



## Public Finance Management Modernization Project 2 (P150381)

EUROPE AND CENTRAL ASIA | Tajikistan | Governance Global Practice |  
IBRD/IDA | Investment Project Financing | FY 2015 | Seq No: 4 | ARCHIVED on 26-May-2017 | ISR28082 |

Implementing Agencies: Republic of Tajikistan, Ministry of Finance

## Key Dates

## Key Project Dates

Bank Approval Date:01-Jun-2015

Effectiveness Date:10-May-2016

Planned Mid Term Review Date:01-Oct-2018

Actual Mid-Term Review Date:--

Original Closing Date:30-Jun-2021

Revised Closing Date:30-Jun-2021

## Project Development Objectives

Project Development Objective (from Project Appraisal Document)

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

Has the Project Development Objective been changed since Board Approval of the Project Objective?

No

## Components

Name

1. Public Finance Management Modernization:(Cost \$8.80 M)

2. Strengthening Public Procurement:(Cost \$2.50 M)

3. Strengthening External Audit:(Cost \$2.70 M)

4. Managing Public Administration Reforms:(Cost \$4.90 M)

5. Project Management:(Cost \$2.10 M)

## Overall Ratings

Name	Previous Rating	Current Rating
Progress towards achievement of PDO	● Moderately Satisfactory	● Moderately Satisfactory
Overall Implementation Progress (IP)	● Moderately Satisfactory	● Moderately Satisfactory



Overall Risk Rating

● Substantial

● Substantial

## Implementation Status and Key Decisions

### Progress by Components

#### **Component 1. Public Finance Management Modernization**

**1.1. Building Capacity to Implement PFM Reforms.** The project has recruited a local consulting firm to assist the Main Department of State Budget in developing an information system for medium-term budget preparation following a top-down principle - whereby MOF sets budget ceilings for sectors and allows sectors flexibility to align their expenditures with sector priorities - and which is oriented on results. This exercise will allow the Department to establish budget ceilings for each sectors. Legislation review and training program are also provided under this assignment.

**1.2. Development of Tajikistan Financial Management Information System (TFMIS).** An IT consultant has been hired for the development of IT procurements under this sub-component, including establishment of the backup data center. An additional five IT consultants will be hired to help with implementation of IT systems throughout the life of project. Initiatives to expand the number of modules within TFMIS (e.g.: cash, commitment management, payment advice and payroll) are at the planning stage. In addition, interfacing TFMIS with the human resources management and e-procurement systems is being coordinated with the implementation plans of those project sub-components.

**A new Draft Treasury Law, which is on final stage of consideration, is to be adopted soon.** The Draft includes new concepts such as commitment control, cash management and digital signature, which require further regulation in bylaws, once the statutory law is approved. MoF has already submitted a short list of consultants to help with bringing treasury legislation into compliance with the new Treasury Law.

**1.3. Implementation of IPSAS.** While the mission appreciates progress made so far, there is a need to reassess the status of activities and agree a more comprehensive roadmap for the transition to IPSAS. We recommend that the Ministry of Finance addresses comments transmitted by the Bank following review of the International Consultant's Inception Report in December 2016. Of critical importance is a need for enhanced quality assurance reviews by MoF to monitor implementation progress and the overall integrity of deliverables.

**The mission recommends that the Ministry of Finance reexamines progress attained so far, including the extent to which it was progressive over time and adequately funded and resourced.** Based on our experience supporting similar initiatives elsewhere, the mission recommends a two-phased approach

**In the first phase, the process would develop arrangements for cash-basis accounting and reporting.** In the second phase, processes would develop arrangements for accrual-based accounting and reporting.

**1.4. Accounting and Financial Reporting by State-Owned Enterprises.** This subcomponent supports implementation of requirements of the 2011 Accounting Law requirement for all Public Interest Entities, including all major State-Owned Enterprises, to apply International Financial Reporting Standards (IFRS). The project supports knowledge and capacity building in two ways: strengthening the regulator, the Ministry of Finance (Department of Accounting Methodology and Department of SOE Supervision); and by assisting up to three SOE transition to the IFRS.

**The mission was pleased with notable progress towards determining the selection criteria for priority SOEs to be supported, with preference for medium sized, high visibility entities.** Proposed terms of reference for advisory support were being finalized and expected to be submitted for review and clearance by the Bank during the week of April 25, 2017.

**Limited progress had been achieved on other activities, but the mission was informed that these activities would be prioritized as soon as possible.**

**4.3. Development of Human Resource Management System.** This activity, which is linked to Component 1, consists of two tasks: the upgrading of the secondary legislation; development of a TRMIS payroll module.

**Procurement for the upgrading of secondary legislation task is being finalized.** The amendments will reflect changes in regulations on competitive selection, performance appraisal and rotation of high-level civil servants. Considering the changes in human resource management related to the automation of the payroll and its integration with civil service records, the Law on Civil Service is likely to be amended too. The contract award for individual consultancy is expected in April and initiation of activities in May. The duration of consultancy is six months.

**The project will develop, as part of the MOF's TFMIS system, a Payroll Module for public employees and integrate it with the Civil Service Registry (or its updated Software version).** Preparatory conceptual document on options for implementation of the personnel records and payroll system had been developed in the earlier consultancy work under the ECA Trust Fund TF016022 to the Ministry of Finance. Initially, the HR/Payroll system will have only core functionality: personnel data, timesheets, and payroll. The latter module will be directly integrated with the Treasury module for administration of payroll payments to civil servants and public employees. The responsible implementing agency for new registry integrated with payroll will be the Ministry of Finance, which will form a Working Group (WG), including its Treasury, MOF's Payroll Department, and the Civil Service Agency. This WG will work on TOR for a company to develop such modules within TFMIS. The MOF's IT Center will be in charge of the collaboration



with a vendor during the detailed design, implementation and testing. Subsequently, a dedicated IT team of the IT Center will be responsible for system maintenance and functionality updates.

### **Component 2. Improving e-Procurement system and infrastructure**

**2.1. Legislative and Regulatory Framework.** Preparation of the new Public Procurement Law (PPL) is ongoing. The State Agency for Public Procurement (SAPP) hired an International lawyer who provided advisory services for review of the current draft PPL. To monitor the work process on the PPL, the SAPP has developed a schedule including: finalization of the draft PPL (by June 2017); internal discussion with the ministries (by September 2017); submission to the Government for discussion and endorsement (September 2017); submission to the Parliament (January 2018) and Parliament approval (by May 2018). The Bank was requested to support the SAPP with review of the final draft PPL.

**Despite having the new PPL only in draft form, SAPP decided to start the work for review and development of a comprehensive package of by-laws and regulations.** The TOR for International legal consultant to support the PPA in preparation of secondary legislation and regulations, development of manuals for procurement procedures and contract management, and update/preparation of Standard Bidding Documents for different procurement categories was approved by the Bank on April 20, 2017. The assignment was advertised on April 21, 2017.

**2.2. Capacity Building for the State Agency for Public Procurement.** As initially planned the SAPP anticipates hiring a firm for this component. However, the scope of activities is yet to be defined and based on that contracting strategy to be determined. Considering that planned capacity building program shall be in line with the new PPL and relate to its implementation, the SAPP will initiate the sub-component activities towards the second quarter of 2018.

**2.3. Development of E-Procurement System.** This sub-component complements an ongoing IDF Grant which finances improvements in the e-Procurement portal and e-quotation module. The package under the IDF Grant was re-tendered due to failure to sign a contract because of disagreement on source code. A recent tender is at the negotiations stage and the contract is expected to be signed by May 1, 2017. The mission noted that ongoing technical discussions between SAPP and APST are increasing their understanding on conceptual and technicalities aspects of e-Procurement system to be developed under the PFMMP II project.

### **Component 3. Strengthening External Audit**

**This component supports the institutional development of the Chamber of Accounts towards achieving institutional capacity and capability to apply auditing methodologies promulgated by the International Organization of Supreme Audit Institutions (INTOSAI).** Its two sub-components support: organizational development of the Chamber of Accounts, including establishing a governance and management framework that conforms to INTOSAI standards and practices; and development of professional auditing capacity including updating operational manuals and practice guidelines to reflect generally accepted auditing standards, including acquisition and customization of software for computer assisted audit techniques, work planning, tracking of progress against audit recommendations, report databases and a web-portal to facilitate public disclosure.

**The mission was pleased with commendable progress had been made towards finalizing and publishing invitations for expressions of interest by qualifying international firms.** In the process of preparing draft terms of reference, the Bank has been consulted and its recommendations fully reflected in the final version. It is expected that the firm to be appointed will support the CoA towards implementing a comprehensive capacity building roadmap. The mission was also advised of a recent change in the leadership of the CoA with the new Chairman reiterating strong commitment towards successfully championing desired reforms.

### **Component 4. Managing Public Administration**

**4.1. Strengthening Strategic Planning Function.** A Steering Committee to coordinate the strategic planning initiative, as well as other Project areas, has been set up under Mr. Davlatoli Said, the First Deputy Prime Minister, Government of the RT. This Steering Committee includes key actors responsible for various aspects of the implementation of the National Development Strategy (NDS), such as the Executive Office of President, Ministry of Economic Development and Trade (MOEDT), the Ministry of Finance (MOF), the State Investment and Management of State Property Committee, Chamber of Accounts, Civil Service Agency, State Agency of Public Procurement, and others.

**The procurement process has started: already a short list of six companies has been compiled.** Procurement is expected to be finalized by October 2017.

**While discussing the content of work, the Bank team highlighted the need for strong coordination with the key stakeholders during the development phase for a strategic planning system, so as to ensure good fit with the roles and responsibilities of other important stakeholders.** The MOF and MOEDT will be involved to ensure *the alignment* of strategic planning with budgetary planning through a medium-term budget framework, investment planning, and alignment of monitoring indicators with those for NDS.

**4.2. Development and Implementation of E-Government Roadmap.** This initiative is in its initial development phase. A procurement has been initiated to acquire the services of an international consultant and two local consultants to undertake the following: a review of the existing e-government initiatives, the legal authorities supporting or limiting the expansion of e-government initiatives and develop a roadmap for e-government over the next five years; a review of intra and interagency electronic documents circulation in the Executive Office of the President of RT; and the development of bidding document to establish the portal of e-public services along with the requirements to establish intra and interagency electronic documents circulation and participate in the evaluation of the bids received under these procurements.



In addition to these ongoing initiatives, there are a number of equipment purchases that will establish a secure inter-agency/ministry network to allow electronic linkages between the ministries to be established and allow for the transition to electronic document exchange and allow for the migration away from a paper based system.

## Risks

### Systematic Operations Risk-rating Tool

Risk Category	Rating at Approval	Previous Rating	Current Rating
Political and Governance	● Moderate	● Moderate	● Moderate
Macroeconomic	● High	● High	● High
Sector Strategies and Policies	● Moderate	● Moderate	● Moderate
Technical Design of Project or Program	● Moderate	● Moderate	● Moderate
Institutional Capacity for Implementation and Sustainability	● Moderate	● Moderate	● Moderate
Fiduciary	● Substantial	● Substantial	● Substantial
Environment and Social	● Low	● Low	● Low
Stakeholders	● High	● High	● High
Other	--	● Moderate	● Moderate
Overall	● Substantial	● Substantial	● Substantial

## Results

### Project Development Objective Indicators

► Improved effectiveness of public expenditure measured by the increased alignment of expenditure with policy priorities (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	10.00	10.00	75.00
Date	01-Jan-2013	01-Nov-2016	11-May-2017	30-Jun-2021

#### Comments

The project is on the process of selecting consulting company to help with strategic planning. The progress under this indicator is expected from FY18.



► Improved control of public expenditure measured by the stock of expenditure payment arrears (in percent of total expenditure by period) (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	14.20	13.00	2.00
Date	01-Jan-2013	01-Nov-2016	11-May-2017	30-Jun-2021

► Improved accountability of public expenditure measured by the quality of annual financial reports (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	8.00	8.00	8.00	12.00
Date	01-Jan-2013	01-Nov-2016	11-May-2017	30-Jun-2021

► Improved accountability of public expenditures measured by the quality of financial audit (PI-26i) (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	50.00	50.00	50.00	75.00
Date	01-Jan-2013	01-Nov-2016	11-May-2017	30-Jun-2021

Comments

Regarding this indicator, we note that the audit covers the central authorities on the whole a bit less than 100% of total expenditures. Meanwhile the methodologies of conduction of financial audit, compliance audit and efficiency audit will be developed under the PFMMP- II. Starting from the second half of 2019, the COA will initiate a conduction of financial audit using methodologies that are developed under international audit standards and updated methodologies of conduction of an external audit.

Overall Comments

**Intermediate Results Indicators**



► Beneficiaries satisfied with systems and procedures implemented by the project, as measured by user satisfaction surveys (percent of users surveyed) (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	0.00	60.00
Date	01-Sep-2015	01-Nov-2016	11-May-2017	30-Jun-2021

Comments

Survey will be conducted in FY18, after which indicator will be updated.

▲ Percent of women beneficiaries satisfied with systems and procedures implemented by the project, as measured by user satisfaction surveys (Percentage, Custom Breakdown)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	0.00	30.00
Date	01-Sep-2015	01-Nov-2016	11-May-2017	30-Jun-2021

► Additional functionalities (modules) of TFMIS (commitment control, cash management, payment order processing, assets management and payroll management) installed and operational (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	1.25	1.25	5.00
Date	01-Jan-2015	01-Nov-2016	11-May-2017	30-Jun-2021

Comments

To achieve the results on this indicator, the following activities are planned and implemented in the second phase of the PFMMMP:

**1 . Involvement of the company to support the Ministry of Finance of the Republic of Tajikistan in the development, debugging and introduction of additional modules on cash management, liabilities management and a simplified asset management model in the current PFMIS. The module of payment management (management of banking operations) was developed by the Ministry of Finance of the Republic of Tajikistan itself and introduced since 2017. The necessary training on the new additional modules is foreseen in the Terms of Reference. It is expected that these new additional modules will be introduced from 2019 or 2020 for all at once, without piloting. Currently the tender process on selection of a company was launched and the expressions of interest are expected for further formation of a short list.**

**2 . Involvement of the company to support the Ministry of Finance of the Republic of Tajikistan and the Civil Service Agency under the President of the Republic of Tajikistan in the development, debugging and introduction of an additional module on human resource management and payroll management in the existing PFMIS. The Civil Service Agency under the President of the Republic of Tajikistan has approved the Working group on the issues of implementation of the second phase of the PFMMMP in the strengthening human resource management by Order No. 191 dated October 20, 2016. The Ministry of Finance of the**



Republic of Tajikistan and the Civil Service Agency under the President of the Republic of Tajikistan held a joint meeting of this Working group and made a joint agreed decision that the human resources management and payroll management module will not be created as a separate software, but it should become one of the additional modules of the PFMS. Currently the Terms of Reference is being prepared.

► Timeliness of annual financial reports (PI-25ii) (Months, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	9.00	9.00	9.00	6.00
Date	01-Jan-2015	01-Nov-2016	11-May-2017	30-Jun-2021

Comments

Achieving results under this indicator depends on the achievement of results under indicator 1.3. «**Improved accountability of public expenditures measured by the quality of annual financial reports**».

In 2015, the Main Department of Central Treasury prepared a trial consolidated financial statement for 2014 and 2015 and is currently preparing a pilot consolidated public sector financial report for 2016. The quality of consolidated financial statements is improving. According to the Public Sector Accounting Reform Strategy, a trial audit of the consolidated financial statements of the public sector for the period of 2018 is planned in 2019. However, at present, there is no corresponding methodology for auditing consolidated financial statements in the Chamber of Accounts of the Republic of Tajikistan.

It is expected that an international consulting company will be selected in 2017 to support the institutional development of the Chamber of Accounts, including the development of a methodology for auditing consolidated financial statements and training employees.

Based on the abovementioned, achievement of the full results of this indicator will not be possible until the end of 2019.

► Key procurement information is made available to the public in a timely manner through appropriate means (PI-19iii) (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	10.00	10.00	21.00	100.00
Date	01-Jan-2015	01-Nov-2016	11-May-2017	30-Jun-2021

Comments

Currently, there are 36 qualified procuring entities. Out of them, eight organizations submitted an annual report for 2016, which means that 22% of qualified procuring entities are covered by annual procurement reports, but these reports are not published. It is planned that in 2018 annual reports of qualified procuring entities on procurement will be published on the Agency's web portal in accordance with the format approved by the Agency.



► Total value of contracts that were awarded through an open and competitive process (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	25.00	25.00	85.00	100.00
Date	01-Jan-2015	01-Nov-2016	11-May-2017	30-Jun-2021

► Evidence of follow up on audit recommendations (in percent of audit recommendations) (PI-26iii) (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	25.00	25.00	25.00	80.00
Date	01-Jul-2015	01-Nov-2016	11-May-2017	30-Jun-2021

► Coverage of external audit (in percent of total expenditure) (PI-26i) (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	50.00	50.00	50.00	75.00
Date	01-Jan-2015	01-Nov-2016	11-May-2017	30-Jun-2021



► Timeliness of changes to personnel records and the payroll (months) (PI-18ii) (Months, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	4.00	4.00	4.00	0.00
Date	01-Jan-2013	01-Nov-2016	01-Nov-2016	30-Jun-2021

Comments

Maintenance of the Civil Service Registry of the Civil Servants Agency currently provides reconciliation of personnel data on a quarterly basis. Responsible staff of the HR services of state bodies submit information to database and testing sector of the Civil Service Agency on civil servants in format No. 1-HD, which includes information on the number of competitive public service selection, available vacancies, attestation and evaluation of civil servants, rotation of leading staff, etc. Employees of the Agency verify this information with the data available in the database of the Register of Civil Servants and in case of inconsistency of the data, introduce changes and additions to the Register.

► The number of services available through e-Governance system (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	0.00	5.00
Date	01-Jan-2015	01-Nov-2016	11-May-2017	30-Jun-2021

Comments

The process of selecting consulting company to help with implementation of e-government roadmap is in progress.

► Project supported NGO publishing reports on feedback received and how this feedback has been used. (Yes/No, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	N	N	N	Y
Date	01-Sep-2015	01-Nov-2016	11-May-2017	30-Jun-2021

Comments

The process is expected in FY18.



## Overall Comments

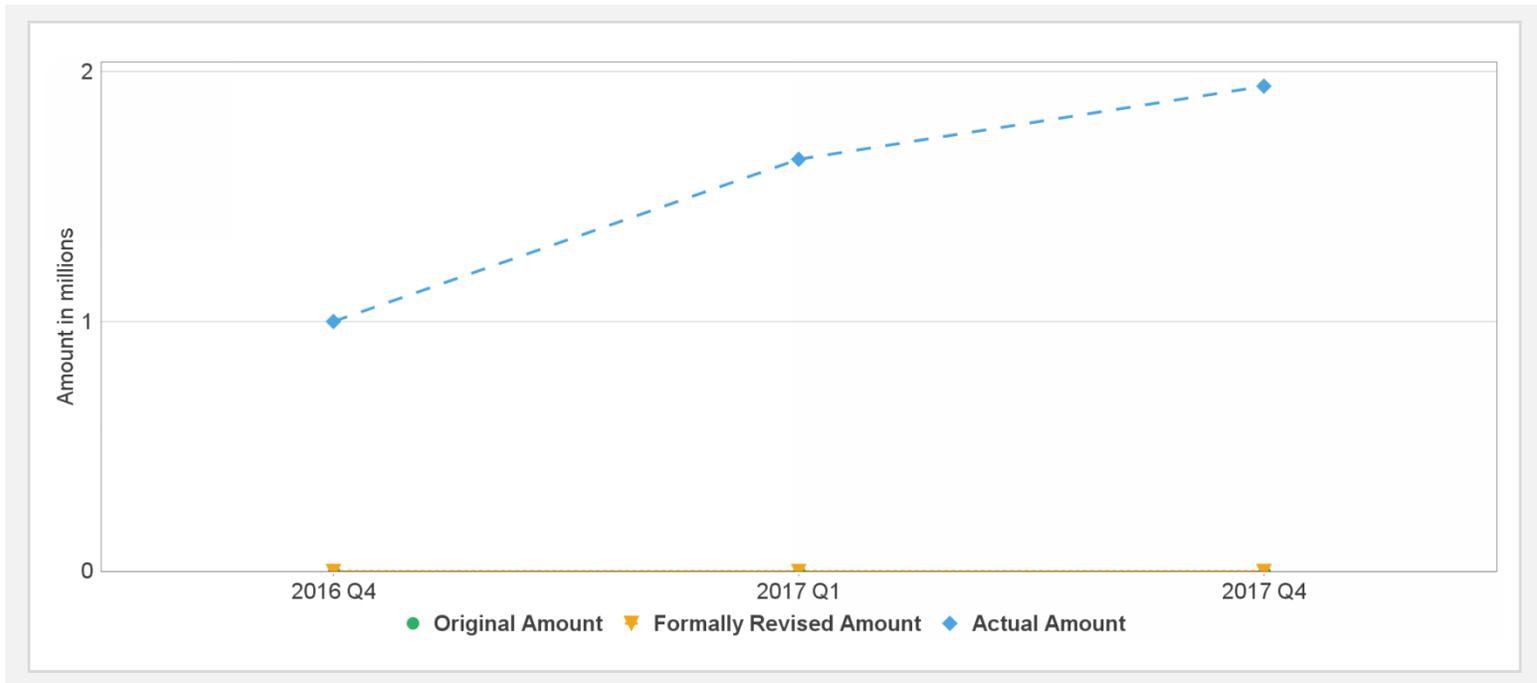
**Data on Financial Performance****Disbursements (by loan)**

Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	Disbursed
P150381	IDA-56310	Effective	USD	5.50	5.50	0.00	0.00	5.65	0%
P150381	IDA-D0550	Effective	USD	4.50	4.50	0.00	1.00	3.47	22%
P150381	TF-A1735	Effective	USD	9.77	9.77	0.00	0.94	8.83	10%

**Key Dates (by loan)**

Project	Loan/Credit/TF	Status	Approval Date	Signing Date	Effectiveness Date	Orig. Closing Date	Rev. Closing Date
P150381	IDA-56310	Effective	01-Jun-2015	17-Feb-2016	10-May-2016	30-Jun-2021	30-Jun-2021
P150381	IDA-D0550	Effective	01-Jun-2015	17-Feb-2016	10-May-2016	30-Jun-2021	30-Jun-2021
P150381	TF-A1735	Effective	17-Feb-2016	17-Feb-2016	10-May-2016	30-Jun-2021	30-Jun-2021

**Cumulative Disbursements**



## Restructuring History

There has been no restructuring to date.

## Related Project(s)

There are no related projects.