



Tajikistan: Strengthening Public Resource Management Program

Project Name	Strengthening Public Resource Management Program	
Project Number	44061-012	
Country	Tajikistan	
Project Status	Closed	
Project Type / Modality of Assistance	Grant Technical Assistance	
Source of Funding / Amount	Grant 0251-TAJ: Strengthening Public Resource Management Program	
	Concessional ordinary capital resources / Asian Development Fund	US\$ 45.00 million
	TA 7801-TAJ: Strengthening Public Resource Management Program	
	Technical Assistance Special Fund	US\$ 600,000.00
	Republic of Korea e-Asia and Knowledge Partnership Fund	US\$ 500,000.00
Strategic Agendas	Inclusive economic growth	
Drivers of Change	Governance and capacity development	
Sector / Subsector	Public sector management - Public administration - Public expenditure and fiscal management - Social protection initiatives	
Gender Equity and Mainstreaming	Effective gender mainstreaming	
Description	The Program aims to strengthen public resource management in Tajikistan through improved tax policy and administration, more effective and efficient social safety net programs, and improved public financial management.	

Project Rationale and Linkage to Country/Regional Strategy

Tajikistan recovered from the economic impacts of the global financial crisis, supported by (i) the government of Tajikistan (the government) anti-crisis program; (ii) a rebound in remittances (18% year-on-year in 2010) resulting principally from the economic upturn in the Russian Federation; and (iii) higher global prices for aluminum and cotton, which represented 83% of total exports in 2010. However, while the real gross domestic product (GDP) growth rate for 2010 was 6.5% (an increase from 3.4% in 2009), it is still below the 7.4% average growth experienced in 2005-2008. Recovery continues to be affected by (i) tighter credit to the private sector due to growing stress in the banking system, and (ii) the recent hike in imported food prices. These factors will likely continue restraining real GDP growth in 2011 and 2012, forecast at 5.5% and 6.0% respectively. Recovery also remains dependent on sustained economic recovery in the Russian Federation based on Tajikistan's reliance on trade and remittance inflows.

Increases in salaries and pensions and higher international commodity prices are expected to keep inflation levels high (10% estimated for 2011, close to the 9.8% figure of 2010). Unemployment also remains high (11.5% in 2009), and close to one million Tajiks, or about 40% of the working force, work abroad. Remittances from migrant workers are the main source of income of many families, averaging 41.1% of GDP in the period 2005-09. Tajikistan remains the poorest country in the Commonwealth of Independent States (CIS), with the lowest per capita GDP (\$1,900 in 2009) and the lowest per capita social expenditures. The weak social protection system offers limited social assistance benefits with little impact on poverty. Fiscal spending on social assistance (0.5% of GDP) is the lowest in the Central Asia Region. Although declining steadily since 1999, poverty remains high, especially in isolated rural and mountainous areas, where about 70% of the people are poor. In 2007, 53% of the country's population was living below the poverty line of \$41 per month, down from 64% in 2003 and 83% in 1999.

Increasing tax revenues from 2005-2008 enabled the government to increase social expenditures. Subsequently, the global financial crisis resulted in a stall in GDP growth and a decrease in tax revenues. To help maintain critical social expenditures, ADB provided a \$40 million grant to Tajikistan in 2009. Other development partners provided grants for the same purpose in 2009 and 2010. Low fiscal space for social policies. The government has been facing fiscal pressures based on the need to increase social spending and to finance much-needed public investment. This translates into significant state budget deficits, as revenues have not kept pace with increased expenditures and revenue recovery will take time.

The country's borrowing capacity is low, which limits the capacity to finance social policies. While economic recovery is underway in Tajikistan, fiscal support is needed to (i) continue to increase critical social expenditures from their current low levels, (ii) face the impact of the demographic challenges on the pension system, (iii) prevent the risk that a full-scale exit of the fiscal stimulus may jeopardize its positive impact, and (iv) avoid a higher fiscal deficit that could further weaken debt sustainability. Fiscal pressures. The overall fiscal balance in 2009, excluding the public investment program, was maintained at a close to expected deficit of 0.6% of GDP, despite lower than expected growth. For 2010, the government estimates a 1.0% deficit, which required additional cuts in nonessential expenditures until the end of the year, due to less than expected revenues. In 2011, the government is planning a deficit not higher than 1.0% of GDP. Public debt (including public guaranteed debt) remains high at 36.4%. Net international reserves are estimated at \$447.0 million, providing import cover for only about 1.6 months. The current account deficit in 2010 is estimated at 3.5% of GDP, a decrease from 4.9% in 2009, but is expected to increase again in 2011 and 2012 to 4.5% and 5.5% of GDP, respectively.

For many years, the government has not fully prioritized the sectors being covered by the Program. The government is now strongly committed to making improvements in these areas. The support and inducement of a Program grant will support the government in implementing long-needed reforms and will provide resources needed to ensure that critical social expenditures are included in the 2011 and 2012 budgets.

The Program is consistent with Tajikistan's National Development Strategy for 2006-2015, which has the improvement of public administration as one of its three main goals. It is also consistent with Tajikistan's Poverty Reduction Strategy, 2010-2012, which aims to broaden access to basic social services. Governance and gender, two themes under the Program, are two of the thematic areas of the Tajikistan Country Partnership Strategy 2010-2014. The Program contains features (e.g., operationalizing internal audit audits and reviews of pilot social service delivery projects) that will improve governance by strengthening accountability. The Program also includes gender mainstreaming features, including an analysis of the gender impact of the pilot social service delivery.

Impact	Increased public funding for social policies
--------	--

Project Outcome

Description of Outcome	Public resource management strengthened
------------------------	---

Progress Toward Outcome

The program results have improved public resource management capacity in Tajikistan. Tajikistan achieved robust economic growth of 7.5% in 2012. Slightly above the 7.4% recorded in 2011, the gain was mainly due to strong growth in remittances and ensuing private consumption. Services, particularly retail trade, remained the key driver of economic growth (expanding by 14.5%). Construction, industry, and agriculture also grew but at a slower pace. Industry expanded by 10.4%, backed by continued growth in mining and light processing. Textiles grew by 30%, as weak external demand and lower international prices for cotton prompted firms to focus on local processing. Fiscal policy tightened in 2012, leaving an overall budget surplus (including all investment spending) of 0.1% of gross domestic product (GDP) that reversed the 2.5% deficit in 2011 (Table 1). The state budget surplus, which excludes foreign-financed investment, rose to 1.8% of GDP from 0.5% in 2011. Revenue performance was on track, reflecting a 22.6% rise in tax revenue and a more than 7.3% increase in nontax revenue as the restructuring of the Tax Committee and better tax administration improved collections. Total expenditure rose by 21.9%, reflecting a 21% increase in spending for social protection. Pensions increased by 30% and social sector wages by 30% 40%, reflecting the government's commitment to improve social services. However, infrastructure spending fell by 10.1% following the completion of projects commissioned to celebrate Tajikistan's 20 years of independence. Public investment including outlays by state enterprises also declined, as investment in energy, transport, and communication fell by 20.2% due to limitations imposed on new projects. Overall, more than half of budgetary spending in 2012 targeted social sectors. The two pilot initiatives in social protection have been implemented as planned and independent evaluation shows that the prospects for better use of public resources in the sector are promising due to better targeting of the poor, improved transparency, and reduced transactions costs. The government's internal audit system has been strengthened. The new internal audit units in several government bodies are now conducting technical audits to ensure the efficient use of public resources. Procedures and instructions have been developed to align the medium-term expenditure framework with the annual budget. After successful completion of agreed actions, the second (and last) tranche of \$13,000,000 was released on 4 October 2013.

Implementation Progress

Description of Project Outputs	Selected aspects of tax policy and administration improved Social safety net pilots designed, implemented, and evaluated by the Ministry of Labor and Social Protection Selected aspects of public financial management improved
Status of Implementation Progress (Outputs, Activities, and Issues)	<p>1. Selected aspects of tax policy and administration improved: Tax reforms have remained a high priority area for the government and an important foundation for achieving the country's development goals of reducing poverty and ensuring growth. In line with program objectives, the government's fiscal capacity has continued to expand. With the exception of 2009 during the global financial crisis, the ratio of tax revenues to GDP has grown steadily since 2006. The ratio of tax to GDP increased from 19.4% in 2011 to 21.1% in 2012. During the program period the Tax Committee has shown strong commitment to reforming tax policy and administration. The key improvements include to (i) organizationally restructure the Tax Committee along functional lines, (ii) create a reform and donor coordination division to streamline communication with development partners, (iii) introduce an electronic tax filing (e filing) system for all taxpayers, (iv) prepare an information technology strategy, (v) improve tax policy and the valued-added tax (VAT) regime, (vi) expand the Large Taxpayers Inspectorate to include additional corporate entities, and, (vii) reduce the number of taxes from 21 to 10 with a new tax code approved by the Parliament in September 2012.</p> <p>2. Social safety net pilots designed, implemented, and evaluated by the Ministry of Labor and Social Protection: The program supported two initiatives from the Ministry of Labor and Social Protection of the Population (MLSPP) aimed at improving the effectiveness, efficiency, and accountability of public expenditure in social protection. These were (i) the new electronic card-based pension payment system, and (ii) the new targeted social assistance (TSA). The initiatives fundamentally change the pension payment system and targeting of social assistance programs. Since 2009, the state-owned Amonatbank and the State Agency for Social Insurance and Pensions, under the coordination of MLSPP, have introduced noncash mechanisms for payment of pensions. The new system places pensions into special individual bank accounts and enables pensioners to withdraw these from ATMs and POS terminals using plastic bank cards. The system has been gradually implemented and now serves 206,000 pensioners (one-third of the total number of pensioners). The TSA initiative has been in place since 2011. The TSA benefit is unconditionally allocated to poor households based on proxy means-testing. ADB provided critical interim support to the pilots in Istaravshan (Sugd region) and Yovon (Khatlon region) by improving MLSPP's business processes and developing and implementing a new management information system. In 2011, more than 19,000 households applied for TSA. Of these, 10,265 households were eligible and received TSA (4,820 in Yovon and 5,445 in Istaravshan). Totals of TJS3.80 million (\$0.83 million) and TJS 4.15 million (\$0.91 million) respectively were paid in TSA subsidies in 2011 and 2012. The government is rolling out the TSA initiative to 10 new districts (including Khujand and Kurgonteppa).</p> <p>3. Selected aspects of public financial management improved: The program required implementation of a new law on internal audit in the public sector enacted in 2010, as well as enactment and implementation of a new law on public finance to unify the medium-term expenditure framework with the annual budget process. Internal audit units were established in several government bodies, including the Ministry of Finance (MOF), MLSPP, Ministry of Health, Ministry of Education, Ministry of Transport, and the Tax Committee. The internal audit units regularly conduct technical audits of the relevant government entities. The internal audit system has completed a full budget cycle and the internal audit units have submitted 2011 annual reports to the MOF using the approved template. The medium-term action plan for implementation of the new internal audit system in the government foresees a gradual migration (by 2015-2016) from a comprehensive audit approach to a risk-based audit approach. The government also made progress in public financial management reforms in 2012. Clear procedures and instructions (including a budget call circular) have been developed by MOF. These procedures integrate the medium-term expenditure framework with the annual budget process, increasing the transparency and control of public finances. A new public expenditure and financial accountability assessment was prepared in 2012. Areas requiring further support and progress include accounting standards and external audit.</p>

Geographical Location Tajikistan

Safeguard Categories

Environment	C
Involuntary Resettlement	C
Indigenous Peoples	C

Summary of Environmental and Social Aspects

Environmental Aspects	C
Involuntary Resettlement	C
Indigenous Peoples	C

Stakeholder Communication, Participation, and Consultation

During Project Design	Consultations were held with the President's office; Ministry of Finance; Ministry of Education; Ministry of Health; Tax Committee; Agency for Financial Control and Combating Corruption; National Committee of Women and Family Affairs; State Agency for Social Insurance and Pensions; UNICEF; WHO; European Commission; IMF; IFC; USAID; World Bank; health professionals and women's groups and pensioners.
During Project Implementation	Regular and extensive discussions with the EA and IAs as well as other relevant agencies (IMF, WB, EU) on the reforms under the program and the TA. As of 25 September 2014: The program was closed on 4 September 2014 after submission of audited project financial statements (APFS).

Business Opportunities

Consulting Services	<p>The MOF is the executing agency for the TA. MOF, the MOLSP and the Tax Committee are the implementing agencies.</p> <p>Six national individual consultants and two international individual consultants were recruited under the TA. All the contracts have been completed. Two consulting firms have been recruited; one is PDP Australia, it supported the Tax Committee in implementing agreed reform actions for the incentive and second tranche conditions and another one is Zerkalo, a survey firm, it was recruited to provide relevant data to conduct an independent evaluation of the impact of the initiative to pay pensions through individual bank accounts being implemented in selected areas of Tajikistan.</p> <p>An international editor has been recruited (Feb 2013) to edit the evaluation report on pension payments produced by Zerkalo.</p> <p>Update as of 24 Mar 2014: All consultants had been engaged (firm and individual). All contracts closed and TA project was financially closed in December 2013.</p>
Procurement	<p>The following equipment were procured under the TA: ASA 5510 appliance with SW, 5FE, 3 DES/AES (server), DELL PowereRdge R510 (firewall), Inverter Triplite, and internet connection. Total amount TJS42,308</p> <p>Update as of 24 Mar 2014: All equipment procured under the TA were turned over to the EA after completion in Dec 2013.</p>

Responsible Staff

Responsible ADB Officer	Van der Auwera, Michiel
Responsible ADB Department	Central and West Asia Department
Responsible ADB Division	Public Management, Financial Sector and Trade Division, CWRD
Executing Agencies	<i>Ministry of Finance MINFIN@TOJKISTON.COM 3, Academic Rajabovs Dushanbe Tajikistan</i>

Timetable

Concept Clearance	21 Jan 2011
Fact Finding	22 Sep 2010 to 01 Oct 2010

MRM	10 Feb 2011
Approval	12 Apr 2011
Last Review Mission	-
Last PDS Update	26 Sep 2014

Grant 0251-TAJ

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
12 Apr 2011	13 Apr 2011	26 Apr 2011	30 Apr 2013	31 Oct 2013	04 Sep 2014

Financing Plan			Grant Utilization			
	Total (Amount in US\$ million)		Date	ADB	Others	Net Percentage
Project Cost	45.00		Cumulative Contract Awards			
ADB	45.00		12 Apr 2011	45.00	0.00	100%
Counterpart	0.00		Cumulative Disbursements			
Cofinancing	0.00		12 Apr 2011	45.00	0.00	100%

Status of Covenants						
Category	Sector	Safeguards	Social	Financial	Economic	Others
Rating	-	-	-	Satisfactory	-	-

TA 7801-TAJ

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
12 Apr 2011	05 May 2011	05 May 2011	31 May 2013	15 Aug 2013	-

Financing Plan/TA Utilization						Cumulative Disbursements		
ADB	Cofinancing	Counterpart				Total	Date	Amount
		Gov	Beneficiaries	Project Sponsor	Others			
600,000.00	500,000.00	25,000.00	0.00	0.00	0.00	1,125,000.00	12 Apr 2011	1,094,406.28

Status of Covenants						
Category	Sector	Safeguards	Social	Financial	Economic	Others
Rating	-	-	-	Unsatisfactory	-	-

Project Page	https://www.adb.org/projects/44061-012/main
Request for Information	http://www.adb.org/forms/request-information-form?subject=44061-012
Date Generated	02 March 2017

ADB provides the information contained in this project data sheet (PDS) solely as a resource for its users without any form of assurance. Whilst ADB tries to provide high quality content, the information are provided "as is" without warranty of any kind, either express or implied, including without limitation warranties of merchantability, fitness for a particular purpose, and non-infringement. ADB specifically does not make any warranties or representations as to the accuracy or completeness of any such information.