Donor Coordination Council the results-based approach has been adopted as an underlying principle for developing and future implementation of the second PRSP. Though the ministries and agencies are still somewhat more focused on in- and outputs tracking of project implementation

the situation has improved and there is now a broad overall consensus within the government on the need of paying special attention to project development impact. Several capacity building events have been held in the country and abroad where particular attention was paid to bringing together PIU, line-ministry and government staff as intact outcome-oriented teams.

- 2.6 In a concrete development, the Government has requested technical assistance for developing country and sector level systems for setting results oriented monitoring and evaluation of public investment. ADB has teamed up with the European Commission and potentially also SIDA and DfID to provide advisory technical assistance to the Government in this regard. The Ministry of Economy and Trade under the overall coordination of the President's Office is taking the lead in steering this new direction towards greater effectiveness and accountability of public investment. At the sector level, the new system would be piloted in the education and health sectors.
- 2.7 One good example of such a shift is the special attention of Dushanbe Municipality paid to financial sustainability of the city water supply company Dushanbe Vodo Kanal within the framework of the WB-funded Dushanbe Water Supply Project (DWSP). Similar situation can be seen in the ADB-financed Power Rehabilitation Project implemented by Barqi Tojik. Though implementation of the so called "hard" components is progressing and being tracked well, overall project sustainability is of concern due to poor progress in institutional modernization of the entities, without which development impact of the projects is at risk.
- 2.8 Interaction of ACU and PRSP Monitoring Unit has improved. Final progress report on PRSP 2003-2005 implementation has been drafted by PRSP Monitoring Unit in close coordination with the ACU in particular in respect with proper tracking of realization of pledges (and especially of public investment related pledges) done by the donors at the May 2003 Consultative Group Meeting in Dushanbe. As mentioned above the second PRSP is going to follow the results framework, and both ACU and PRSP Monitoring Unit of the Executive Office of the President are actively involved into PRSP development: both units are members of the Government Coordination Council on NDS/PRSP development.
- 2.9 *Implementation procedures under the new taxation legislation.* Taxation under the donor-funded public investment projects has been always a problematic issue due to insufficient country legislation, its improper implementation, and donor policies. The recent amendment to the Tax Code provides for exemption of donor-funded public investment projects from VAT. This is a welcome development, whose implementation has been, however, rather weak. Thus, projects are still spending significant resources on paying this tax, which could be otherwise directed to so desperately needed investments. Both WB and ADB policies on eligible expenditures in terms of financing taxes have become much more flexible, and currently, for instance, WB Country Financing Parameters provide for the possibility of financing all local taxes with exception of VAT. Needless to say,

covering taxes in project costs funded by World Bank and ADB reduces the funds available for project-related investments and thus the scope of public investment.

- 2.10 In general provision of government counterpart funding has not been problematic. The planning process for government counterpart funding has been better streamlined with the budget process, and both implementing agencies and the PIUs are now much more experienced with the mechanism. Public Investment Department of the Ministry of Finance has been instrumental in timely and effectively resolving many of the issues related to provision of government's contribution. In the new projects all relevant steps are taken to agree on the flow of government counterpart funding during negotiations, at which an authorized representative of the Ministry of Finance takes always part.
- 2.11 Policy on expenditure eligibility has changed. Both from the Government and Banks' side it should be tried to use counterpart funding not only for offsetting the tax part of project expenditures, but also for government's net contribution to project investments to ensure better commitment and fiscal sustainability.
- 2.12 Somewhat concerning is the community counterpart contribution to the projects working at the community level. Due objective weak economic situation of the local self-government bodies and community organizations they are not able to sufficiently provide required financial or in-kind contribution to projects, which could go as high as 20% for contracts of \$100,000. In many instances this results in delays of contract execution, thus affecting project implementation schedule.
- 2.13 Institutional attention to the tax issue remains weak. Though it was proposed to carry out quarterly meetings there was only one meeting of PIU and implementing agencies with the Ministry of State Revenues and Duties. Requests of the PIUs on the tax issues are processed slowly, and in some instances different levels of the tax authorities may have different opinions on the issues raised. Involvement of the Tax Department of the Ministry of Finance has been insufficient.
- 2.14 *Procedures on project selection, approval and implementation.* Given the weak country regulatory framework on project cycle that results in systematic problems at different stages of project preparation the 2005 CPPR proposed that the Government develops a single manual on project cycle. Based on the resolution of the government ACU was tasked with development of the single Procedure (Manual) on attracting, utilizing, coordinating and monitoring of the external aid, which would cover not only IFI-funded projects, but also projects funded by bi-lateral donors as well as humanitarian and emergency aid. Since the scope of the task was broader than of that proposed by CPPR and also taking into account the complexity of the problem implementation of this recommendation required more time than initially anticipated.
- 2.15 Institutional relations and limited capacity have to be paid particular attention in finalizing the Manual. With ADB and WB consultancy and expert advice ACU has

developed a draft of the Manual, which still is to be discussed at the Government working group set by the Prime-minister. Initial review of the draft circulated by the ACU has raised some issues. So, for instance, experts had proposed an inter-ministerial body (on the lines of the budget commission) for assessing and ranking of public investment proposals. Another issue is that the draft tends to tilt towards micromanagement of projects. The desired direction should instead be more systematic and strategic monitoring and evaluation consonant with impact monitoring described earlier. Also the role of ACU envisaged in the draft seems to be beyond its existing capacity.

- 2.16 Efforts have been made to suitably streamline WB and ADB project cycle with that of the Government. *Special attention should be paid to efficient and proper division of labor between the key government agencies involved into the project cycle: Ministry of Economy and Trade, Ministry of Finance, Aid Coordination Unit and the line-ministries and agencies.* Given the on-going Public Administration Reform and weak capacity of the public institutions it is important to clearly define functions of each institution at each stage and also ensure safeguarding mechanisms against micro-management.
- 2.17 ***Uncompleted actions of the 2005 CPPR Action Plan need to be implemented.*** As shown above some actions related to the taxation under the WB- and ADB-funded projects (VAT exemption procedure and its application, taxation of non-resident consultants, taxation of reimbursable expenditure, etc.) are still under implementation. Also the Manual on Government's project cycle is yet to be finalized with consideration of the above mentioned issues. These actions are to be included into the new Action Plan as the ones carried out from the previous CPPR Action Plan.

3. Joint Portfolio Overview

- 3.1 Tajikistan became a member of WB in 1993 and ADB in 1998. As a low-income country¹ Tajikistan receives highly concessional financing from the International Development Association (IDA) and Asian Development Fund (ADF) in form of credits and grants. So, for instance, in 2006 fiscal year² Tajikistan due to its external debt vulnerable condition was eligible for 100 per cent grant IDA financing and 40% grant from ADF. In fiscal year 2007 because of improved external debt situation the ratio of grant-to-credit IDA financing is determined at 45 to 55 percent respectively, while grant component of ADF financing stays at the 2006 level. In 2006-2008 40 percent of about US\$55 ml ADF financial support will come on grant terms. Table 1 presents more information on the lending terms of WB and ADB.

¹ US\$350 GDP per capita in 2005.

² WB fiscal year is from July 1 to June 30.

IFI	Repayment Period years	Grace Period years	Interest Charge %	Service Charge %
ADB (ADF terms ³) projects programs	32	8	1.00 / 1.50 ⁴	0.00
	24	8	1.00 / 1.50 ²	0.00
WB (IDA terms)	40	10	0.75	max 0.5

Table 1. WB and ADB Lending Terms

- 3.2 Total committed assistance of the Banks to Tajikistan amounts to around US\$690 ml, out of which 63 percent or US\$433 ml have been disbursed. Total size of the Bank's portfolios is US\$384 ml comprising 27 on-going projects; around 30 percent of the portfolio or US\$110 ml have been disbursed. IDA and ADB together financed 55 and 66 percent of the Public Investment Program in 2004 (≈US\$83 million⁵) and 2005 (≈US\$95.4 million⁶) or 2.2 and 2.6 percent of GDP, respectively. Table 2 provides for a more detailed outlook at the annual disbursements and their sectoral composition.
- 3.3 As of end September 2006 IDA has provided US\$422 million for 28 projects (among which 5 are development policy operations), of which about US\$327 million has been disbursed. The active portfolio of IDA-supported projects consists of 15 investment and 1 development policy operations, with commitments totaling US\$184 million, 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. Tajikistan is also part of the Central Asia HIV/AIDs project. Average portfolio age is 2.3 years.
- 3.4 IDA has also catalyzed trust fund resources in the total amount of US\$48.5 ml out of which US\$29 ml have been disbursed. Trust funds are generally used for project co-financing, project preparation and small scale institutional building and technical assistance projects. Currently the trust fund portfolio is US\$35.5 ml supporting operations in statistics, education, health, agriculture, public financial management, public administration, energy and infrastructure.
- 3.5 As of end August 2006 ADB has provided around US\$274 ml for 18 projects, of which US\$122 ml have been disbursed. There were 3 program loans and 15 investment financing operations. Currently there are 11 projects in the portfolio (1 program loan, 1 combined project and 9 investment financing operations) to the total amount of US\$204 ml out of which US\$60 ml or almost 29 per cent has been disbursed. Average portfolio age is 3.1 years.

³ Effective from 1 January 1999.

⁴ 1.00% during loan grace period and 1.5 thereafter.

⁵ Public Investment Program for 2005-2007.

⁶ Information source: PIP department of the Ministry of Economy and Trade.

Table 1: Sectoral Portfolio Distribution by Calendar Year and IFI
(as of December 31, 2005, US\$)

SECTOR		1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Cumulative total
Economic Policy	WB			29,362,577	22,932,320	13,211,186	24,807,816	0	0	28,713,538	0	119,027,437
	ADB							5,045,000			8,519,000	13,564,000
Education	WB				248,086	1,928,302	1,509,604	693,465	838,520	768,709	4,136,123	10,122,809
	ADB											
Energy and Mining	WB					0	0	0	0	5,518,369	4,983,018	10,501,387
	ADB							1,037,000	1,525,000	5,396,000	6,167,000	14,098,000
Environment	WB					0	71,932	34,770	67,203	28,347	53,208	255,460
	ADB							164,000	18,000			182,000
Health, Nutrition and Population	WB					650,721	850,462	453,934	867,077	1,879,135	759,708	5,461,037
	ADB											
Public Sector Governance	WB	409,699	1,778,801	1,218,246	1,166,971	914,656	1,378,991	1,436,600	1,334,353	1,313,335	454,565	11,406,217
	ADB											
Rural Sector	WB	30,000,000	19,398,324	0	0	1,965,007	4,823,828	5,523,756	8,358,456	11,114,242	10,428,527	91,612,140
	ADB						500,000	2,155,000	1,421,000	700,000	1,784,000	6,560,000
Social Protection	WB		806,988	4,651,789	3,271,457	975,357	1,263,913	696,132	1,286,144	3,325,079	4,963,914	21,240,773
	ADB					580,000	487,000	5,353,000	6,933,000	6,577,000	869,000	20,799,000
Transport	WB			2,557,572	5,860,654	1,603,003	20,562	0	0	0	0	10,041,791
	ADB				9,868,000	11,743,000	1,939,000	347,000	4,783,000	6,944,000	8,732,000	44,356,000
Urban Development	WB			100,098	2,315,784	1,524,247	34,865	513,817	0	0	0	4,488,811
	ADB											
Water Supply and Sanitation	WB							251,908	681,236	2,313,159	10,908,634	14,154,937
	ADB											
TOTAL		N/A	N/A	N/A	N/A	38,193,300	N/A	25,270,000	41,531,000 ⁷	82,860,000	70,238,000 ⁸	N/A
	WB	30,409,699	21,984,113	37,890,282	35,795,273	22,772,480	34,761,973	9,604,382	13,432,989	54,973,913	36,687,697	298,312,801
	ADB				9,868,000	12,323,000	2,926,000	14,101,000	14,680,000	19,617,000	26,071,000	99,586,000

Table 2. WB and ADB Annual PIP Disbursements.

⁷ Numbers for 2000, 2002 and 2003 are based on information of the Ministry of Finance PIP department.

⁸ Numbers for 2004 and 2005 are based on the Public Investment Programs for 2005-2007 and 2006-2008 as adopted by the Government.

- 3.6 ADB provided technical assistance to the total amount of US\$41 ml, out of which US\$16 ml have been disbursed. Current technical assistance portfolio comprises 18 operations to the total amount of US\$11 ml out of which some US\$3.3 ml have been disbursed. 12 operations support advisory and technical assistance, while 6 are given for project preparation purposes.
- 3.7 As shown in Figure 1 and 2 below show the largest share of the Banks' financing – 33 percent or about US\$127 ml - is attributed to the rural sector followed by equal shares of the transport and energy each having 17 percent or about US\$69 ml. Total share of the social sectors (health, education, social protection) makes 16 percent or US\$64 ml. Water supply and sanitation receives almost 10 percent of the total financing, followed by governance sector having 4 percent.

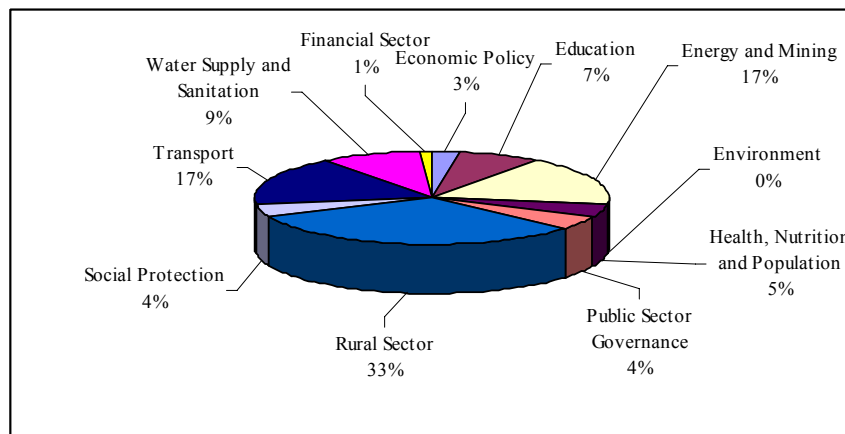


Figure 1. Sectoral Distribution of WB and ADB Financing (in %)

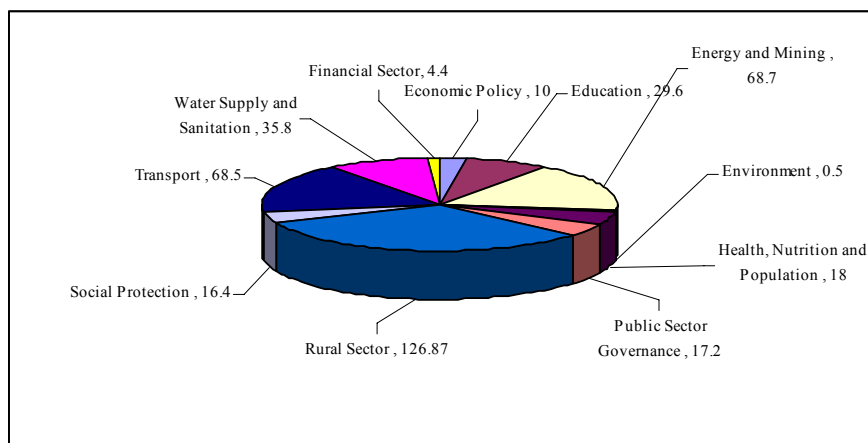


Figure 2. Figure 1. Sectoral Distribution of WB and ADB Financing (in US\$)

- 3.8 ADB is leading in such sectors as transport, energy and financial sector investments. In transport and financial sector it provides the whole financing in terms of supporting three road projects and four micro-finance operations. In

energy 57 per cent of the total funding comes from ADB for the rehabilitation of the energy infrastructure. In health and rural sectors ADB and WB financing are rather equal.

- 3.9 WB is leading in economic policy, environment, social protection. education and water supply and sanitation areas. In economic policy WB is providing Programmatic Development Policy Grant to support public administration and public expenditure reform and private sector development agenda. In environment WB is supporting Lake Sarez Risk Mitigation project with small IDA financing of 0.5 million. In water supply rehabilitation of infrastructure and institutional strengthening of relevant public institutions is supported. Social protection mechanism at the community level are supported within the Second Poverty Alleviation Project. In education WB is providing around 74 percent of the financing in terms of the Education Modernization Project.
- 3.10 There are no projects at risk in the Bank's portfolios. All 11 ADB- and 14 WB-financed projects are rated satisfactory both on Development Objective (DO) and Implementation Progress (IP) ratings. Two WB-funded agriculture projects are rated moderately satisfactory and relevant actions as described in the Project Data Sheets in Attachment 1 are to be taken to improve the rating to satisfactory. Summary of DO and IP ratings for ADB- and WB-financed projects are given in the tables 2 and 3 below.

Project Name	Rating					
	IP		DO		Problem Project	At Risk
	Previous	Current	Previous	Current		
1. Irrigation Rehabilitation Project	S	S	S	S	No	No
2. Microfinance System Development Project - INVESTMENT LOAN	S	S	S	S	No	No
3. Microfinance System Development Project- POLICY LOAN	S	S	S	S	No	No
4. Dushanbe-Kyrgyz Border Road Rehabilitation Project - II	S	S	S	S	No	No
5. Dushanbe-Kyrgyz Border Road Rehabilitation Project - I	S	S	S	S	No	No
6. Power Rehabilitation Project	S	S	S	S	No	No
7. Education Sector Reform Project	S	S	S	S	No	No
8. Health Sector Reform Project	S	S	S	S	No	No
9. Regional Customs Modernization and Infrastructure Development Project	S	S	S	S	No	No
10. Agriculture Rehabilitation Project	S	S	S	S	No	No
11. Road Rehabilitation Project	S	S	S	S	No	No

Table 2. ADB Project Ratings

Project Name	DO ratings	IP ratings
1. Avian Influenza and Human Pandemic Preparedness and Response	N/A	N/A
2. Community and Basic Health	S	S
3. Community Agriculture and Watershed Management	S	MS
3. Community Agriculture and Watershed Management - GEF	S	MS
4. Dushanbe Water Supply	S	S
5. Education Modernization	S	S
6. Energy Loss Reduction	S	S
7. Ferghana Valley Water Resource Management	S	S
8. Lake Sarez Risk Mitigation	S	S
9. Land Reg. & Cadastre System for Sustainable Agriculture	MS	MS
10. Municipal Infrastructure Development	S	S
11. Pamir Private Power	S	S
12. Second Poverty Alleviation	S	S
13. Public Sector Reform	S	S
14. Rural Infrastructure Rehabilitation	S	S
15. Strengthening National Statistics	S	S
16. Programmatic Development Policy Grant	N/A	N/A

Table 3. WB Project Ratings

- 3.11 There are no major delays on project start-up. Most of the projects start in time, and there are no projects flagged for effectiveness delay. However due to the lack of proper regulatory framework in some cases significant delays happen because of the time required to establish a PIU and appoint a PIU director. So, for instance, in WB-funded Ferghana Valley Water Resource Management Project it took almost 5 months to declare effectiveness. One of the extreme examples is the ADB-financed Micro-Finance Project where it took almost 13 months to declare project effectivity. On average in the current ADB portfolio it takes almost 8 months for the projects to become effective.
- 3.12 Timely project closing remains weak. Out of the 12 closed WB-funded projects only three closed on time: two of which were one-tranche development policy operations. Average extension for WB-funded projects period is 1 year, what implies additional fiscal cost to the budget in terms of commission fee on the undisbursed principle amount of the credit. Therefore a closer look at project extension is needed to ensure that benefits, which might occur for instance because of the XDR appreciation against US\$ outweigh the fiscal costs.
- 3.13 There are no major problems in procurement. Country's project procurement capacity has been improving, and currently all PIUs have adequate procurement staff and processes in place. However, *there is still a need to build procurement capacity of the implementing agencies, i.e. line-ministries and agencies, as well as the State Financial Control Committee*, which is the country's supreme audit institution carrying out biannually financial revisions of the projects. Also

important is building procurement capacity at the community level in the projects following community-driven approach. As experience shows procurement trainings for local contractors and suppliers can also significantly contribute to better project implementation.

- 3.14 Overall financial management performance is satisfactory. All WB- and ADB-funded projects are properly equipped with financial management systems and staff. Aid Coordination Unit organizes block audit procurement for ADB- and WB-funded projects⁹, what results in significant economy of project funding. There were three block audits for WB-financed projects (financial statements of 2003, 2004 and 2005) and two for ADB-financed projects (financial statements of 2004 and 2005). *One issue of concern is the requirement of the Law on Audit Activity stating that only domestically certified auditors are allowed to carry out audits in Tajikistan.* Given the weak audit services sector and small market size it demotivates big and well recognized audit companies, such as PWC, Deloitte, etc., to participate in the bidding process for auditing of WB- and ADB-funded projects. Restricted access of auditing companies could lead to lower quality and credibility of audit process. *It is also important to ensure that ACU organizes procurement process for block audit of projects financial statements of 2006 as soon as possible.*
- 3.15 Disbursement performance has been satisfactory. Volumes of annual disbursements under WB-funded investment projects has been increasing from US\$9.6 ml in 2002 up to US\$26 and US\$37 ml in 2004¹⁰ and 2005 respectively. Disbursement ratios have been also increasing making up 36 and 29 per cent in fiscal years 2005 and 2006 respectively. ADB disbursements in 2004 and 2005 made US\$19.6 and US\$26.1 ml respectively, what is a significant increase from the previous years. Disbursement ratios of ADB-funded portfolio have been 13 and 15.3 percent in 2004 and 2005. Disbursement ratio as of August 2006 is 11.4 per cent which shows that it is likely that 2006 disbursement ratio won't be lower than in 2005.

4. Major Issues In Portfolio Performance

The third joint WB-ADB CPPR has identified three core generic issues requiring attention of both the Government of Republic of Tajikistan and the Banks for improved portfolio performance. These issues were discussed during the preparation of the CPPR and both the Aid Coordination Unit and the Banks agreed to discuss these at the CPPR and to agree on a time-bound action plan.

The three issues are:

- Project sustainability and institutional impact

⁹ WB-funded projects: Pamir Private Power Project and Dushanbe Water Supply Projects are not part of the block audit. Development Policy Lending operations are also excluded because they are audited within the annual audits of the National Bank of Tajikistan. Eight ADB-funded projects were part of the block audit of 2005 financial statements.

¹⁰ If taking into account disbursement of the second tranche of SAC2 total disbursements in 2004 fiscal year were US\$55 ml.

- Impact orientation of project implementation and portfolio management
- Harmonization

1. PROJECT SUSTAINABILITY AND INSTITUTIONAL IMPACT

Identification of the Problem

As proposed in the joint 2005 Action Plan an analysis of the existing implementation mechanism has been carried out and recommendations proposed (see Annex 1 to Attachment 4). Improving project implementation set-up is also one of the issues stated in the Paris declaration on Aid Effectiveness (February 28 – March 2, 2005), where donors, including the WB and ADB, and the recipient countries, including Tajikistan, have committed to avoid, to the extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects.

The WB's Independent Evaluation Group (IEG) review of the completed IDA-funded public investment projects in Tajikistan shows that only 30 percent had substantial institutional development impact, and only 60 percent were likely to be sustainable. Likewise, a similar study in ADB's several member countries, undertaken by its Operations Evaluation Department, concludes that as the PIUs¹¹ do not help in building human or institutional capacity, ADB should strive to implement projects within the government structure.

With the on-going public administration and civil service reform, and country systems improvements it is timely to initiate the process of gradual integration of the project implementation function into the line-ministries and agencies. Given that WB and ADB financing constitute a significant share of overall public investment package making up to 2.5 per cent of GDP the Government is interested in increasing the pay-off of the projects largely financed by public borrowing.

PIU get the job done and are not particularly expensive with on average up to 6 per cent of the total project cost. Using one PIU for implementation of several projects shows clear economy of scale benefits. Where there is consistent funding flow PIU are involved into project preparation and implementation of the follow up projects. Process and staff continuity between PIUs and relevant ministries and agencies remains weak. After project completion and PIUs abolishment questions are raised on transfer of project assets, operationalization of completed facilities and responsibility for maintenance. For instance in the WB-funded Lake Sarez Risk Mitigation Project an early warning system has been installed and proved very effective in the past when the level of the Sarez Lake was critical and there was a risk of dam stability. However, its maintenance requires around US\$47,000 (mainly for satellite observation service provider) to be allocated from the state budget annually. Also there is insufficient coordination of activities of PIUs working in one or adjacent sectors, like agriculture, irrigation and land reform areas.

¹¹ The term "PIU" refers to Project Implementation Units, Project Coordination Teams and Units, Project Management Units and Teams, Project Preparation Units and Teams, etc.

Capacity of the line-ministries remains weak and there is a lack of programmatic approach to sectoral public investment management, i.e. there is a disconnect between the project, sector and national dimensions of donor-funded public investments, and management of the donor-funded projects happen very often on ad hoc. The situation is aggravated by the still suboptimal government structure, where there is an overlap and insufficient clarity of functions of the government agencies.

Establishment of “enclave” PIUs in a fragile county such as Tajikistan has two long-term “distortion” dimensions: institutional and functional. *Institutional distortion* is caused by the fact that in a country with emerging public administration and civil service systems additional government structures are created; these have exceptional functions, status, and staff recruitment and remuneration practices. *Functional distortion* is created by the fact that instead of building the capacity of line ministries and other government agencies to execute the function of managing capital investments in their sectors, this task is given to specially created public institutions of a temporary nature.

Looking Ahead – Proposed Options

With the purpose of minimizing the economic cost and sustaining satisfactory portfolio performance measures of short and mid-term nature are proposed.

A. Short Term Measures

It is recommended to have one PIU per sectoral implementing agency. For implementation of future projects, it is recommended to use existing PIUs, gradually reducing their number in the sector. In this respect, it is worthwhile to mention the encouraging Uzbekistan experience with the PIU implementing health projects financed by the WB and ADB. This PIU has a joint unit for procurement and financial management, but two separate units for “technical” aspects of the project. The PIU is managed by one Director. The Bank staff estimate cost savings at about one third of total implementation cost. Thus, using one PIU would enable the Government to benefit from the economies of scale, and also significantly improve coordination of and accountability for sector investment.

At the multisectoral level, it is recommended to follow a “one PIU per reform direction” approach. It is obvious that given the multisectoral nature of such issues as public administration reform, cotton sector development, etc. issues, many ministries and agencies are supposed to be involved in project implementation. In such cases, a duly authorized and well coordinated PIU, subordinated to the inter-ministerial working group in charge of implementing a reform program could be given the responsibility for coordinating and organizing the implementation of related project(s) financed by various donors.

With the purpose of preserving the gained capacity it is recommended to revise salary scale of PIU staff. Improvement of economic situation in the country, larger flows of donor assistance resulting in a larger number of projects, strong development in the service sector, and limited supply of qualified professional staff poses significant

constraints on existing PIU work quality. The current salary scale as established by the Government resolution of March 2003 is far below prevailing market rates for qualified staff. So, for instance, the highest salary of a translator is defined at the level of US\$250 per month, while a free-lance translator rate is varies US\$50-60 per day. In view of this many projects suffer from low quality translation affecting project implementation pace and quality significantly. The fact that PIU specialist salary of maximum US\$200 is equal to the salary of administrator makes it even more difficult to attract well educated and experienced people.

There are a number of practical actions to immediately and at no cost enhance line-ministry involvement in project implementation: (i) WB and ADB missions should encourage the involvement of line-ministry staff in project supervision and PIU field visits; (ii) WB and ADB missions should conduct collective meetings of PIUs and ministries implementing projects in the same or adjacent sectors to ensure proper coordination and sequencing of activities: like in the agriculture, irrigation, land reform and cotton debt resolution areas; (iii) the process for PIU staff recruitment could give greater weight to sector experience in the selection criteria; (iv) critical PIU technical staff should be physically located at the line-ministry to encourage closer working relations with the relevant ministry staff and structures; (v) PIU training programs should be planned with the line-ministry and open to line-ministry staff; (vi) for all closing projects ensure that (a) necessary state budget financing of operating and maintenance is available for the next 3 years, and (b) all necessary property and works hand-over is finalized within 3 months after project closure, (vii) WB/ADB and Government should keep project implementation arrangements and measures to improve institutional development and project sustainability in their “check lists” when reviewing project documentation.

B. Medium Term Measures (4-5 years horizon).

It is recommended to pilot integration of the project implementation management function in the education sector. Given the availability and continuity of funding in the education sector it is recommended to pilot transfer implementation of at least one donor-funded education project to the relevant structures of the Ministry of Education. Quarterly progress reviews should be done to pro-actively resolve emerging issues. Lessons learnt should be presented during the annual 2007 CPPR.

In restructuring of line-ministry and government agencies it is recommended to pay particular attention to building their capacity for managing donor-funded public investments. After completing the horizontal functional review of the central government agencies, it is envisaged carry out vertical reviews of all ministries to optimize their functions. Strengthening ministry project implementation capacity and introducing the program approach to reform management seem to be issues of priority.

It is recommended to develop special incentive schemes to attract professionals with donor-funded project implementation experience into the civil service. Within the public administration reform and taking into account fiscal constraints, it is important to

optimize both the number of civil servants and their salary level. The current civil service system seems to be overstaffed and inefficiently used, leading to suboptimal utilization of available scarce resources allocated for civil service salaries. Low salaries are the plague draining qualified staff out of the ministries and discouraging new people from coming. Given the growing donor assistance to Tajikistan and the high demand for specialists with managerial, fiduciary, M&E experience it is important to establish competitive salary levels for such people (as proposed for IT staff).

Improving country public procurement and financial management systems to an acceptable level will inevitably result in full integration of implementation of donor-funded projects. The recently enforced Public Procurement Law, which is compatible with international standards, needs to be implemented properly to allow use of country public procurement framework for all procurement under WB and ADB funded projects except for International Procurement Bidding. Particular attention is to be paid to sufficient capacity building of the line-ministries and agencies to enable a swift and minimum-cost shift to the use of country systems in implementation of Bank- and other donor-funded public investment projects. Acceptable country systems will also significantly facilitate introduction of the sector-wide approach in investment operations and larger reliance on development policy instruments.

2. IMPACT ORIENTATION OF PROJECT IMPLEMENTATION AND PORTFOLIO MANAGEMENT

Identification of the Problem

2005 Joint CPPR found the weakness of focus on tracking development impact in project implementation, supervision and evaluation. Managing for results¹² has been also an issue of discussion and agreement of the Paris Declaration where the donors and the recipient countries have agreed to follow the results-oriented approach in providing support and policy development. As discussed above some actions have been taken to improve project implementation reporting by making it more oriented on project objectives. However, the practice shows that impact is to be tracked not only at the project, but also at the sectoral and national portfolio levels.

Currently being developed second PRSP has adopted the result framework, where project, sector and national dimensions of the impact of public investments are interlinked. Partly due to the absence of the system within the Government to monitor the immediate and long-term development impact at the project and portfolio level attention is mostly paid to technical and operational aspects of project implementation (in- and outputs), rather than to project's and portfolio's outcomes and development impact.

One of the lessons learnt from PRSP1 is that portfolio management was disconnected from poverty reduction monitoring process. Given the size of WB and ADB joint portfolio mainstreaming of the results-based portfolio management into the poverty

¹² Para 43 of the Paris Declaration identifies that “Managing for results means managing and implementing aid in a way that focuses on the desired results and uses information to improve decision-making.”

reduction process is important. Certainly, weak capacity of the relevant government structures is a factor that has to be taken into account.

Monitoring and evaluation (M&E) still remains a “second importance” issue. As review of the WB Implementation Status Reports shows many projects do not have proper base-line indicators according to which project progress is supposed to be measured. Projects also suffer from insufficiently regular carrying out M&E activities. In many instances M&E systems and capacity of the PIU are weak or absent.

Looking Ahead – Proposed Options

A. Short-term Measures:

It is recommended that all PIU attach M&E report to the annual 2006 project implementation reports to be submitted to the Government through relevant line-ministries. M&E report is supposed to have base-line indicators on project in- and outputs with break-down by components, component outputs and project objectives, and also the assessment of M&E capacity and, if needed, proposed actions for its improvement.

It is recommended that all WB and ADB project implementation reports are updated to improve M&E information. All project reports have to be updated to have base-line M&E indicators, and if the project is already at least one year under implementation indicators on the progress towards achievement of outputs and objectives. It is also recommended that Aid-Memoirs, where and when possible, pay special to tracking project performance via reflecting M&E information.

Government capacity in impact orientation and M&E has to be strengthened. Though a range of project related trainings has been carried by the Banks it seems that there is still a significant need for capacity building of the PIU and ministries/agencies in results orientation and M&E. With the purpose of covering as much people as possible and being cost efficient it is recommended to conduct such trainings in the country and, where possible, in Russian.

Ensure timely start-up of implementation of the ADB-financed technical assistance on Managing for Development Results (see Attachment 7 for more information on the TA). ADB has agreed to provide the Ministry of Economy and Trade with US\$ 1 million financing for technical assistance aimed at establishing a results based M&E system to track impact of public investments in terms of the economy-wide development objectives set out in the NDS and PRS. ADB TA would be implemented in parallel with an EC technical assistance that is focused on selected sectors (education and health). ADB and EC are finalizing the TA proposals with an objective that TAs would start implementation from early 2007. It is recommended to review first results of TA implementation at the next annual CPPR in 2007.

C. Medium Term Measures.

Comprehensive results-based and PRSP-oriented sector strategies should be developed.

Firstly, this will allow filling in the “sector gap” in terms of establishing a proper link between domestically and externally financed public investments and sector targets, i.e. logically connecting project inputs, outputs and objectives with sector targets and national goals. Secondly, this will streamline the work processes of the ministries and agencies by switching the focus of their work from process to results. An example of matrix that provides a framework for overcoming the disconnect is given in Attachment 3.

3. HARMONIZATION***Identification of the Problem***

Paris Declaration on Aid Effectiveness requires that donor actions at the country level and globally are more harmonized, transparent and effective. In particular strong emphasis is given to the donor activities in the fragile countries¹³, to which Tajikistan also belongs. Insufficiently harmonized activities present a significant burden on the government, which itself is in the situation of reform and capacity building. For instance, harmonization of WB and ADB fiduciary and reporting requirements at the country level would significantly facilitate the process of clustering of PIUs with their gradual phasing out. Also there are a large number of WB and ADB missions visiting the country. In the last two years total number of WB missions to Tajikistan was 288, i.e. 144 missions on average per annum. In the first half 2006 there were 63 ADB project and TA administration missions in Tajikistan. Taking into account that all missions have to meet government staff and positive experience of the joint energy and cotton sector mission, it is obvious that joint missions would considerably reduce the time burden on the line-ministries and agencies.

Harmonization is one of the key issues of the working agenda of the Tajikistan Donor Coordination Council (DCC) established in 2006. DCC has facilitated a harmonized dialogue of the donors with the government in such areas as PRSP2 development, cotton debt resolution, land reform and private sector development. Currently the Private Sector Development Note is being developed by the WB in close coordination and consultations with the DCC members. And ADB has programmed significant technical assistance in its 2007 and 2008 program for implementation of the actions in the Note. This is an example of well-coordinated and holistic donor assistance. DCC also supports the initiative of carrying out joint ore diagnostic assessments. It is expected that the discussion process on the platform for a joint donor country assistance strategy will start in 2007. WB and ADB support the joint strategy initiative and would seriously explore this approach for their next country strategy. Selected bilateral donors have also expressed readiness to join the joint strategy approach.

Procurement terminology of WB and ADB has been harmonized. The Multilateral Development Banks (MDBs) and the Development Assistance Committee of the Organisation for Economic Co-operation and Development (DAC/OECD) have worked

¹³ Country environments characterized by exceptionally weak policies, institutions, and governance.

through various technical groups on issues such as donor cooperation, country analytic work, financial management, procurement, and environmental assessment. The principal charge of each of the technical groups was to develop a set of good practice standards, principles, or products that donors and partner countries alike could use as a basis for harmonizing their policies, procedures, and practices. As the result the technical group on procurement has developed Master Document on Procurement of Works, which was agreed upon in May 2006. To date, most MDBs, including ADB and WB, have adopted standardized ICB documents for (i) procurement of goods, (ii) prequalification of civil works, (iii) request for proposals for consulting services, (iv) procurement of civil works, and (v) procurement of plant (design, supply, and install). Other initiatives include joint efforts for national procurement reforms to promote good governance and local capacity, as well as use of common documents and procedures for local competitive bidding. Such work encompasses Country Procurement Assessment Reviews (CPARs) jointly conducted by ADB and the World Bank. Also effective April 1, 2006 WB and ADB use common procurement terminology.

Looking Ahead – Proposed Options

A. Short-term Measures:

It is recommended that WB and ADB establish an information sharing mechanism on visiting missions. This can be done by monthly sharing missions schedule between the ADB Resident Mission and WB country Office. Also joint mission announcement letters should be encouraged.

It is recommended to carry out quarterly portfolio meetings of the local operation staff of the WB Country Office and ADB Resident Mission. Both Banks are now well staffed with local professional staff in the sectors each institution is actively involved. With the purpose of information sharing, better coordination of project activities, analytical and advisory work, and tracking portfolio performance it is recommended to carry out regular portfolio meetings with bi-annually rotating chairmanship of the relevant country manager.

In such areas as energy, agriculture and cotton debt issue, education and health it is recommended that relevant task teams timely inform each other on their mission plans and Terms of Reference and also share the Aid-Memoires. Given the strong involvement of both institutions in these areas and the on-going coordination it is useful to further develop and strengthen it. Time and substantive coordination of the missions would also lower the burden on the Government side.

It is recommended to ensure “one window” approach at the relevant line-ministry or agencies. For the purposes of country-driven coordination is it necessary to ensure that one staff of managerial level in the implementing agency or the Government is in charge of WB and ADB-funded projects. This will not only facilitate the process between the Banks, but also improve the efficiency and effectiveness of coordination within the government.

B. Long-term Measures:

It is recommended to organize a joint mission of the WB and ADB fiduciary teams to analyze the options of gradual harmonization of procurement and financial management procedures at the country-level. In the WB fiduciary supervision function has been decentralized to Central Asia with Procurement and Financial Management Specialists responsible for the Tajik portfolio being located in Uzbekistan and Kazakhstan respectively. WB Country Office has been strengthened in the procurement area. ADB is also decentralizing significant project administration, procurement and financial management functions. ADB Tajikistan resident mission directly administers 3 projects and expects to increase that number to 50% of the portfolio by 2008. ADB is also considering locating procurement and related skills at selected “hub” locations to reduce the response time and enhance coordination with other development partners. Given the procurement and financial management harmonization initiative at the global level it seems to be useful to carry out an in-country meeting of the ADB and WB fiduciary teams to discuss the possibilities of harmonization at the country level. For instance, it could be recommendable to adopt the use of the Master Document for Procurement of Works under the WB and ADB-funded project in Tajikistan.

It is recommended using the platform of the DCC to promote joint core diagnostic work and develop a road map for the joint country assistance strategy. Given the Banks’ intentions to support Sector Wide Approach in Tajikistan it will be likely necessary to carry out a number of core diagnostic work in such areas as public procurement and financial accountability. Last WB’s Country Procurement Assessment Review and Country Financial Accountability Assessments have been carried out in 2003. It is proposed to carry out next similar assessments jointly. Also it is recommended to start harmonization upstream, i.e. at the strategy level in order to increase impact of the Banks’ support to the country. Given that WB Country Partnership Strategy is for 2006-2009 and ADB Country Support Program is for 2004-2008 it might be recommendable to initiate the discussion process within the next 1.5 years. In the meantime, sector-level programmatic approach is being tried in the agriculture sector with strong coordination role being played by the Government. The action plan of the Government for implementation of the farm debt resolution strategy has spurred a coordinated donor assistance for the agriculture sector, helped also by a DfID-financed donor coordination advisor located at ADB Resident Mission. Strengthening of the programmatic approach in the agriculture sector is underway with the development of a more specific and results-based road map. This experiment bodes well for the sector wide approaches in other sectors that are in the offing.

ATTACHMENT 3**RESULTS-ORIENTED SECTOR MATRIX SAMPLE**

PRSP objectives	IDA CPS objectives	ADB CPS objectives	Sector challenges	Actions	Education Modernization Project	Fast Track Initiative - Education for All Program	Education Reform Project
EDUCATION							
Increase basic secondary enrollment for girls and boys to reach 91%	Rationalize resource allocation and utilization system through: 1. more equitable resource distribution on interregional level through switching to per capita financing; 2. resource distribution between schools on per capita basis in at least one rayon; 3. improve community involvement in school decision making process (in 7 rayons)		1. Improve education sector management system	1.1. Reform education management structure at the central and local level including functional analysis of the Ministry of Education			
				1.2. Implement the mapping of all educational institutions at all levels of education including proposals for the rationalization of the education network		Develop and implement mapping. Develop an Education Management Information System related database	
				1.3. Develop a legal framework and organizational arrangements to ensure institutional autonomy and financial independence of public secondary education establishments			
				1.4. Involve parents and local community in the management of secondary education institutions	Provide thematic grants to local communities		
				1.5. Phase in a system of studying market demand for skilled manpower and modify the system of training specialists by the network of public institutions of primary, secondary and higher vocational education including a number of specialists trained			
				1.6. Arrange advanced training for the staff of education management bodies		Provide financial and technical assistance to the	

			1.7. Enhance skills of school principals		Central Teacher Advanced Training Institute to improve training program and training materials for training and retraining of managing staff; training of about 200 managing staff. Strengthen the Institute's infrastructure. Integrate per capita financing issues in training programs for specialists of all levels. Arrange training in 10 rayons.	
			1.8. Develop and pilot an information system for managing education sector and its resources		Pilot computer data bases on per capita financing in 5 rayons. Finance developing and establishing J3 at the central level and two ones at the regional level. Develop a training program and arrange training. Purchase equipment for the central and regional databases.	
			1.9. Improve access to information on education sector and its establishments through Internet for the parties concerned (including update of publicly-accessible portal of the Ministry of Education)			
		2. Improve efficiency of resource utilization	2.1. Finalize and approve "Education Sector Financing Concept of the RT for the period up to 2015»			

		system	2.2. Continue piloting of per capita financing for the secondary education	Develop per capita financing system	Provide technical assistance for the developing of per capita financing	
			2.3. Develop and implement new financially sustainable wage system for the education sector staff			
			2.4. Pilot medium-term budgetary framework for the education sector (see more details in macroeconomy sector)			
			2.5. Improve fiduciary capacity of the Ministry of Education for the implementation of public investment projects in the education sector	Finance Project Implementation Team consultants for project management including procurement, training, and annual audit	Finance activities of the MoE and Project Implementation Team to ensure grant implementation. Finance the work of consultants and the audit.	
			2.6. Improve institutional and legal framework and human resource basis in the area of procurement, financial management, reporting and monitoring of education sector financing	Train the staff of the MoE Economic Department and rayon financial units in financing and economic analysis		
			2.7. Systematize additional fee-based service provision by public institutions of secondary education to improve the quality and accessibility of education			

				2.8. Promote the development of private educational institutions through creating favorable legal framework including improvement of licensing and accreditation arrangements			
	Improve primary completion rates in schools of seven rayons covered by the IDA program		3. Improve methodology and staffing arrangements in the education sector	3.1. Optimize state education standards, curricula for all levels of education based on the resources available and demographic situation (first stage)	Develop modernized syllabus and curriculum for 1-5 grades	Develop modernized syllabus and curriculum for 5-6 grades	
				3.2. Improve the system of preparation and publishing of textbooks in terms of transparency, efficiency, and quality	Establish a body for ongoing improvement and modernization of syllabus and curriculum	Establish expert groups for the modernization of curriculum with the involvement of international experts	
				3.3. Develop and publish textbooks on different school subjects	Develop, publish, and distribute new textbooks	Publish textbooks and study guides evaluated by independent experts and the National Textbook and Curriculum Board (about 1 million copies)	

			3.4. Develop a teacher retraining program and modernize a program for training of education specialists	Develop an in-service training program for teachers. Finance training programs developed by NGOs and the USAID PEAKS program	Provide financial and technical assistance to the Central Advanced Teacher Training Institute to improve curriculum and training materials for retraining of teachers; training of about 2,400 teachers. Strengthen infrastructure of the Institute	
			3.5. Retrain teachers to ensure teaching of two and more subjects by one teacher			
			3.6. Arrange advanced training for school teachers	Establish teachers professional advancement schools and provide financing of training activities of the Advanced Training Institutes		
			3.7. Establish the national independent center for the evaluation of the quality of general secondary education and ensure regular evaluation of the quality of teaching process	Scale up pilot assessment of 4-grade students		
			3.8. Explore the feasibility of establishing the uniform state exam			

			3.9. Provide incentives to involve young specialists (below 30 years of age) with higher and secondary special pedagogical education in teaching activities (provision of housing space, land plots, etc.)			
			3.10. Improve performance of integrated industrial training establishments based on the profile training concept			
			3.11. Develop and implement (including through mass media) training program for parents covering care, raising, and teaching of children of preschool age (starting from early preschool age)			
		4. Improve access to education for children from socially vulnerable families	4.1. Conduct a survey to study the reasons for lower school attendance in urban and rural areas (both for boys and girls)			
			4.2. Conduct a survey on the issue of efficiency of school nutrition; develop a target school nutrition program based on the regional specifics and arrange one hot meal at schools for primary school-children			
			4.3. Provide financial assistance to needy families for purchasing stationary and other learning materials			
			4.4. Improve access to primary, secondary, and higher vocational education for orphans and children from socially vulnerable families through fixing up education quota			

				4.5. Improve HEI entrance arrangements for young men and women from rural areas according to the quota established by the President with further finalization of those by (educational institutions of the relevant rayon			
				4.6. Establish social scholarships for girls from poor families who get A and B grades in the HEIs of the RT			
				4.7. Develop and implement a number of steps to establish inclusive education [inclusion of physically disabled children (first stage)]			
	Improve learning conditions (as a prerequisite for improving learning achievements) in schools of seven rayons (improve access to textbooks, improve teaching methodology, and improve school infrastructure)		5. Improve material and technical base the education sector	5.1. Commission new schools	Develop a new standard school building design according to new conditions and construct 2 pilot schools	Construct new schools when rehabilitation is not feasible/appropriate	
construct school buildings							
purchase school furniture							
purchase kitchen equipment							
purchase training equipment (including laboratory facilities)							
5.2. Rehabilitate and repair existing schools				Rehabilitate/repair existing schools	Repair of about 26 schools		

			5.3. Attach additional classrooms	including repair using grant money and attaching additional classrooms		
			5.4. Publish school textbooks			
			5.5. Purchase training equipment (including laboratory facilities) for schools	Purchase equipment	Purchase 30 sets of equipment for classes of mathematics, natural sciences, and physical training	
			5.6. Improve computer equipment status at schools			
			5.7. Purchase school equipment	Purchase furniture	Purchase furniture for 300 classrooms	
			5.8. Provide water and pumps to schools			
			Make arrangements to save heat at schools (partial glazing, etc.)			
			5.10. Construct separate school latrines			
			5.11. Purchase school kitchen equipment			

ATTACHMENT 4**INFORMATION**

on the Status of Implementation of Joint Action Plan
of the Government of Tajikistan, the World Bank and the Asian Development Bank
on results of the 2005 Country Portfolio Performance Review

ISSUES	BACKGROUND	ACTIONS	DEADLINE	RESPONSIBLE	As of September 30, 2006
1. Project sustainability and capacity building	PIUs have the feature of <i>enclaves</i> created “to get the job done”. Experience shows that PIU approach hinders long-term institutional development and ownership of relevant government structures.	1. Conduct an analysis of the existing mechanisms of organizing project implementation	September 30, 2005	ACU/IA, ADB/WB, MF	Implemented. Analysis has been conducted and report has been prepared for increasing of institutional development and investment project sustainability financed by WB. Report is attached in the Annex 1.
		2. Formulate practical recommendations on organization of project implementation in order to ensure sustainability and capacity building	December 31, 2005	ACU/IA, ADB/WB, MF	Implemented. The report contained practical short term and long term recommendations. The main <i>short term</i> recommendations are: (i) on sector projects transition to the approach «one PIU for one Executing Agency», (ii) for multisector projects transition to the approach «one PIU for one reform direction ». As an example of the organization of project implementation it is recommended for sectoral and multisector projects to consider the experience of Modernization of National Statistics System Project and Governance Management System Reform project respectively. In <i>mid term</i> perspective it is recommended: (i) depending on implementation arrangement plan for fiducially capacity building of the Ministry of Education on the pilot basis to integrate implementation function of at least one new project to the structure of the Ministry of Education, (ii) at the framework of restructuring of Ministries and agencies, to pay attention to capacity building of implementation of investment projects, (iii) to develop sectoral strategies oriented at achievement of qualitative results and clearly linking implementing of projects with achievements of sectoral objectives and PRS’s goals, (iv) in the framework of implementation of the payroll reform to pay specialist attention to prioritization of the financial and other incentives

					for engaging specialists, who have project management and fiduciary experience, financed by IFIs, and (v) in the framework of reforming of the national procurement system and financial management, to pay attention to achievement of acceptability and compliance development of government procedures with IFIs' procedures.
		3. Based on the recommendations prepare a plan of the step-by-step harmonization of the WB and ADB project implementation procedures	May 31, 2006	ACU/IA, ADB/WB	Under Implementation. ADB Technical Assistance 4546-TAJ «Improving Aid Coordination and Portfolio Management». This TA will improve modernization of the development and overall efficiency of assistance to Tajikistan through capacity building of the Government via improving aid coordination, harmonization and portfolio management.
		4. Until a decision is taken on practical implementation of the developed recommendations, use existing PIUs for implementation of future projects.	Immediately	ACU, IA/PIUs, ADB/WB	Implemented. Being implemented. Particularly, implementation of new projects, financed by WB, ADB and IDB, in health, education, avian flu control, transport and energy has been assigned to the existing PIUs. For example, on the basis of the existing PIU in the energy sector by Government Resolution dated 3 July 2006 No. 283 State Agency «Energy Sector Project Implementation Unit » established, which responsibilities include implementation of projects financed by the Asian Development Bank, Kuwaiti Fund of Arabic Economic Development, Islamic Development Bank, KfW, Eksim Bank (China). In the transport sector, simultaneous implementation of four Loans and two Technical Assistance projects is going on under earlier established PIU. Under the Energy Loss Reduction Project (WB) the implementation of the project is assigned to Barki Tajik and Tajik Gas without establishment of separate PIU. Under the Governance Management System Reforms, and also Modernization of National Statistics System Projects, their implementation has been assigned to respective EAs with engagement of consulting support, particularly, on fiduciary aspects. PIU as a separate legal body with a status of state agency has been not established.

					<p>At the same time due to necessity, new PIUs have been established, particularly, for implementation of Customs Modernization and Infrastructure Development Project (ADB), Irrigation Rehabilitation Project (ADB) and Registration and Land Cadastre System Project (WB).</p> <p>It is planned to assign implementation of the Cotton Subsector Reform Project (being processed) financed by WB and ADB to one PIU.</p>
<p>2. Focus on tracking development impact in project implementation, supervision and evaluation</p>	<p>Government mostly pays attention to and required reporting on technical and operational aspects of project implementation (in- and outputs). This practice does not contribute to the link between the public investment effectiveness and PRSP implementation.</p>	<p>1. Current annual or semi-annual, reports submitted by the PIUs/IAs and ACU to the Government should pay primary attention achievement of project development objectives.</p>	<p>December 31, 2005 and on-going thereafter</p>	<p>PIU/ACU, IA</p>	<p>Implemented. Briefing session has been conducted with participation of heads of PIUs on annual reports preparation for 2005, where all PIUs received relative information on annual report submission based on reflection of achieved project goals.</p> <p>Poverty Reduction Strategy for 2007-2009 that is being prepared now is based on the «results oriented» approach. Particularly, results monitoring is plan for all measures. Emphasis is given to monitoring process and impact assessment of government investments for poverty reduction.</p>

		<p>2. Ensure improvement of monitoring and evaluation capacity of the Government staff responsible for project implementation, supervision and portfolio management .</p>		WB/ADB, ACU	<p>Implemented. A lot of staff from ministries and agencies have been trained during reporting period during workshops, conducted by WB and ADB in Tajikistan.</p> <p>Particularly, on 29 May – 1 June 2006 there was first workshop on project implementation and operation procedures of WB conducted in Russian in Dushanbe. At the workshop more that 40 staff from ministries, agencies and PIUs participated. Also, there was three days workshop on procurement under projects financed by WB for newly established EAs and PIUs in July 2006 in Russian. In February 2006 there was weekly seminar on procurement guidelines in Bishkek. In June 2006 weekly workshop in Russian on financial management and withdrawal of project funds was conducted in Almaty financed by WB.</p> <p>Also PIUs' staff regularly attend trainings on fiduciary issues during investment project implementation in Russian, financed by WB, in International Centre in Turine. Staff from ministries and agencies also participated in experience exchange programs abroad, particularly in Geneva and Malawi on monitoring and project assessment issues.</p> <p>All ADB financed projects include program completion report, and also results monitoring and assessment.</p> <p>On 23-27 January 2006, ADB organized a workshop on «Results Oriented Development and Implementation of Projects» for ministries and agencies, PIUs, representatives of local hukumats and administrations.</p> <p>ADB organized a workshop in Issyk Kul (Kyrgyz Republic) from 27 November to 4 October 2006 on «Regional Training of Coordinators –oriented of project design and management » for representatives of relevant ministries and agencies, PIUs.</p> <p>Each ADB project begins with discussions of Project Administration Guidelines with EA/PIU.</p>
--	--	---	--	-------------	---

		3. Ensure link between project implementation and the process of PRSP monitoring and achievement of MDG.		ACU/IA/PIU, PRSP Monitoring Unit	<p>Implemented. PRSP for 2007-2009 (being prepared) is based on «results oriented» approach. Matrix of measures of PRSP is based to clear linkage and tracking of implementation of priority measures, sector objectives, sector achievements and PRSP as a whole. In this regard, investment projects could cover one or several activities under one objective or several. ACU and PRSP Monitoring Division, WB and ADB are members of Coordination Committee of PRSP.</p> <p>In Khatlon and Sughd Oblasts pilot Centers on monitoring of poverty reduction and aid coordination have been established, one of the objective is assessment of influence of aid to achieve PRSP and MDGs.</p> <p>Also, it is planned to develop project implementation indicator system, which could be used for MDG monitoring framework.</p>
--	--	--	--	--	---

<p>3. Implementation procedures under the new taxation legislation</p>	<p>Issues like payment of income tax by international, local consultants and PIU staff, payment of social tax, and 30-day VAT reimbursement raise questions about their practical implementation and potential conflict with legal agreements.</p>	<p>1. As loan funds cannot be used for payment of taxes, in particular for income tax and social taxes to be deducted at source, PIUs have to be provided with adequate counterpart funds for payment of such taxes.</p>	<p>Immediately and on-going thereafter</p>	<p>MF, MSRD, IA/PIU</p>	<p>Implemented. In accordance with updated parameters of financing of project expenditures, supported by WB, it is permitted, in principal, to cover all taxes, except VAT, from the funds financed by WB.</p> <p>Amendments have been introduced to the Tax Code of RT to replace the condition of 30 days payment of VAT under donor-financed projects to tax exemption. (Law of RT «On introducing changes and additions to the Tax Code of the RT» No. 114 dated 26 December 2005).</p> <p>WB wrote to the MSRD re some issues, related to taxation under investment projects. One of the proposals was 15% tax exemption from non-resident staff (legal bodies). Currently, there is no reply to this proposal.</p> <p>At the time being, there are no significant problems with allocation of funds to cover Government contribution. The disbursement amount of Government input for 2005 is 11.3 million USD, which is 75% from the required amount. During 2006 first half year, disbursement of GRT input is 4, that is 25% of the total allocated amount. In overall in State Budget for 2006 envisages Government input at the amount of USD 15,9 million. However, the Government promised that in case of fun shortage based on the results of project implementation in the first three quarter of 2006, required additional amount would be allocated.</p>
---	--	--	--	-------------------------	--

		2. Identify procedures for VAT payments under the projects as loan/credit funds cannot be used for VAT payment even if such payments are refunded at a later date. Adequate counterpart funds should be provided to the PIUs.	June 30, 2005	MSRD/MF	Under implementation. As mentioned above, reimbursement from VAT under projects changed to exemption. Currently, draft Government Resolution on approval of VAT exemption procedures has been prepared. <i>However, it is extremely efficient in short term to cancel part 3 of article 237 of the Tax Code on necessity of separate Government Resolutions for each of state investment projects subject to application of VAT exemption.</i>
		3. Review the existing problems relating to income tax and VAT and provide its views on how best the issue can be addressed	June 30, 2005	ADB	Implemented. This issue is not longer actual due to revised ADB policy on acceptable expenditures financed by ADB.
		4. Provisions of the new tax code related to tax liability of consultants/contractors to be reflected in all bidding documents	Immediately and on-going thereafter	IA/PIU, WB/ADB	Implemented. There were some amendments introduced to some on-going contracts with consultants and contractors. All new contracts with international and domestic consultants and contractors reflect provision of the Tax Code on payment of VAT, social and other taxes.
		5. Quarterly conduct working meetings with PIUs on major taxation related issues.	August 31, 2005 and on-going thereafter	MSRD/ACU, IA/PIU	Implemented partially. The meeting with MSRD with heads of PIUs and specialists on main problems related to tax has been conducted. As necessary individual working meeting with heads of PIU have been also organized. <i>However, as a whole, taxation under projects still needs specification and practical explanation from MSRD with purpose of avoiding difference in interpretation of the Tax Code. It would be efficient to determine responsible structure in the MSRD, which could consult PIU staff at the technical level.</i>

4. Procedures on project selection, approval and implementation	<p>Procedures on project selection and approval are fragmented, sometimes absent or not adhered to. Project start-up is done on ad hoc basis. Considerable effectiveness delays due to difficulties with obtaining the legal opinion on the signed credit/grant agreement.</p> <p>There is a lack of personnel continuity in project selection, approval, start-up and implementation process</p> <p>Insufficient IA/PIUs exposure to the Government and WB/AsDB project implementation requirements</p>	1. Develop a single Procedure (Manual) on attracting, utilizing, coordinating and monitoring of the external aid in order to, among other issues, streamline the process of project selection, approval and implementation.	December 31, 2005	ACU/MoF/MET/MJ	<p>Under implementation. Working group for development of draft regulations “ Rules on attracting, using, coordinating and monitoring foreign aid” has been established by the Prime-Minister of RT (dated 2 November 2005, No.174 (31-5)). The working group includes Deputy Ministries of Justice, Finance, Economy and Trade, Head of Legal Division, Division on Economic Reforms and Investments, PRSP Monitoring and ACU of the Office of President of RT and relevant representatives of Resident Missions of ADB and WB. On 22 November 2005 in ACU with participation of members of the Working Group there was discussion of the whole structure of the Manual.</p> <p>At present time, the project «Rules on attracting, using, coordinating and monitoring foreign aid”, prepared under the ADB TA, submitted by ACU to relevant ministries, agencies and local government with the purpose of its consideration and provision of their comments and proposals.</p> <p>It is planned to submit this draft regulations for approval to the GRT at the end of October 2006.</p>
		2. During preparation of the Manual discuss the possibility of its harmonization with ADB, WB and other donors	December 31, 2005	ACU, WB/ADB	<p>Implemented. The Manual envisages maximal procedural and substantive harmonization of the state project cycle with project cycles of ADB and WB.</p>

		3. Provide clarity on the need for ratification of credit/loan agreements on projects both included and not included into the Program of State External Borrowing.	August 31, 2005	MJ/ACU	<p>Implemented. Loan Agreements for projects included into the Public Investment Program do not need ratification as this Program has been approved on annual basis by the Parliament of the Republic of Tajikistan.</p> <p>In addition, the issues of legal regulation of separate moments on above issue also have been considered in the framework of draft regulations on “Rules on attracting, using, coordinating and monitoring foreign aid”. Particularly, emphasis should be given to the approval process and delegation of authority for state investment projects, financed partially or fully from grant sources.</p>
		4. Create of a web-site with regularly updated relevant project preparation and implementation country legislation and information.	September 30, 2005/ on-going	ACU, WB/ADB	<p>Implemented partially. Website of ACU established, however it needs further improvement. Currently, the structure of the website has been developed, selection of development center has been done, and negotiations conducted, prepared TOR for establishment of the site. Documents for establishment of the site and signing of contract with development center submitted to ADB and ACU. In case of its approval it is necessary to sign the contract for establishment of the site with development center.</p>

		<p>5. Conduct in-country project start-up workshops for IA/PIUs on fiduciary and operational requirements of ADB/WB. Conduction of such workshop to be used as one of the project implementation readiness indicators.</p>	constantly	WB/ADB, IA/PIU, ACU	<p>Implemented. In November, a workshop in Russian was conducted and all relevant print outs on legal aspects of WB activities, particularly re content of Loan and Grant Agreements, legal aspects of Bank's requirements for receiving approvals from different state structures at different project cycle stages, taxation under projects financed by Bank and ect were distributed. At the workshop representatives of relevant departments of Ministry of Justice, Legal Department of the Executive Office of President of RT, ACU, Ministry of Finance, Ministry of Economy and Trade participated.</p> <p>For all new projects, financed by WB, there organized workshops for starting up projects, where relevant staff of EA and PIU are informed about working process of WB and procedures of project impelementation (procurement, financial management and reporting, monitoring and evaluation). The status of preparedness of project for implementation in terms of availability of responsible staff, structures, financial management system and reporting with relevant TOR are one of the key criteria for project evaluation by WB. These criteria include so called "filters" of project preparation (see Attachment 3).</p> <p>On 23-27 January 2006, ADB organized a workshop on «Results Oriented Development and Implementation of Projects» for ministries and agencies, PIUs, representatives of local hukumats and administrations.</p> <p>ADB organized a workshop in Issyk Kul (Kyrgyz Republic) from 27 November to 4 October 2006 on «Regional Training of Coordinators –oriented of project design and management » for representatives of relevant ministries and agencies, PIUs.</p> <p>Each ADB project begins with discussions of Project Administration Guidelines with EA/PIU.</p> <p>In 19.04.2006 ACU conducted a workshop with participation of chief accountants of PIUs on preparation of annual report form.</p>
--	--	--	------------	---------------------	--

ATTACHMENT 5**DRAFT****JOINT ACTION PLAN**

of the Government of Tajikistan, the World Bank and the Asian Development Bank
on results of the 2006 Country Portfolio Performance Review

ISSUES	BACKGROUND	ACTIONS	DEADLINE	RESPONSIBLE
1. Project Sustainability and Institutional Impact	Analysis has shown that, though in the short-run PIU get the job done, PIU approach hinders long-term institutional development, ownership, capacity building of and coordination within and among relevant government structures. Paris Declaration on Aid Effectiveness proposes that both the donors and the recipient country should try to avoid creation of dedicated project implementation structures.	1.1 With relevant capacity strengthening use existing PIUs for future sectoral projects.	Immediately	Government/ACU
		1.2 In multi-sectoral projects follow “one PIU per reform direction” approach.	Immediately	Government/ACU
		1.3 With the purpose of preserving gained capacity and ensuring competitiveness revise PIU staff salary scale.	December 31, 2006.	ACU/MoF
		1.4 Missions to carry out collective meetings with PIU and Implementing Agencies on projects in the same and/or adjacent sector.	Immediately and on-going thereafter	WB/ADB/
		1.5 All pipe-line and future projects are “screened” to ensure that implementation set-up is aimed at institutional development and sustainability.	Immediately and on-going thereafter	ACU/WB/ADB

		1.6 Implement Phase 1 of the Education Sector Fiduciary Capacity Assessment – Capacity Building of the Ministry of Education.	June 30, 2007.	Ministry of Education/ WB
		1.7 Review fiscally sustainable options of the possibility to attract persons with experience of implementing IFI-funded projects into civil service.	March 31, 2007.	MoF/ACU/WB/ADB
		1.8 Ensure that for all closing projects that (a) necessary state budget financing of operating and maintenance is available for the next 3 years, and (b) all necessary property and works hand-over is finalized within 3 months after project closure.	Immediately and on-going thereafter	(a) MoF/ACU (b) IA/PIU, ACU
2. Impact Orientation of Project Implementation and Portfolio Management	At the project and portfolio level attention is mostly paid to technical and operational aspects of project implementation (in- and outputs), rather than to project's and portfolio's outcomes and development impact. Paris Declaration	2.1 All PIU attach M&E report to the annual 2006 project implementation reports to be submitted to the Government through relevant line-ministries.	December 31, 2006 and regularly on annual basis thereafter.	IA/PIU
		2.2 WB and ADB project implementation reports are updated to improve M&E information.	December 31, 2006.	WB/ADB

	declares Managing for results as the major approach in providing support and policy development. Monitoring and evaluation (M&E) still remains a “second importance” issue.	2.3 Carry out trainings for the staff of the Government, implementing agencies and PIUs on impact orientation and M&E.	Regularly	WB/ADB
		2.4 Timely start implementation of the technical assistance on Managing for Development Results.	March 31, 2007	Ministry of Economy and Trade/ ADB
		2.5 Carry out collective sector meetings in selected sectors on the link between the project, sector and national impact of donor-funded public investments.	December 31, 2006 March 31, 2007	MET/ACU/WB/ADB
3. Harmonization	Insufficiently harmonized activities present a significant burden on the government. Paris Declaration on Aid Effectiveness requires that particularly in fragile countries donor actions are more harmonized, transparent and effective. Policy and Strategy harmonization is on the agenda of the Tajikistan Donor Coordination	3.1 Visiting missions schedules and mission announcement letters are shared on regular basis.	Immediately and on-going thereafter.	WB/ADB
		3.2 Quarterly carry out WB CO and ADB RM local professional staff meetings.	December 20, 2006.	WB CO/ADB RM
		3.3 Share mission plans, terms of reference and Aid-memoires of the missions in selected sectors.	Immediately and on-going thereafter.	WB/ADB
		3.4 Each line-ministry or agency identifies one staff of managerial level to be in charge of supervision of WB-ADB-funded projects.	November 30, 2006.	Line-ministries/ACU

	Council (DCC).	3.5 Organize a joint inception mission of WB and ADB fiduciary teams on country-level harmonization.	April 30, 2007.	WB/ADB/ACU
		3.6 On the platform of DCC carry out discussions with the Government on the vision and timing for a joint WB/ADB [plus other donors] country partnership strategy.	February 28, 2007	WB/ADB/ACU
4. Completion of 2005 CPPR Joint Action Plan	Five actions of the 2005 CPPR Action Plan are still under implementation. Key issues are the taxation and country project cycle procedures.	4.1 Adopt changes to the Tax Code on eliminating part 3 of Article 237 on VAT Exemption.	December 31, 2006.	Ministry of State Duties and Revenues.
		4.2 Adopt the Order On application of VAT exemption under donor-funded public investment projects (as required by part 2 of Article 237 of the Tax Code).	December 31, 2006.	Ministry of State Duties and Revenues.
		4.3 Review and respond to the proposals done by WB on taxation under donor-funded projects.	October 31, 2006.	Ministry of State Duties and Revenues.
		4.4 In consultation with WB/ADB finalize development and adopt the Manual on attracting, utilizing, coordinating and monitoring of the external aid.	November 30, 2006.	Government/ACU

ATTACHMENT 6**Harmonization in Procurement and Consultant Selection****Multilateral Development Bank Initiatives**

Joint MDB initiatives are coordinated through the heads of procurement (HOP), who began meeting informally on common procurement concerns in the early 1990s. In February 1998, the group commenced regular, structured meetings, agreeing to continue the harmonization of standard bidding documents, anticorruption provisions, and other procurement-related issues. HOP meetings have evolved to include discussions on harmonization of policies and exchange of best practices. Efforts have been directed toward similarity rather than uniformity, consistent with objectives stated by the G7 nations in April 1998. Objectives include continuing harmonization efforts, building sustainable procurement, promoting good governance in procurement, and identifying best practices.

A significant achievement of MDB harmonization is the development of standardized bidding documents. To date, most MDBs, including ADB, have adopted standardized ICB documents for (i) procurement of goods, (ii) prequalification of civil works, (iii) request for proposals for consulting services, (iv) procurement of civil works, and (v) procurement of plant (design, supply, and install). Other initiatives include joint efforts for national procurement reforms to promote good governance and local capacity, as well as use of common documents and procedures for local competitive bidding. Such work encompasses Country Procurement Assessment Reviews (CPARs) jointly conducted by ADB and the World Bank.

In 2003, HOP expanded its work of harmonizing practices to include policy harmonization. An analysis of HOP members' respective procurement policies concluded that MDBs were "substantially harmonized" in the procedural aspects of procurement including consultant recruitment, but noted differences stemming from fundamental policy variances (Charter issues such as eligibility requirements tied to country membership and varying schemes for domestic preference are examples). Where possible, MDBs are now moving to introduce changes in their respective policies to meet the harmonization objective. The revised ADB guidelines substantially align them with those of other MDBs, particularly the World Bank in both content and format including use of the same or very similar terminology wherever possible.

The differing source-country eligibility requirements of MDBs have been identified as perhaps the most substantial remaining obstacle to MDB harmonization of procurement policies. For ADB, a member country tie is contained in Article 14(ix) of the Charter, which provides that ADB financing will be used only for procurement in member countries of goods and services produced in member countries (subject to the possibility of exceptions approved by the Board of Directors by a special majority "in special circumstances"). The Charter's member country tie is reflected in other instruments, such as Technical Assistance Special Fund and Japan Special Fund regulations, loan

agreements, and standard bidding documents. The World Bank applied a member country tie as a matter of policy until 2004, but discontinued it. The Inter-American Development Bank continues to apply the member country tie as a matter of policy. The European Bank for Reconstruction and Development has always permitted worldwide procurement.

Country Systems

The use of well-designed country systems offers the potential to improve development impact, increase country ownership, facilitate harmonization, simplify processes, and reduce costs. The development community is considering procurement as one area where country systems can be adopted. At the second High Level Forum on Aid Effectiveness, ADB committed, as a signatory to the forum's declaration (the Paris Declaration), to "work to establish mutually agreed frameworks that provide reliable assessments of performance, transparency, and accountability of country systems" and to "use country systems and procedures to the maximum extent possible."

As a follow-up to the forum, ADB is participating in working groups to establish targets for adoption of country systems. In the procurement area, agreed upon targets that will be set for compliance in 2010 will specify (i) the number of countries with acceptable procurement systems or with the necessary reform program to achieve acceptable systems, and (ii) the percentage of development partners and level of aid flow that use country procurement systems.

ADB is however committed to the Paris Declaration's support for greater country ownership of procurement (including consultant recruitment) policies and practices, and to the eventual adoption of country procurement systems where justified by demonstrated EA capacity and anticipated benefits in project administration outcomes. Over the next 2 years, ADB will engage selected developing member countries in a measured, step-by-step approach to selectively develop and adopt country approaches. ADB will work with the World Bank and others to select appropriate countries and sectors for projects in which country procurement systems can be pilot-tested.

For Tajikistan, ADB is currently reviewing the Government's new public procurement law. Before commencement of NCB procurement, ADB and the Tajik Government will review the procurement procedures to ensure consistency with ADB requirements.

ATTACHMENT 7

Proposed ADB-funded Technical Assistance on Managing for Results

As acknowledged in the Paris Declaration on Aid Effectiveness, Tajikistan's own development priorities must be the starting point for determining the scope and depth of the assistance by ADB and WB. Therefore one of the long term solution proposed by previous CPPR was linking results-based management at the project and portfolio levels with PRS monitoring and evaluation processes to enable the Government to analyze the poverty reduction effect of its public investment program.

ADB has responded to the proposal by approving TA concept on Strengthening Results Management in Support of Poverty Reduction in Tajikistan in June 2006. Then ADB pursued joint approaches and commitments by donors to assist the Government in strengthening results management system in the public sector. As a result a consortium of four donors including ADB, EC, SIDA and DFID emerged. Other key donors including World Bank strongly support the consortium.

Tajikistan is developing a ten-year National Development Strategy (NDS) and a medium term Poverty Reduction Strategy (PRS) under the UN's MDG Program. The process of preparation of the NDS and PRS provide an opportunity for mainstreaming results agenda in Tajikistan.

Strengthening results-based management across the public sector in Tajikistan will make NDS/PRS powerful tools for programming and evaluating development aid to Tajikistan thus enhancing aid effectiveness through greater country ownership and donor coordination as envisaged in Paris Declaration¹⁴. ADB, WB and other key donors are considering formulation of a joint country strategy for Tajikistan in line with the Declaration. National Strategy with a systematic results and monitoring framework would greatly facilitate a joint donor strategy and become the foundation of donor coordination.

Outputs 2007-2009:

These will be four outputs of the ADB TA on Strengthening Results Management in Support of Poverty Reduction in Tajikistan.

- **Assessment and Capacity Building.** This will include systematic assessment of the current results management capacity of the Government and capacity building activities such as workshops and seminars. Also preparation of a glossary of results based management terms in Russian language will be part of it to improve wider understanding of the terminology and guidelines in Tajikistan, and also can be used in other Central Asian Republics.
- **Design of Results Management System.** The design of comprehensive results management system will be related to the PRS.

¹⁴ Results based management will also become an important feedback loop to systems of policy, planning resource allocation, and operations that may work in isolation from each other, thus achieving greater efficiency, effectiveness and accountability in the socio economic development of Tajikistan.

- **Implementation of the System.** The system will be implemented at the national level of government to test its usefulness. It will also include capacity building activities including on-job and in-house trainings for government officials.
- **Assessment and Refinement of the System.** It will be an assessment of the implementation and testing and proposal for further refinement of the various elements of the system. Capacity building activities including workshops and seminars will be an important part of this.