TECHNICAL ASSISTANCE REPORT

REPUBLIC OF TAJIKISTAN

Public Investment Management Assessment with the Climate Module

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Abbreviations and Acronyms

ADB	Asian Development Bank
CoEP	Committee on Environmental Protection
C-PIMA	Climate Module of the Public Investment Management Assessment
CSIP	Committee for Selection of Investment Projects
FAD	Fiscal Affairs Department
GDP	Gross domestic product
GHG	Greenhouse gas
IMF	International Monetary Fund
MDA	Ministry, department, or agency
MoEDT	Ministry of Economic Development and Trade
MoF	Ministry of Finance
MTEF	Medium term expenditure framework
MTFF	Medium term fiscal framework
NDC	Nationally Determined Contribution
NDS	National Development Strategy
PIMA	Public Investment Management Assessment
PIP	Public Investment Program
PPP	Public private partnership
SCISPM	State Committee on Investment and State Property Management
SNG	Sub-national government
SOE	State owned enterprise
SSP	Shared Socioeconomic Pathway

Preface

At the request of the Ministry of Finance (MoF) of Tajikistan, a team from the IMF's Fiscal Affairs Department (FAD) undertook a Public Investment Management Assessment (PIMA) and Climate PIMA (C-PIMA) during the period November 30−December 13, 2023. The mission team was led by Bryn Battersby and comprised Ian Hawkesworth (FAD), Imran Aziz (CCAMTAC Regional Advisor), Anjum Israr (Asian Development Bank), Gregory Kisunko (World Bank), Thomas Ekeli, David Gentry and Joe Taylor (all FAD experts).

The mission met with the Senior Economic Adviser in the Office of the President, Mr. Amirjon Ubaidulloev, Deputy Minister of Finance Mr. Majidi Yusuf, and Deputy Ministers of State Investment and State property Management Committee, Mr. Khurshed Mirzo, Deputy Minister of Economic Development and Trade Mr. Ubaidulloev Ahliddin, First Deputy Chairman of Agency for financial control and Anti-Corruption, Mr. Safarzoda Suhrob, at the outset and close of the mission, who provided helpful guidance to the mission on the public investment management priorities in Tajikistan.

The mission conducted meetings with ministries, departments and agencies (MDAs) involved in public investment and climate change in Tajikistan. Within the MoF, the mission held meetings with the Macro Fiscal Department, Central Treasury Department, Budget Department and Department for State Owned Enterprise (SOE) Oversight and Fiscal Risk Management. Additionally, the mission met with the Ministry of Economic Development and Trade (MoEDT), the Ministry of Health and Social Protection, the Ministry of Transport and Communications, the Ministry of Energy, the State Committee on Investment and State Property Management (SCISPM), the Agency on Public Procurement of Goods, Works and Services, the Agency for State Financial Control and Combatting Against Corruption, the Committee on Environmental Protection (CoEP), the Asian Development Bank (ADB) and the World Bank. The mission team also met with the project management team at the Rogun Hydropower Plant as part of a project site visit and Development Partners at the close of the mission.

The mission team would like to thank the Tajikistan government for its cooperation and the participation of officials in constructive discussions during the mission and provide a special thanks to Nailya Menlasheva and Jami Chiniev (both IMF Local Economists) for coordinating all mission activities and requests. The mission is also grateful for the translation support provided by Saidmusayab Alyamov, Muhiddin Tojiev, and Janna Yunosova.

Executive Summary

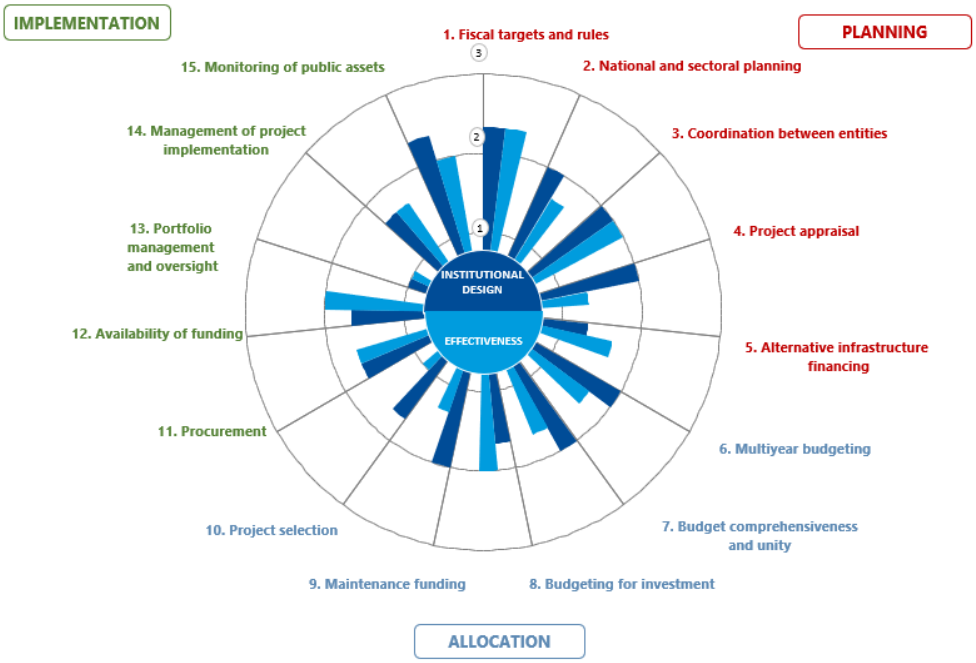
Tajikistan has emphasized infrastructure development as central in its sustainable growth and climate goals. Investments in public infrastructure in Tajikistan have surged since the mid-2000s, with public investment per capita notably higher than in regional counterparts and emerging markets. The Rogun Hydropower Plant, a key investment initiative, stands at the forefront of this investment surge. Started in the early 1970s and expected to be completed by 2035, this plant, upon completion, will be the largest hydropower station in Central Asia, significantly boosting the country's energy capacity.

Infrastructure quality in Tajikistan, despite some improvements, underscores ongoing challenges in key areas. Electricity supply and transport infrastructure, essential for economic connectivity, rank relatively low globally, reflecting the need for more robust solutions. Airport connectivity, crucial for a landlocked nation, remains a significant concern for economic development and international integration. Tajikistan's public investment efficiency gap (a measure of the potential quality and access to infrastructure given the existing level of capital stock per capita) is around 22 percent, indicating substantial room for enhancing infrastructure quality and accessibility, including through improved public investment management processes.

Tajikistan demonstrates a relatively solid institutional framework in some public investment management areas, but there are critical gaps in others. Institutional design in the areas of fiscal targets, multi-year budgeting, maintenance funding, and monitoring of public assets is relatively strong. However, there are also important gaps. In comparison to country peers and emerging market economies, Tajikistan shows relative weakness in the areas of alternative infrastructure financing and especially portfolio management and oversight. Tajikistan's parallel processes for externally and internally funded projects, lack of comprehensive monitoring, and the absence of systematic data on project delays and cost overruns exemplify these weaknesses. These areas suffer due to limited regulatory frameworks, inconsistent application of existing policies, and challenges in coordinating various government entities and investment plans.

There are substantial gaps between the intended design of some parts of the public investment management framework and their ultimate effectiveness (Figure 1 and Table 1). The effectiveness of project appraisal, maintenance funding, and project selection significantly lags the intentions laid out in their design. This disparity is due to the lack of rigorous implementation of appraisal processes, particularly for internally funded projects, and insufficiently detailed and operational project selection criteria. Additionally, maintenance funding suffers from inadequate identification and allocation of necessary resources.

Figure 1. Tajikistan PIMA: Institutional Design and Effectiveness



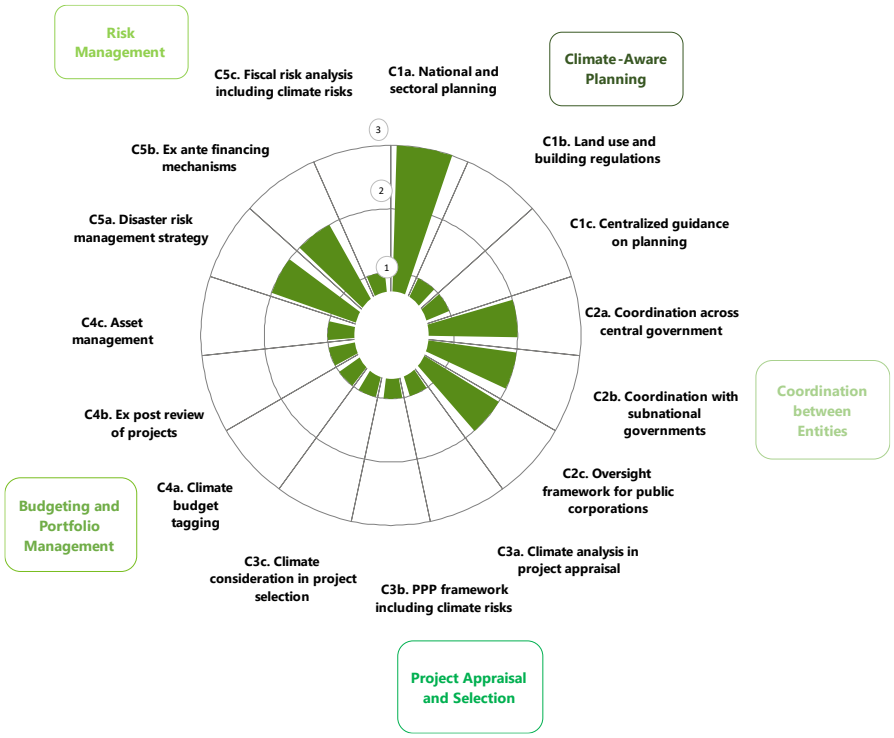
Source: IMF Staff calculations
Note: The further away from the center, the higher the assessment ratings. Annex 4 contains the detailed dimension scores for the assessment.

Parallel external and internally financed processes present recurring challenges across Tajikistan's public investment management framework. National and sectoral planning are disjointed, with no comprehensive framework encompassing both internally and externally funded projects. In project appraisal and selection, a clear divide exists between processes for internally and externally funded projects, leading to inconsistent appraisal standards and a lack of strategic alignment. These challenges extend to the monitoring of the portfolio of projects, where portfolio oversight exists only for development partner projects, and there are no formal mechanisms for the oversight and review of internally funded projects.

Tajikistan, with its glacier-fed rivers and reliance on hydropower, is especially susceptible to climate change, highlighting the critical need for a robust climate-sensitive approach in its public investment management. The country has a comprehensive Nationally Determined Contribution Implementation Plan, which outlines a series of actions aimed at climate adaptation and mitigation. Despite these efforts, there remains a substantial gap between the aspirations of the climate commitments and the processes and systems of the public investment management framework (Figure 2 and Table 2). Gaps remain in integrating these climate commitments within national and sectoral public investment strategies, plans, and processes. Current legislation on spatial and urban planning and construction does not adequately address climate-related risks, underscoring the necessity for legislative updates to incorporate climate mitigation and adaptation measures. Furthermore, Tajikistan's approach to climate change in the context of public investment lacks centralized, technical guidance, hindering the preparation and costing of climate-aware public investment plans. These deficiencies point to the need for

an enhanced, cohesive framework that not only acknowledges the country's unique environmental challenges but also embeds climate considerations thoroughly within its public investment management processes.

Figure 2. Tajikistan C-PIMA: Institutional Design



Source: IMF Staff calculations
Note: The further away from the center, the higher the assessment ratings. Annex 5 provides these scores as a heatmap.

Tajikistan's public investment management framework would benefit from a targeted effort to weave processes for internally and externally funded projects together. Externally and internally funded projects should be brought together into a single, cohesive pipeline. Appraisal regulations should be clarified and enforced, and climate change aspects should be incorporated in both the requirements for appraisal and the criteria for selection. Implementing a comprehensive framework for portfolio oversight and management that encompasses all investment projects, irrespective of their funding source, would also be especially beneficial. A fiscal risk statement that covers all contingent liabilities, including climate-related risks, would enable more informed decision-making and risk management. Capacity and staffing gaps, including in the climate change area, will need to be addressed. These and other recommendations outlined in the next section, coupled with the action plan (Annex 1), would help to streamline Tajikistan’s public investment processes, enhancing both strategic alignment (including with climate objectives) and operational efficiency.

Table 1. PIMA Summary Assessment for Tajikistan

Phase/Institution			Institutional Strength	Effectiveness	Reform priority
A. Planning	1	Fiscal targets and rules	MEDIUM. Fiscal targets and rules covering most of the budget exist, but do not distinguish new and ongoing projects.	MEDIUM. Fiscal balances and budget allocations have deviated somewhat from fiscal rules and MTFF forecasts.	Low
	2	National and sectoral planning	MEDIUM. Plans guiding national and major sector decisions exist but, at project level, cover only externally funded projects.	MEDIUM. Plans exist and are regularly updated but are not prepared with financial constraints and not costed accurately.	High
	3	Coordination between entities	MEDIUM. SNGs discuss their projects with central government. Financial transfers to SNGs are not rule-based.	MEDIUM. Financial transfers to SNGs are unpredictable, and there are gaps in reporting of contingent liabilities.	Low
	4	Project appraisal	MEDIUM. Appraisal requires rigorous assessments and risk assessment but no risk mitigation.	LOW. Rigorous appraisal is conducted of externally financed projects but not internally financed projects.	High
	5	Alternative infrastructure financing	LOW. The legal framework does not support private investment in most infrastructure markets, or coordination with SOEs or PPPs.	MEDIUM. Private investment is occurring in some sectors. Informal coordination with SOE investment plans is effective.	Medium
B. Allocation	6	Multi-year budgeting	MEDIUM. Medium-term indicative capital spending ceilings are issued but individual project costs are not published.	MEDIUM. Approved capital budgets resemble the previously published ceilings but changes in project costs are not explained.	Low
	7	Budget comprehensive-ness and unity	MEDIUM. No extra-budgetary entities. The budget includes externally financed projects but not PPPs or SOE projects.	MEDIUM. Legal requirements are adhered to. SOE quasi-fiscal activities remove public interest spending from the budget.	Low
	8	Budgeting for investment	MEDIUM. Project funding is generally protected, but total project costs are not published.	MEDIUM. Ongoing projects are prioritized over new ones, but the public investment plan is not aligned with the MTEF.	Medium
	9	Maintenance funding	MEDIUM. Standard methodologies exist for roads but not buildings. Some maintenance spending can be identified in the budget.	LOW. Funding for routine maintenance and major improvements is low compared to need.	High
	10	Project selection	MEDIUM. Central review is required using published selection criteria but is applied only to externally financed projects.	LOW. Externally financed projects are selected from the PIP, internally financed projects and PPPs are not.	High
C. Implementation	11	Procurement	MEDIUM. Procurement law supports competition. A procurement database exists but there is no active independent complaints review.	MEDIUM. Processes are mostly open and competitive. Most internally financed projects are entered into the database.	Low
	12	Availability of funding	MEDIUM. Cash forecasting supports good planning for funding availability, but only for internally financed projects.	MEDIUM. Cash flow projections align closely with actual spending. Little evidence of cash rationing and levels of arrears are low.	Low
	13	Portfolio management and oversight	LOW. Inadequate regulatory framework for systematic monitoring of projects. Absence of guidelines for funds reallocation and ex-post review requirements.	LOW. Ineffective portfolio oversight due to lack of data, unproven reallocation benefits, and no ex-post reviews for major projects.	High
	14	Management of project implementation	MEDIUM. Clear project management responsibilities exist for externally financed projects but are lacking for internally financed ones.	MEDIUM. Major externally financed projects have implementation plans but lack adjustment data. No evidence for use of audit reports for systemic improvements.	Medium
	15	Monitoring of public assets	MEDIUM. A legally required asset register is not easily accessible. Depreciated non-financial assets are not regularly revalued.	MEDIUM. The information in the asset register is incomplete. Revaluation procedures are not enforced.	Medium

Table 2. C-PIMA Summary Assessment for Tajikistan

Phase/Institution			Institutional Strength	Reform priority
PIMA Climate Change	C1	Climate-aware planning	MEDIUM. NDC Implementation Plan is in place, but climate is not integrated into spatial and urban planning and construction regulations or public investment guidance.	Medium
	C2	Coordination between entities	MEDIUM. Decision-making on public investment is coordinated from a climate change perspective, but guidance for SNGs and integration of SOEs is limited.	Low
	C3	Project appraisal and selection	LOW. Climate change is not included in the appraisal process or in selection criteria. Exposure of PPPs to climate change is not an element in PPP regulation.	High
	C4	Budgeting and portfolio management	LOW. Budget documents do not identify climate-related investment expenditures. Ex-post audits and asset management policies inadequately reference climate.	High
	C5	Risk management	MEDIUM. Disaster risk strategy provides qualitative analysis of climate risks, and contingencies exist, but the statement of fiscal risks does not address climate.	Medium

Recommendations

Investment Planning		
1	Distinguish between new and ongoing capital projects in the MTFF and include an analysis of fiscal space available for new projects in the medium term in budget documents.	Medium
2	The PIP should include all projects funded from all financing sources, including external, internal, and PPP sources, and become the central repository for all proposed and ongoing projects in Tajikistan.	**High**
3	The appraisal process should be updated to ensure that all projects, irrespective of financing – external, internal, and PPP – are appraised and prioritized according to the strategic policies and needs of the country and project quality.	**High**
4	Expand the scope of the Statement of Fiscal Risks from large SOEs to include measurement and analysis of fiscal risks posed by PPPs.	Medium
Investment Allocation		
5	Identify and explain changes in costs for public investment projects in medium-term budget documents. This should include changes in capital investment costs in aggregate projections, by sector ceilings and on a project level for major projects.	Medium
6	Resolution 161 governing selection should be updated and accompanied by more precise methodology and guidance, including on how to score, rank and prioritize projects and the role of CSIP in project selection should be strengthened.	**High**
7	Provide as supplements to budget documents analysis of maintenance needs (using approximations) and summarize budget spending for routine maintenance and major improvements.	Medium
Investment Implementation		
8	Establish an overarching framework for portfolio oversight and management that encompasses all investment projects, regardless of funding source.	**High**
9	Establish an ex-post evaluation process and require these evaluations for all large projects.	Medium
10	Expand the functionality of the SCISPM asset register by classifying assets for analytical purposes and allowing entities outside of the SCISPM to access and register data.	Medium
Climate-Sensitive Public Investment Management		
11	Legislation should be updated to incorporate climate mitigation and adaptation measures across spatial and urban planning and construction.	Medium

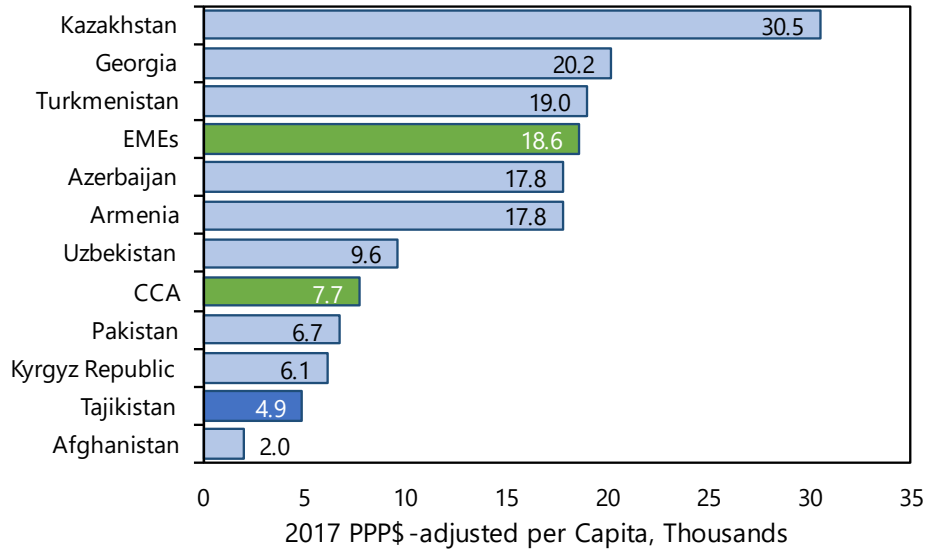
12	Update the regulatory framework governing the appraisal and selection process to include climate mitigation and adaptation criteria for use when appraising and selecting projects. PPP and concession regulations should also be updated to take climate-related risks into account. This should accompany changes proposed under Recommendation 3 in the PIMA.	**High**
13	Report climate-related investment expenditure in an annual climate budget statement that accompanies the detailed budget documentation. Ensure these are followed up as part of the ex-post review process (see Recommendation 9 of the PIMA).	Medium
14	Expand the Statement of Fiscal Risks to include long-term fiscal risk analysis under different climate scenarios and assess the exposure of infrastructure, SOEs, and PPPs to changing climatic conditions (such as accelerated glacial melting) and policy transition risks.	Medium
Cross-Cutting Issues		
14	Take stock of the skills, guidance, and capacity gaps across government ministries and agencies and sub-national government and develop a capacity-building action plan. Develop guidelines and provide technical support for ministries and agencies on climate in sectoral planning and in the preparation and costing of climate-related public investment strategies.	Medium

I. Public Investment in Tajikistan

A. Public Investment, Capital Stock and Fiscal Policy

1. Tajikistan is a lower-middle-income, landlocked country in Central Asia. It has one of the lowest gross domestic products (GDPs) per capita in the region (Figure 3), significantly below the average for emerging market economies and other Central Asian and Caucasus states. The fiscal deficit was 1.4 percent of GDP in 2022, within the committed limit of 2.5 percent of GDP to ensure a downward trajectory of public debt, which was projected to be around 36 percent of GDP in 2022. Despite challenges in infrastructure and investment, Tajikistan has shown potential for growth in sectors such as hydropower, mining, and textiles, which could attract private sector investment and diversify its economic base.

Figure 3. GDP per capita in Tajikistan and Comparable Countries
(2017 Purchasing Power Parity dollar adjusted, thousands)

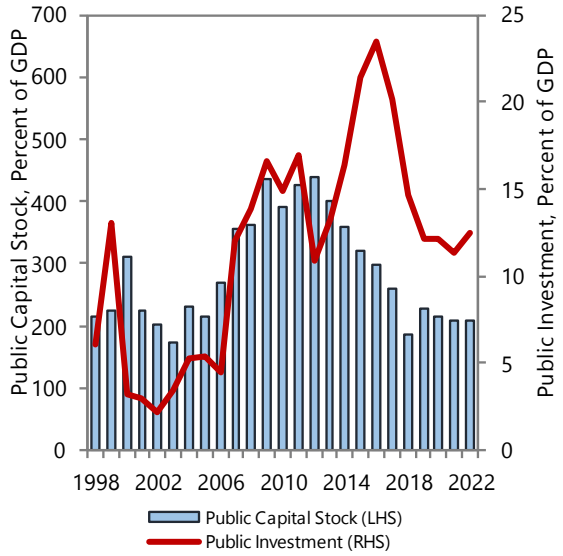


Source: IMF World Economic Outlook database, October 2023.
Note: CCA is the average for Caucasus and Central Asian countries. EMEs is the average for emerging market economies.

2. Tajikistan's Vision 2030 emphasizes infrastructure development as essential for sustainable growth and achieving climate goals, notably via the Rogun Hydropower project. To address key development challenges, Tajikistan has committed to 17 of the United Nations' Sustainable Development Goals and adopted the National Development Strategy (NDS) 2030 in 2016 as a strategic action plan. NDS-2030 prioritizes energy security, improving electricity efficiency, enhancing transportation links, food security, nutrition quality, and expanding productive employment. Leveraging its hydropower and coal resources, Tajikistan seeks to spur industrial and agricultural growth, enhancing living standards through strategic fuel and energy resource development. The focus on diversifying energy production, including hydroelectric power facilities, is a strategic component of Tajikistan's energy policy.

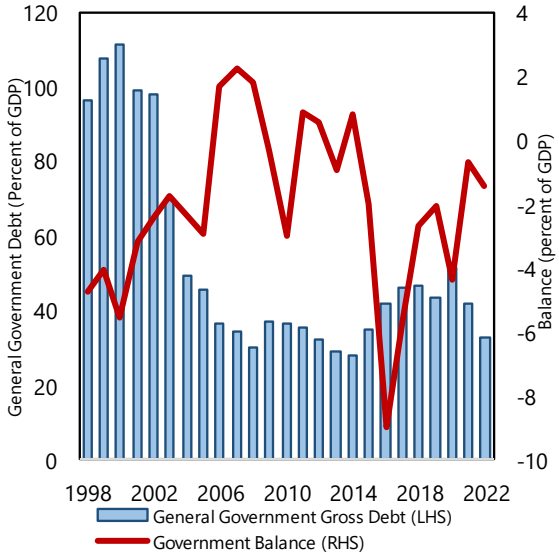
3. Public investment grew sharply in the 2010s, driven by investment in the Rogun Hydropower project (Figure 4). This followed a period of fiscal consolidation in the 2000s and assistance through the Multilateral Debt Relief Initiative that saw debt-to-GDP drop to below 50 percent by the middle of that decade (Figure 5). Despite the strong investment though the 2010s and into the 2020s, the capital stock continued to decline, reflecting both the disproportionate allocation of resources to the Rogun Hydropower project at the expense of broader capital maintenance and development and the lag between the investment in the dam and its eventual anticipated completion in 2035. It's worth noting that much of this investment expenditure will begin to yield significant economic and social benefits when the asset is completed.

Figure 4. Public Investment and Capital Stock
(Percent of GDP)



Source: IMF-FAD infrastructure governance database.

Figure 5. Fiscal Deficit and Debt
(Percent of GDP)



Source: IMF World Economic Outlook database.

4. Investment in Tajikistan, particularly in the public sector, has seen a notable increase since the mid-2000s. Public investment has been higher than in other countries in the region and in emerging market economies (Figure 8), though this reflects the significant expenditure on the Rogun Hydropower project. The project's spending was especially high between 2014 and 2017, with the largest allocation reaching 8.6 percent of GDP in 2017 (Box 1). The state budget's share during this period highlights the project's significant contribution to overall investment. Private investment has remained a smaller portion, with a focus on sectors including retail, real estate, and small manufacturing (Figure 9).

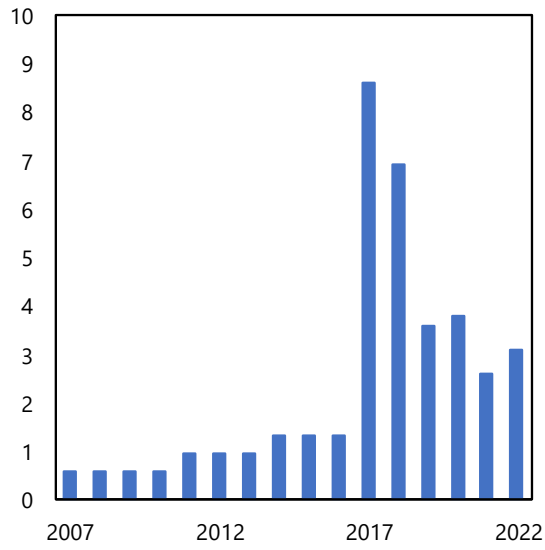
Box 1. The Rogun Hydropower Plant

The Rogun Hydropower Plant has been and continues to be the country's investment priority. The project was originally started in the early 1970s when Tajikistan was part of the Soviet Union. Over three decades, only preliminary construction was carried out on the dam. Rogun is a 3.6GW hydroelectric power facility under construction on the Vakhsh River in Tajikistan (Figure 7). It is approximately 70km upstream of the Nurek hydroelectric power station, which has been operational since 1980. The dam site is located at a distance of approximately 6.5km from Rogun town and approximately 110km away from Dushanbe, the capital city of Tajikistan.

Upon completion, it is expected to be the biggest hydropower station in Central Asia, with the world's tallest embankment dam reaching a height of 335 meters. The electricity production when the plant comes online will not only cover domestic demand but will also permit increased electricity exports to Afghanistan and Pakistan and possibly northward exports to Kyrgyzstan and Kazakhstan.

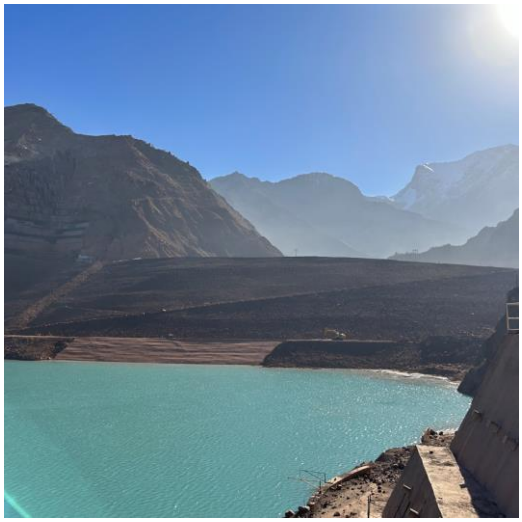
Since 2007, the Government has invested around US$3.5 billion (40 percent of 2021 GDP) (Figure 6) in the construction. The remaining cost to complete the project is currently estimated at between US$4.0 billion and US$6.0 billion. Most of the funding for the project has been provided through the state budget. Financing has also been obtained through bond issuance by the Rogun Joint Stock Company. These issuances included a domestic SM 900 million (US$80 million) bond offering in 2010 and a US$500 million sovereign Eurobond in 2017. The national state pension fund also acquired an SM 900 million bond issued by Rogun Joint Stock Company in 2021.

Figure 6. Capital Investment in Rogun
(Percent of GDP)



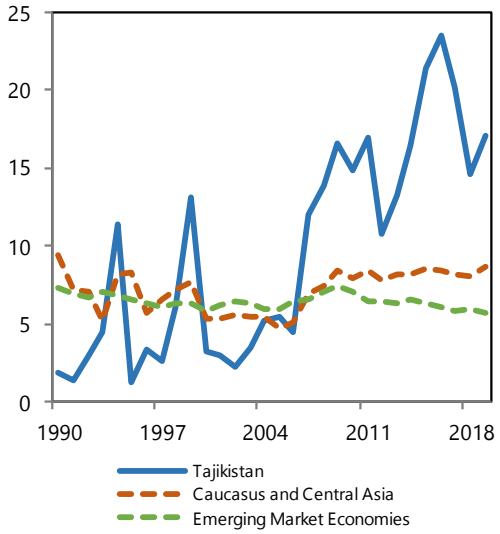
Source: IMF Staff estimates

Figure 7. Capital Works at Rogun Site



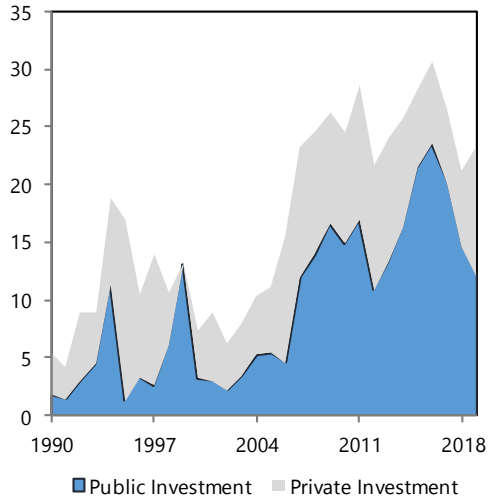
Source: IMF Mission

Figure 8. Comparison of Public Investment
(Percent of GDP)



Source: IMF World Economic Outlook database.

Figure 9. Composition of Total Investment
(Percent of GDP)

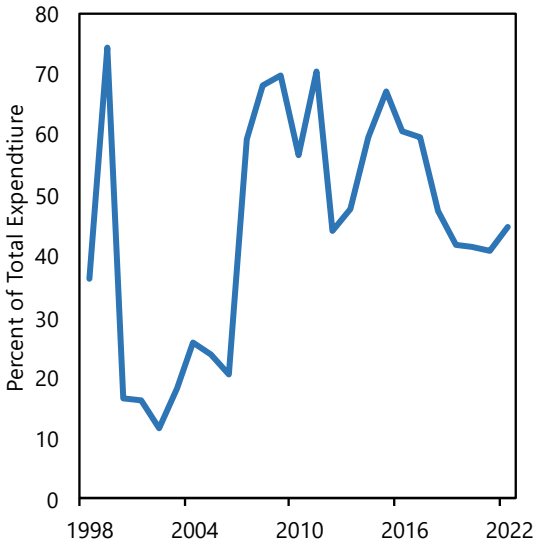


Source: IMF World Economic Outlook database.

5. Capital spending as a share of public expenditure is exceptionally high in Tajikistan. Over the past 20 years, this spending has consistently represented more than half of total public expenditure. (Figure 10). Capital spending as a percent of GDP was among the highest in the world over the period from 2014 to 2019, while the ratio of capital to current expenditure reached 150 percent in 2019 (Figure 11). This ratio of capital to current spending was the highest in the region and one of the highest globally (Figures 12). This public investment profile reflects the dominance of Rogun as a project (Box 1), presenting both an opportunity and a risk for the efficient creation of a key piece of infrastructure for the country and region.

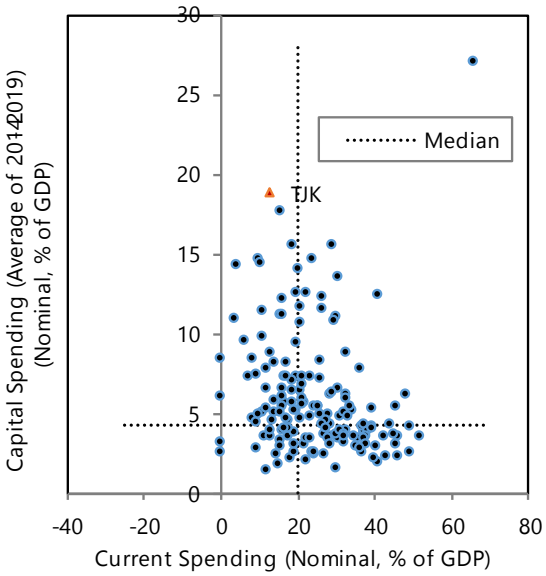
6. This disproportionate emphasis on capital expenditure has not yet been matched by a corresponding increase in the public capital stock per capita, which remains comparatively low (Figure 13). The government faces the challenging task of ensuring that these high levels of capital spending translate into effective infrastructure and economic growth and do not simply become a recurrent fiscal burden through rising maintenance and operational costs. The challenge for Tajikistan lies in aligning its ambitious and targeted investment strategy with the efficient creation and maintenance of the capital stock, to avoid overextending its fiscal capacity. This intense capital expenditure program and the risks associated with it highlight the relevance of this PIMA's findings and recommendations, which are aimed at enhancing the value derived from these and future public investments.

Figure 10. Public Investment Share of Public Expenditure (Percent)



Source: IMF World Economic Outlook.

Figure 11. Current Spending vs. Capital Spending

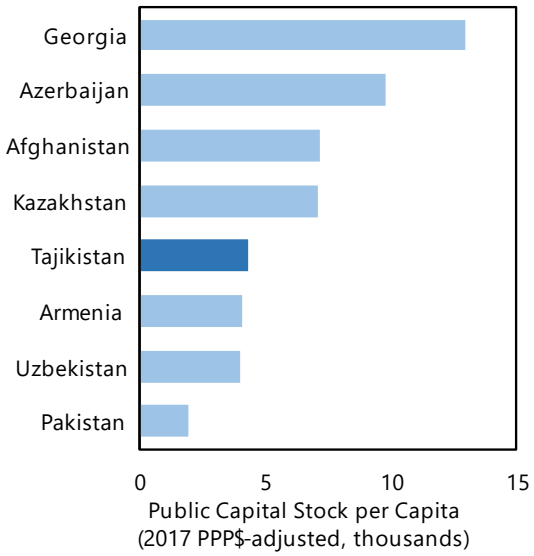


Source: IMF FAD infrastructure governance database.
Note: Capital spending is average from 2014 to 2019, and current spending is 2019.

Figure 12. 2019 Capital Spending to Current Spending (Percent)

Source: IMF FAD infrastructure governance database and IMF Staff estimates.

Figure 13. Public Capital Stock Per Capita (2019, thousands)



Source: IMF FAD infrastructure governance database and IMF Staff estimates.

B. Composition and Financing of Public Investment

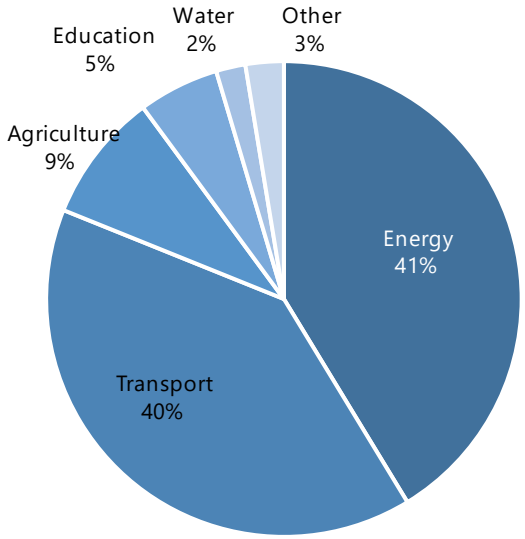
7. Tajikistan's development strategy relies on large infrastructure projects, dominated by the energy and transportation sectors (Figure 14). The Rogun Hydropower Plant is a cornerstone project in the energy portfolio, expected to be completed by 2035. It promises to be a transformative element in Tajikistan's electricity system and has the potential to contribute to the decarbonization of Central Asia's electricity systems. Concurrently, the Turkmenistan-China gas pipeline and the Tajik Aluminum Company's plant modernization are also underway, as are several energy and hydropower projects, including the regional power project, Central Asia-South Asia 1000. In line with the NDS-2030, there is a strategic emphasis on enhancing connectivity infrastructure at domestic and regional levels. The 2024 Budget also highlights significant upcoming investments in the Obigarm highway and more general road network stabilization, which are consistent with the agenda outlined in the NDS-2030.

8. Public investment in Tajikistan relies heavily on multilateral and bilateral loans and grants. Usually around 60 to 70 percent of public investment in Tajikistan is undertaken through the Public Investment Program (PIP) (Figure 15). The PIP is currently a framework designed to mobilize external financial resources for state investment projects. The program covers externally and directly (off-budget) funded investments in state institutions, departments, and corporate structures in various sectors like energy, agriculture, healthcare, and education. Most of these PIP projects are funded by the ADB and the World Bank, and by bilateral partners (Figure 16). The remaining 30 to 40 percent of public investment is undertaken through the budget and is linked to the State Borrowing Plan. This includes the government's investment in the Rogun Hydropower project. The program includes 48 loan agreements, with a total disbursed loan cost of US$622.5 million as of January 1, 2023.

9. After a short but intense investment in public-private partnerships (PPPs) from 2005 to 2011, Tajikistan has not been pursuing a large PPP program, leaving it with a modest stock of PPPs (Figure 17). Five PPP projects were launched over the period between 2005 to 2011. By 2023, the PPP portfolio consisted of nine projects with a total value of around US$33.8 million (0.3 percent of GDP). Five of these projects are in the health and social sector, while the largest project in the energy sector is the construction of transmission lines in Danghara.[1]

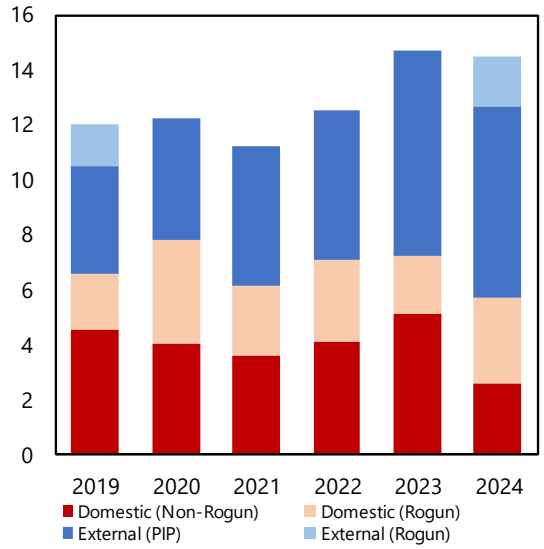
[1] World Bank, Tajikistan Infrastructure Governance Assessment, December 2023.

Error! Bookmark not defined.**Figure 14. Public Investment by Sector, 2021** (Share of total)



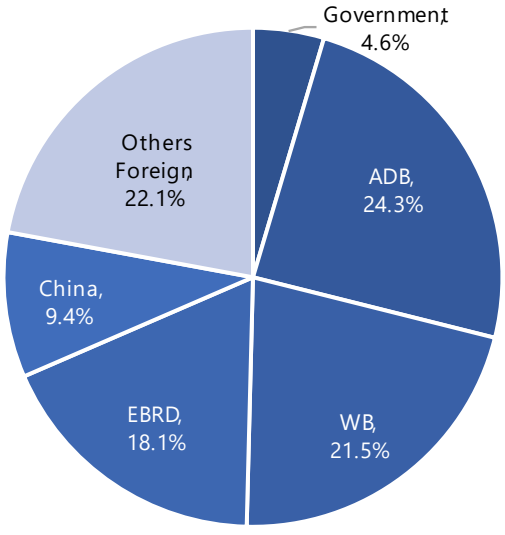
Source: Republic of Tajikistan and Staff Estimates

Figure 15. Capital Expenditure by Funding Source (Percent of GDP)



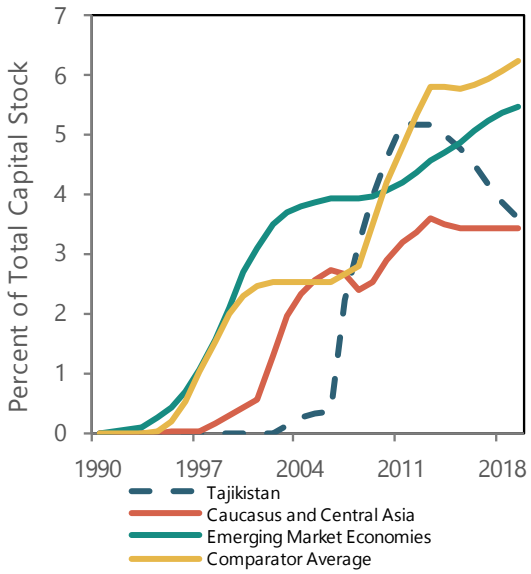
Source: IMF Article IV, 2022, Republic of Tajikistan, and Staff estimates.
Note: 2024 are budgeted figures.

Figure 16. Main Sources of Financing for the PIP (2021)



Source: Republic of Tajikistan and Staff Estimates

Figure 17. PPP Stock as a Percent of Capital Stock



Source: IMF FAD infrastructure governance database and Staff estimates. Comparators are Kyrgyz Republic, Uzbekistan, Georgia, Armenia, Pakistan, and Afghanistan.

II. The Efficiency of Public Investment

10. The PIMA efficiency assessment is based on a comparison of capital stock per capita to the outputs and outcomes of this capital stock.[2] The results for different countries are plotted, and the countries that achieve the highest scores on infrastructure access and quality perception define the efficiency frontier. Other countries are compared with this efficiency frontier to determine the efficiency gap for each country. This gap reflects how much higher the results of capital investment could be for a given level of capital stock.

11. Tajikistan's infrastructure access varies markedly across sectors (Figure 18). The country provides 8.2 secondary teachers per 1,000 people, which is above the average for economies at a similar level of development but does not meet the higher provision rates seen in the broader Caucasus and Central Asian regions. Electricity access is universal; however, the production rate of 2kWh per 1,000 people is critically low, indicating substantial limitations in energy availability and issues with uninterrupted supply. The health sector's capacity has decreased, with the availability of hospital beds per 1,000 people dropping from 8.9 to 4.7, yet it remains above the average in comparator countries and the Caucasus and Central Asia more generally. While access to clean water has improved, with 82 percent of the population now having access to basic drinking water, this is still below the comparator and regional averages. In 2019, 21 percent of the rural population relied on surface water as their main drinking water source.

12. Tajikistan's infrastructure advancements are evident, yet critical areas demand further attention. The perception of infrastructure quality in Tajikistan has been improving since 2006, reflecting some positive changes (Figure 19). However, actual rankings in vital infrastructure categories emphasize ongoing challenges. The country's electricity supply, while universal, is ranked 107th in quality, indicating the need for more reliable and robust energy solutions. Transport infrastructure is positioned at 111th, suggesting room for significant enhancements in road and rail systems for better economic connectivity. Particularly crucial is the airport connectivity, where Tajikistan ranks 121st. Given the nation's landlocked and mountainous terrain, efficient and reliable airports are not just advantageous but essential for linking Tajikistan to global markets and for fostering economic development.[3] The 2023 World Bank Logistics Performance Index ranked Tajikistan 97 of 139 surveyed countries overall and 80th on trade and transport-related infrastructure. This connectivity is also vital for attracting investment and tourism, which could be pivotal for economic diversification and resilience.

13. The public investment efficiency gap in Tajikistan is around 22 percent (Figures 20 and 21), suggesting there is significant scope to improve the quality and accessibility of infrastructure. The efficiency gap[4] is a measure of the potential quality and access to infrastructure given the existing level of capital stock per capita, drawing on international comparisons and evidence.

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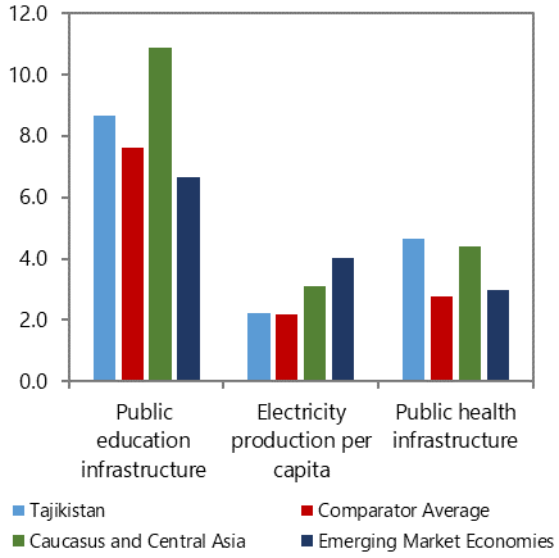
[2] https://www.elibrary.imf.org/display/book/9781513571829/CH002.xml#CH002fn04

[3] The World Bank's 2023 Tajikistan Infrastructure Governance Assessment presents detailed analysis of the criticality of aviation infrastructure in Tajikistan, and the gaps that persist in this area.

[4] See the 2015 IMF Staff Report "Making Public Investment More Efficient" for an outline of the methodology for estimating investment efficiency.

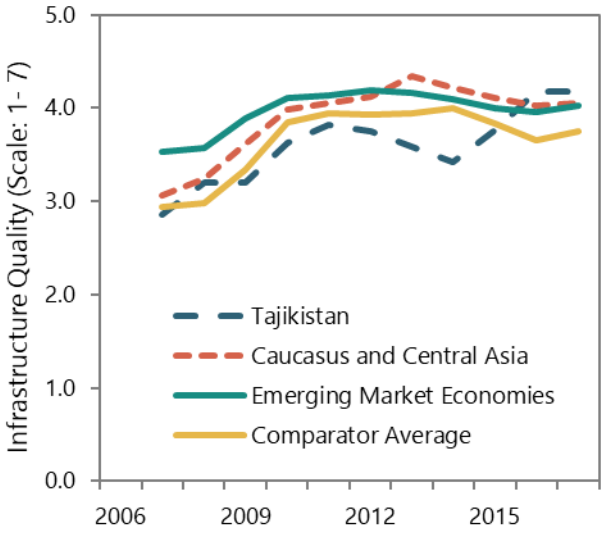
Figure 18. Measures of Physical Access to Infrastructure



Source: World Bank and IMF staff estimates.

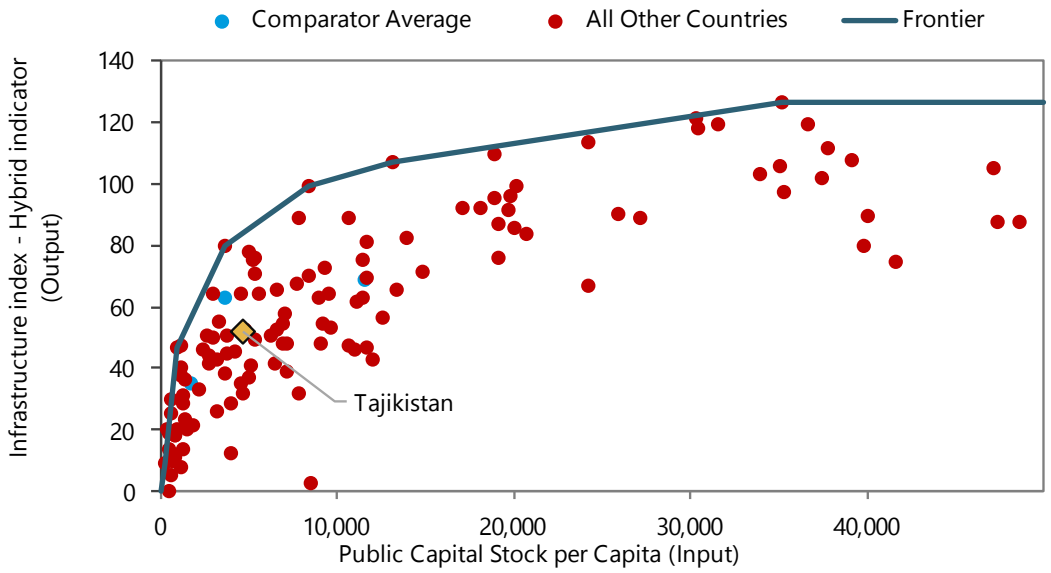
Note: Units vary to fit scale. Public education infrastructure is measured as secondary teachers per 1,000 persons; kWh per 1000 people; and public health infrastructure as hospital beds per 1,000 persons.

Figure 19. Perceived Infrastructure Quality



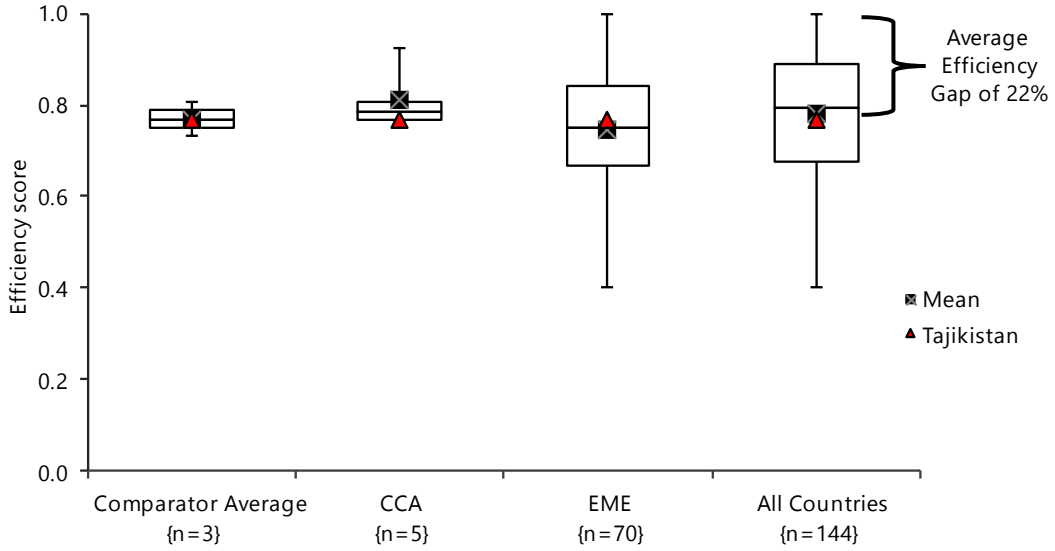
Source: World Economic Forum and staff estimates. The World Economic Forum surveys business leaders' impressions of the quality of key infrastructure services.
Note: Comparators are Kyrgyz Republic, Uzbekistan, Georgia, Armenia, Pakistan, and Afghanistan.

Figure 20. Public Investment Efficiency
(Frontier, Hybrid Indicator)



Source: IMF Staff Estimates.
Note: The hybrid indicator combines the physical and survey-based indicators into a synthetic index of the coverage and quality.

Figure 21. Public Investment Efficiency
(Benchmark based on Quality of Infrastructure Indicator)



Source: IMF Staff Estimates.
Note: CCA is Caucasus and Central Asia, EME is emerging market economies. Comparators are Kyrgyz Republic, Uzbekistan, Georgia, Armenia, Pakistan, and Afghanistan.

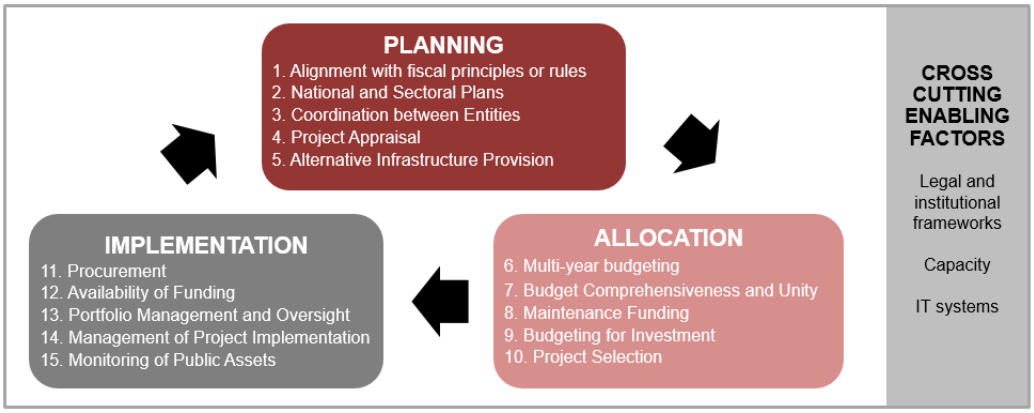
III. Public Investment Management Assessment

A. The PIMA Framework

14. The IMF has developed the Public Investment Management Assessment (PIMA) framework to assess the quality of the public investment management of a country. It identifies the strengths and weaknesses of institutions and is accompanied by practical recommendations to strengthen them and increase the efficiency of public investment. The PIMA uses the term 'institutions' to refer to the framework, rules and regulations, processes and practices that underpin the public investment management framework for a country.

15. The tool evaluates 15 "institutions" involved in the three major stages of the public investment cycle (Figure 22). These are: (i) planning of investment levels for all public-sector entities to ensure sustainable levels of public investment; (ii) allocation of investments to appropriate sectors and projects, and (iii) delivering productive and durable public assets.

Figure 22. PIMA Framework



Source: Public Investment Management Assessment Handbook.

16. For each of these 15 institutions, three indicators are analyzed and scored according to a scale that determines whether the criterion is met in full, in part, or not met (see Annex 2 for the PIMA Questionnaire). Each dimension is scored on three aspects: institutional design, effectiveness, and reform priority:

- *Institutional design* refers to the objective facts indicating that appropriate organizations, policies, rules, and procedures are in place. The average score of the institutional design of three dimensions provides the score for the institution, which may be high, medium, or low.
- *Effectiveness* refers to the degree to which the intended purpose is being achieved or there is a clear useful impact. The average score of the effectiveness of the three dimensions provides the effectiveness score for the institution, which may be high, medium, or low.
- *Reform priority* refers to whether the issues contained within the institution are important to be improved in the specific conditions faced by Tajikistan.

The following sections provide a detailed assessment of Tajikistan according to this methodology.

B. Overall Assessment

17. Similar to many countries, institutional design in Tajikistan tends to be stronger than effectiveness, though there are exceptions. Notably, the effectiveness in areas such as project appraisal, project selection, and maintenance funding falls short of their intended design objectives. This shortfall primarily stems from ineffective implementation of appraisal processes, especially for projects funded internally, and the lack of comprehensive and functional criteria for project selection. Maintenance funding is impacted by the ineffective allocation and identification of essential resources. In contrast, areas like alternative infrastructure financing, budgeting for investment, and the availability of funding demonstrate cases where the effectiveness of the processes outperforms their initial design, partly as a result of pragmatic adaptation and resource management in these sectors.

18. Tajikistan compares well to other countries in the Caucasus and Central Asia and even emerging market economies more generally on some measures but lags on others (Figures 23 and 24). Tajikistan performs relatively well in the institutional design of fiscal targets and rules, project appraisal, maintenance funding, and the monitoring of public assets. The effectiveness of fiscal targets and rules and the monitoring of public assets is also relatively strong. However, there are also notable gaps compared to the region and emerging market economies, particularly in the institutional design for alternative infrastructure financing, and especially portfolio management and oversight, where effectiveness is also very weak. Effectiveness is also relatively weak in project appraisal and project selection.

19. The following sections provide a detailed assessment of Tajikistan's public investment institutions and recommendations to address challenges and issues identified during the evaluation. The assessment finds that Tajikistan performs strongest in setting fiscal rules and targets. However, the assessment also identifies a chain of weaknesses from the planning stage, through to the appraisal and selection of projects, and ultimately the monitoring of the portfolio of projects. This chain of weakness highlights the thread of challenges that exist from project conception through to project implementation, largely as a result of dual processes for externally and internally funded projects. The assessment's key recommendations are that these challenges could be overcome by better weaving together these processes to ensure limited fiscal and economic resources are allocated to the highest priority projects in the country and closely monitored and evaluated when completed.

Figure 23. Design of Public Investment Management Institutions

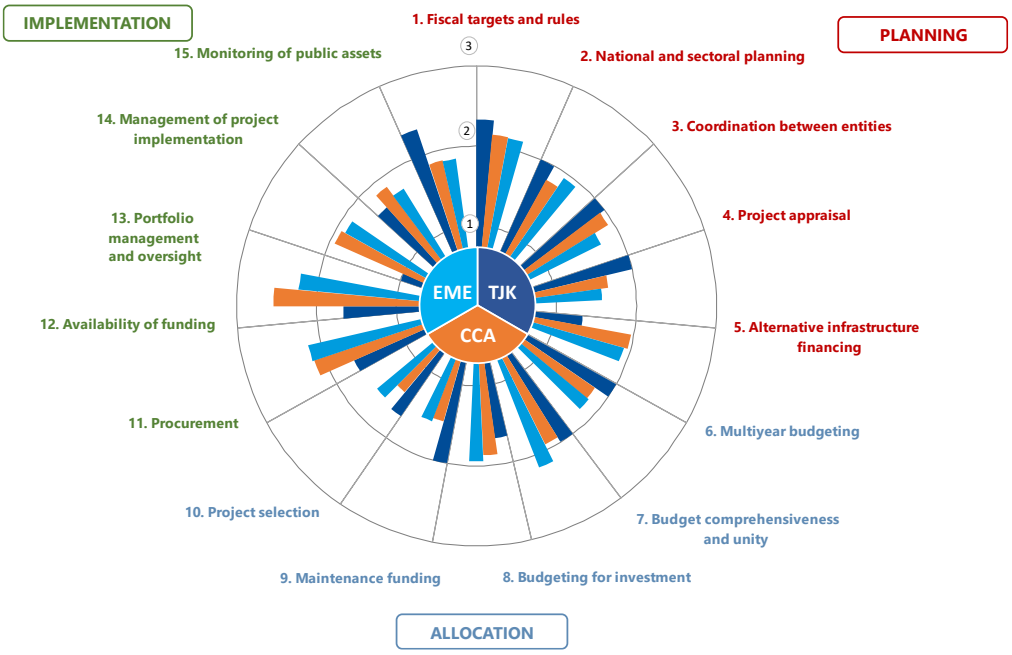
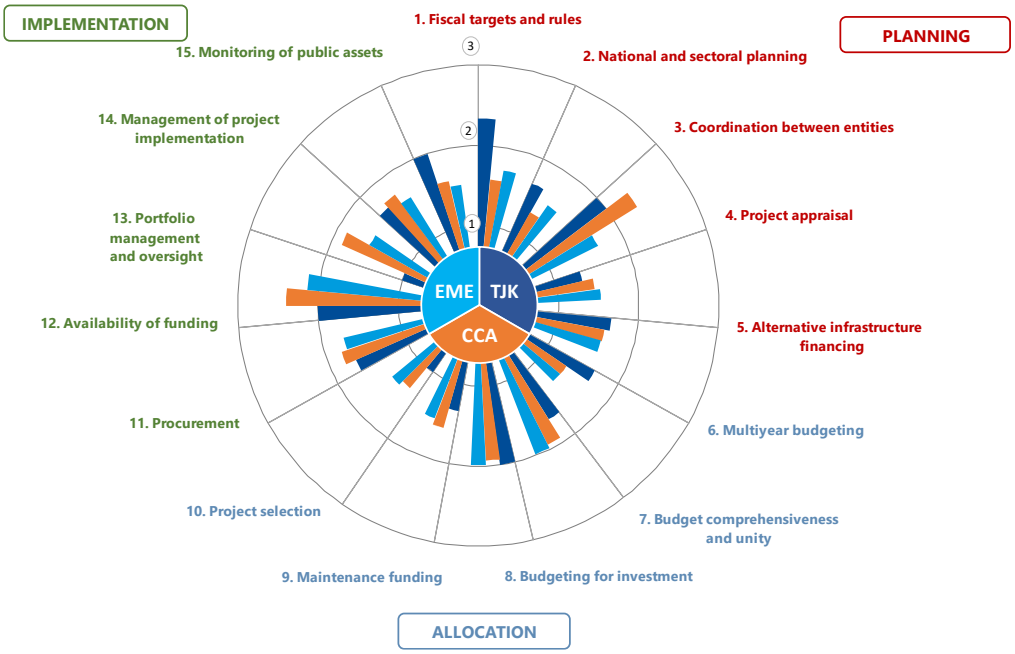


Figure 24. Effectiveness of Public Investment Management Institutions



Source: IMF staff calculations
Note: CCA is Caucasus and Central Asian countries, and EME is Emerging Market Economies.

C. Investment Planning

1. Fiscal Targets and Rules (Strength: Medium; Effectiveness: Medium; Reform Priority: Low)

20. Clear objectives to guide fiscal policy help ensure fiscal sustainability and align planning, budgeting, and funding for public investment. Fiscal rules enable governments to protect public investment spending from the economic cycle and promote fiscal sustainability. Furthermore, fiscal rules can facilitate the adoption of a medium-term fiscal framework (MTFF), which sets multiyear targets for the leading fiscal indicators by incorporating the past budget outcomes and costing of new measures. A credible MTFF will promote a more strategic approach to the budget process and support medium-term planning for public investment.

21. Tajikistan has some rules in place aimed at safeguarding fiscal sustainability and supporting public investment. The Public Finance Management Strategy until 2030, which was approved by Presidential Decree in 2020, outlines key reform areas to support the achievement of the goals outlined in the NDS-2030. In the Public Finance Management Strategy overview of performance indicators, it is stated that total state and state guaranteed debt is not to exceed 60 percent of GDP and that the deficit of the state budget is not to exceed 1 percent of GDP.[5] The authorities have since emphasized their commitment to a medium-term fiscal deficit target of 2.5 percent of GDP.[6] In addition, there is an MTFF to support a longer-term perspective in the annual state budget preparation process, anchored in the law on state finances and the law on strategies and programs of socio-economic development. The MTFF is published early in the calendar year and contains forecasts of fiscal revenues and expenditures for the following budget year and two more years ahead, distinguishing between recurrent and capital spending according to economic and functional classifications. The MTFF does not distinguish between new and ongoing capital projects or include an analysis of fiscal space available for new projects.

22. Fiscal balances and budget allocations have been broadly in accordance with the fiscal rules and the MTFF forecasts. After a deterioration in the fiscal balances in 2016-17 and 2020 related to counter-cyclical policies (including strong investment spending on the Rogun Hydropower Project, two bank bailouts, and the pandemic), fiscal consolidation has brought the budget deficit closer to the fiscal target and the debt ratio on a downward trajectory (Figures 25 and 26). The debt ratio has stayed well within the 60 percent of GDP limit since 2018. The medium-term revenue and spending projections in the MTFF have been broadly in line with the subsequent budget allocations (Figures 27 and 28).[7] The MTFF does not include explanations of key factors behind changes in forecasts for a budget year relative to

[5] This threshold for debt issued both domestically and internationally was introduced in the Public Debt Management Strategy for 2018-2020 and replaced a previous international debt threshold of 40 percent of GDP.

[6] See for example the latest IMF Article IV consultation (IMF Country Report No. 23/125, March 2023).

[7] In the past four years until 2024, the revenues and expenditures in the annual budget law turned out to be on average 6-8 percent different from the projections for that particular budget a little more than a year earlier, with budget outcomes in the past three years all turning out higher than the projections. The forecast error on a two-year horizon was 13-14 percent. The forecast errors for capital spending alone were slightly higher than for total spending (see details under institution 6). Figures 27 and 28 show the revenue and spending allocations in the final budget and the different vintages of earlier MTEF-forecasts.

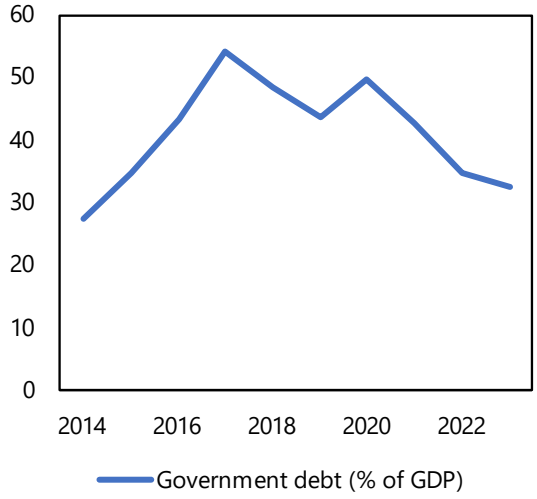
previous forecasts or explanations for deviations between forecasts and approved budgets for a given budget year.

23. Developments in recent years suggest that the fiscal rules and the MTFF help constrain the approved budget and facilitate medium-term planning for public investment. The analysis in the recent IMF Article IV consultation highlighted that public debt continues to be assessed as sustainable but with high risk of debt distress, and that improving the efficiency of public investment is essential to overcome tight fiscal constraints. The impact on public finances of investment spending on the Rogun Hydropower Project in recent years illustrates the interdependency between fiscal sustainability and the planning of public infrastructure investments. When one project represents such a large share of the budget and the economy, it represents a significant fiscal risk.

24. Authorities should consider developing the MTFF further. The MTFF has evolved since the government produced its first macro-fiscal framework in 2007, but it would be useful to continue developing the framework. In addition to possible reforms highlighted elsewhere,[8] the MTFF should distinguish between new and ongoing capital projects. By including an analysis of fiscal space available for new projects, the MTFF can support a strategic policy discussion on the prioritization of new public investment. Furthermore, the MTFF should include explanations of key factors behind changes of forecasts for a budget year relative to previous forecasts and explanations for deviations between forecasts and approved budgets for a given budget year.

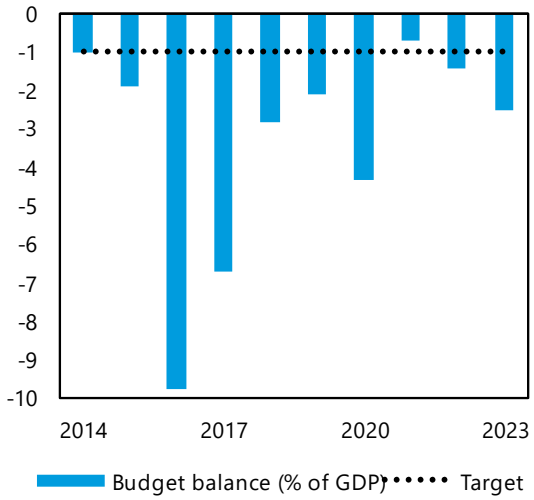
[8] See for example Tajikistan Public Expenditure Review, World Bank, December 2021, which pointed to reviewing the incentives and authorities of line ministries, the importance of well-planned and costed sector strategies, and the links between the sector strategies and the budget planning cycle.

Figure 25. Government Debt
(Percent of GDP)



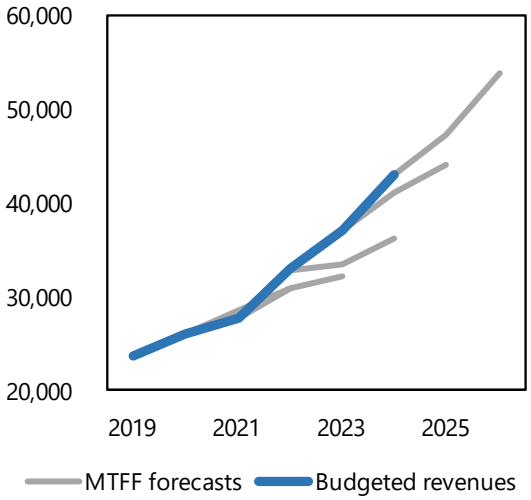
Source: Republic of Tajikistan and IMF staff estimates

Figure 26. Government Deficit and Fiscal Rule
(Percent of GDP)



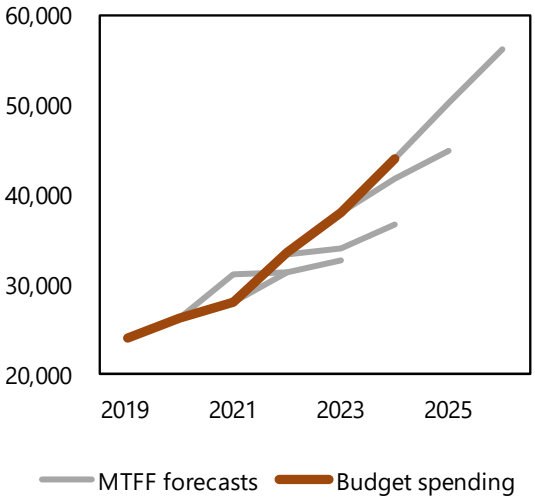
Source: Republic of Tajikistan and IMF staff estimates

Figure 27. MTFF Revenue Forecasts and Final Allocations (SM, millions)



Source: Republic of Tajikistan and IMF staff estimates.

Figure 28. MTFF Expenditure Forecasts and Final Allocations (SM, millions)



Source: Republic of Tajikistan and IMF staff estimates.

2. National and Sectoral Planning (Strength: Medium; Effectiveness: Medium; Reform Priority: High)

25. National and sectoral public investment should be based on clear goals and objectives, cost estimates, and measurable targets to track progress and impact. Public investment should be guided by strategies that set goals and objectives and plans for how to achieve these. National and

sectoral public investment strategies and plans should be published and cover all projects funded regardless of financing source. These strategies and plans should also include the costing of individual, major investment projects within an overall financial constraint and measurable targets for both outputs and outcomes.

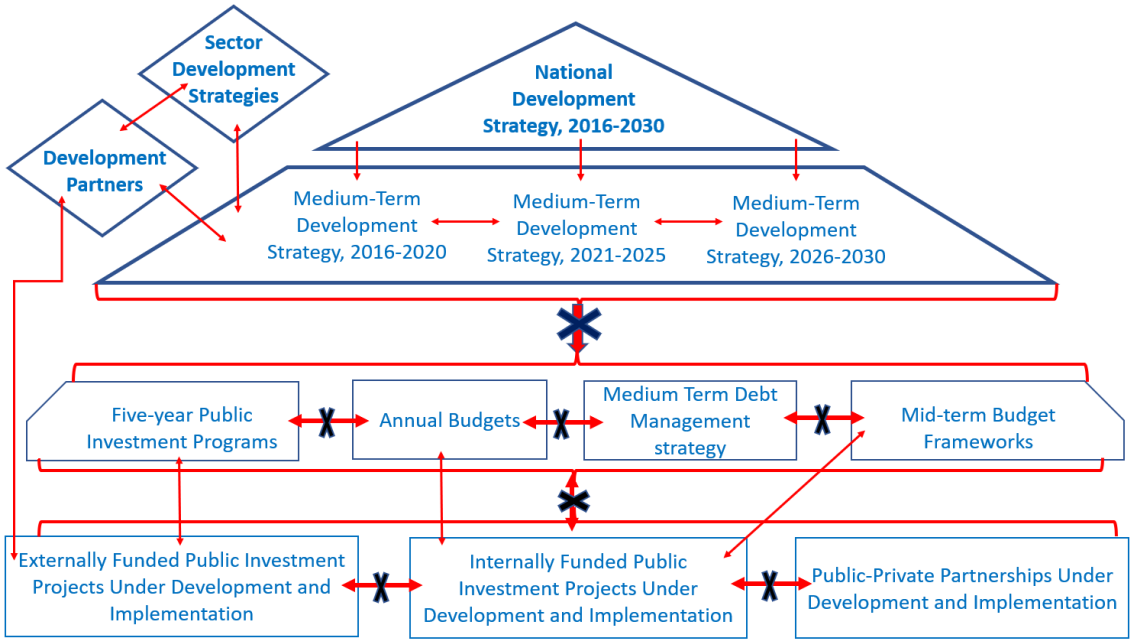
26. National and sectoral planning is fragmented, with no overview of projects or cost information for internally financed projects, and there are limited indicators of outcomes and outputs. The institutional framework for public investment management is regulated by Government Resolution 161, adopted in 2018. This provides for two separate financing tracks—one for foreign—financed projects to be included in the PIP and one for projects internally financed by the ordinary budget process managed by the MoF. NDS-2030, adopted in 2016, outlines the general direction of economic development for Tajikistan. Medium-Term Development Programs set out goals aligned with Sustainable Development Goals, provide output and outcome indicators, and estimate costs of achieving specific goals, but do not include specific projects and their estimated costs. PIPs translate these strategic priorities into five-year external investment needs. The PIP for 2021-25 contains 898 projects totaling US$19.1 billion and sets out a list of specific projects, including estimated project costs. Sector strategies exist and are publicly available, at least for major sectors. For example, the National Strategy for Education Development of the Republic of Tajikistan for the period until 2030 provides a detailed list of needs supported by a well-developed output and outcome indicator matrix. Three sectors—energy, transport, and agriculture and irrigation—represent over 75 percent of required investment by volume. The PIP only covers projects eligible for external financing and therefore presents only a partial view of projects, missing the fiscally important internally-financed projects.

27. Inclusion in the PIP does not reflect a commitment to take a project forward. As the list contains projects for external funding only, and the process for developing it does not have a defined spending constraint applied, it encourages ministries and agencies to submit a broad range of projects. Many of the projects in the PIP also do not get taken forward, as securing a place on the list only indicates potential external financing. It is only at the point of inclusion that a project can seek financing from development partners. Government data shows that 72 percent of projects in the PIP for 2016−20 did not secure funding and were rolled over to the next period. Over 93 percent of projects in the 2021−25 PIP are from 2016−20 PIP.

28. There is an opportunity to transform Tajikistan's public investment planning through a unified framework covering internally and externally funded projects. The focus on externally funded projects only limits the coverage and provides a partial view of how spending aligns with national priorities. The current investment planning framework suggests limited links and feedback mechanisms between medium-term funding needs and priorities and government strategies and plans (Figure 29 below). This risks misalignment and fragmentation in public investment planning and weakens overall monitoring and evaluation. Developing a public investment planning process that incorporates both types of funding sources would strengthen the link between national objectives, investment plans, and budgets (see Figure 30 for a proposed centralized framework). Greater selectivity to eligibility by only including externally funded projects that have identified a source of funding would also strengthen this link. This would enable more efficient coordination between central ministries and agencies, line ministries, sub-national government and development partners based on the strategic priorities of the government. It

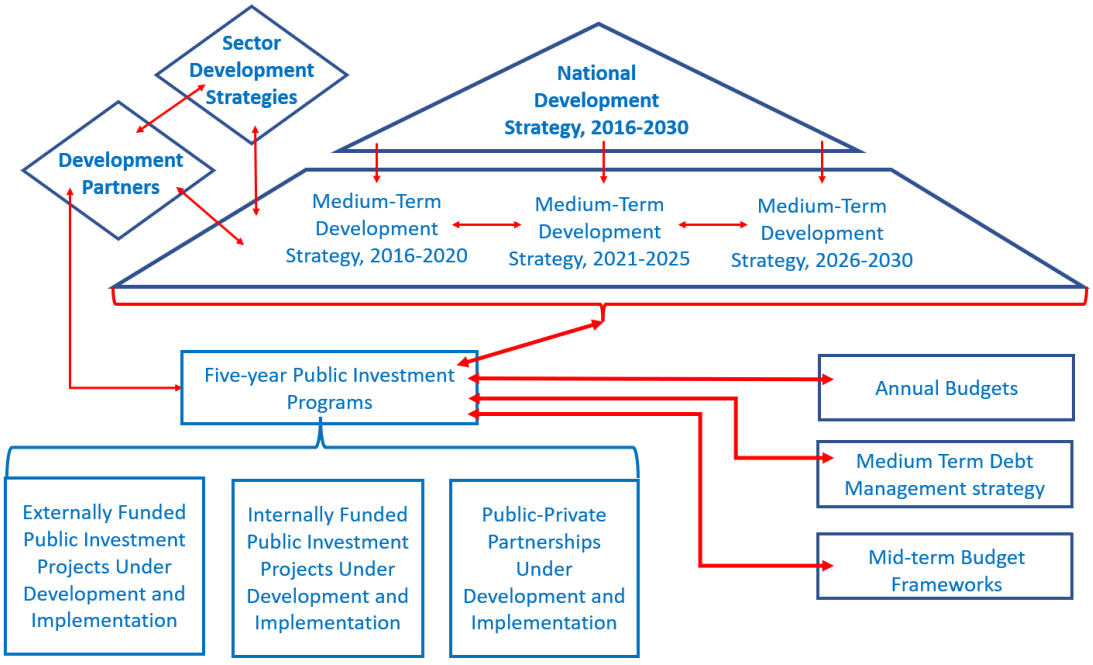
would also enable stronger monitoring and evaluation through the creation of a common framework across all types of projects.

Figure 29. Tajikistan's Planning and Project Framework Today



Source: IMF Mission Team
Note: 'X's mark areas where links are ineffective or do not exist

Figure 30. Proposed Framework Centralizing all Projects in the Public Investment Program



Source: IMF Mission Team
Note: 'X's mark areas where links are ineffective or do not exist

3. Coordination Between Entities (Strength: Medium; Effectiveness: Medium; Reform Priority: Low)

29. Coordination of investment plans between government entities with different institutional functions ensures that infrastructure is delivered in the right areas and with appropriate funding. In most countries, sub-national entities deliver many important services and may represent a significant share of total public investment. Good coordination between national and local governments around investment planning and budgeting aligns development objectives, exploits complementarities, and avoids duplication and waste of resources. Since sub-national governments (SNGs) depend to a large extent on government transfers, they need reasonable certainty about budget resources available for investment. Given that investment projects are subject to uncertainty and risks that may impact the fiscal outcomes of SNGs, public enterprises, and the central government, it is important to disclose and monitor these. In many countries, public corporations and PPPs are a major source of fiscal risk.

30. There is effective coordination of investment plans between the central government and other government entities in Tajikistan. The annual state budget law approves the general government budget, which includes total spending, revenues, and tax-sharing rates for the various SNG entities.[9] The institutional framework for public investment management operates on a dual-track system, distinguishing between projects funded internally by the state budget and those funded externally by development partners. Government Resolution 161 provides regulatory guidance for both tracks, mandating SNGs to propose projects to the MoF for state budget funding and to the MoEDT for financing through the PIP supported by development partners. SNG capital spending plans are published alongside central government investment plans in the budget documents, and there are formal discussions between the central government and SNGs on investment priorities. There is no transparent, rule-based system for making capital transfers to SNGs to ensure predictable funding. SNGs are primarily funded by shared taxes and transfers, with little notification before the start of the budget year.[10] Legal frameworks are in place for reporting contingent liabilities arising from major projects of SNGs, SOEs, and PPPs, and there is an SOE monitoring unit in the MoF, but requirements for comprehensive disclosure of contingent liabilities in central government budget documents remain absent.

31. While SNG investment plans are submitted to the government, effective coordination is hampered by unpredictable transfers to SNGs and gaps in the reporting and disclosure of contingent liabilities from SOEs' activities. The bulk of SNG investment plans are submitted to the central government for financing through the state budget or PIP, and there are regular meetings between line ministries and SNGs that coordinate work, followed by circulars dictating actions needed. However, volatile taxes and ad-hoc transfers can result in unpredictable funding and have a detrimental effect on the quality of planning and implementation of SNG capital investments. The required reporting of contingent liabilities to the central government from SNGs, SOEs, and PPPs is largely fulfilled. However,

[9] About 35 percent of total public resources in Tajikistan are channeled through and managed by SNGs, and more than 80 percent of SNG revenues are contributed by the central government.

[10] For more detail, see for example chapter 8 in the report Tajikistan Public Expenditure Review, World Bank, December 2021.

there are some gaps regarding the quality and comprehensiveness of the data reported as well as the presentation of the data within central government budget documents.

32. Reform of SNG public financial management and improved reporting of contingent liabilities would be useful but is a lower priority at this stage. The existing administrative-territorial structure in Tajikistan, inherited from the Soviet past, lacks clarity in functional responsibilities and poses challenges for budget systems, which hinders the allocation of clear spending responsibilities and revenue sources to different government levels. Government strategy documents recognize the need to improve public financial management at the subnational level. Establishing a transparent, rule-based system for capital transfers to SNGs would give more predictable funding to their planning and implementation of capital investment. Given the current dominance of SOEs[11] and the presence of PPPs in infrastructure delivery, improved reporting and disclosure of contingent liabilities is a priority. Thought should be given to developing a fiscal risk statement that includes all public sector contingent liabilities. Better data will improve MoF's ability to monitor the government's financial exposure over time and devise risk mitigation measures.

4. Project Appraisal (Strength: Medium; Effectiveness: Low; Reform Priority: High)

33. Before allocating budget resources for capital expenditure, governments should require that investment projects undergo a rigorous appraisal process following standard methodologies. When investment projects undertake a rigorous and detailed appraisal process, which covers a technical, financial, and economic evaluation, following standard methodologies, they are more likely to be implemented efficiently and produce the expected results. Moreover, investment projects are subject to different types of uncertainties and risks. Including ex-ante risk assessment provides a basis for mitigating these so that their realization does not materially affect the project's economic and social impact. Box 2 summarizes the main actors in the public investment management processes in Tajikistan.

[11] SOEs are an important part of the Tajik economy, employing around 24 percent of the labor force, accounting for about 17 percent of GDP, and with activities in many sectors relevant for public capital investment (e.g., energy, infrastructure, communal services, communications, banking, transport, trade, and insurance). The three largest SOEs – the electric company Barki Tojik, Tajik Railways and Tajik Aluminum Holding – hold over 80 percent of SOE assets; other large SOEs include Tajiktransgaz and Tajik Air.

Box 2. Roles of the Main Actors in the Public Investment Management Process

Compared to many countries, the public investment management process in Tajikistan is characterized by a high number of institutions. Consequently, the roles and responsibilities overlap somewhat and do not always support a stringent, transparent, and effective process. The main institutions are:

The Commission for Selection of Investment Projects (CSIP), chaired by the First Deputy Prime Minister, is tasked with competitively selecting projects for inclusion in the Public Investment Program based on analysis performed by the MoEDT. Since all PIP projects are meant to be donor-funded, they are de-facto included in a non-prioritized manner.

The MoEDT's State Investment Program and Centralized Capital Investment Department is the main gatekeeper of the public investment program. It is tasked with reviewing the project documentation, assessing the quality of various studies, and recommending to the CISP whether projects should be included in the Public Investment Program. It is meant to ensure that the fiscal envelope set by the MoF is not exceeded with new investment projects, but this task is limited in scope since the PIP is donor-funded.

The MoF is responsible for setting the overall investment envelope, taking into consideration the medium fiscal path, donor financing, and other budget needs. The MoF sets the investment envelope for each line ministry for *internally* financed projects and negotiates the selection of projects with the line ministry prior to including these projects in the annual budget. The MoF also monitors project implementation.

The State Commission on Investment and State Property Management (SCISPM) is meant to act as an internal coordination unit and monitor of donor financed projects, supervisory authority of PPPs, and maintain a registry of projects. It does not appear to monitor internally financed projects. Importantly, it is also responsible for the supervision of the PPP Center and the implementation of the PPP Law. The PPP track is consequently completely divorced from the ordinary investment process. Finally, the SCISPM is meant to maintain and update the Investment Project Registry, although its function appears to be somewhat weak.

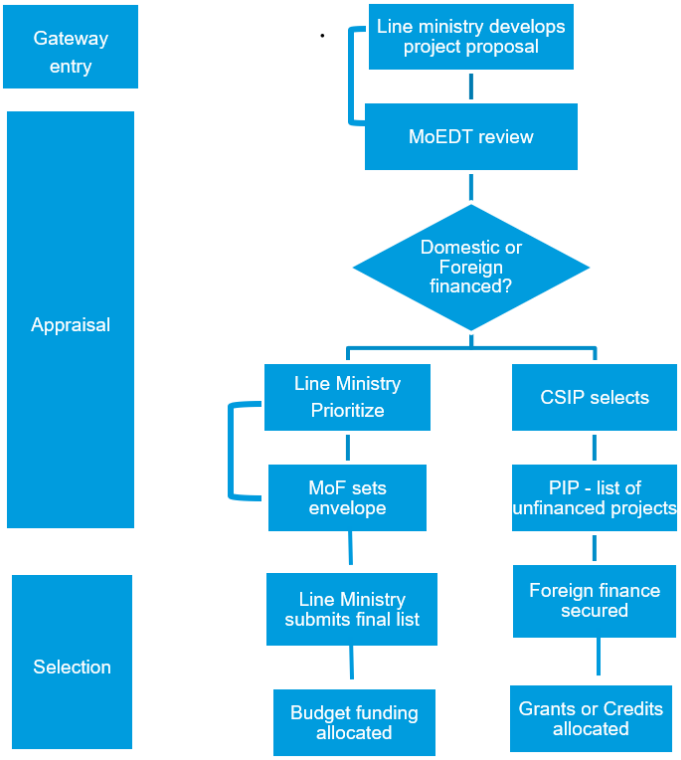
34. Appraisal regulation calls for systematic and rigorous assessments, contains methodologies in regulation at a general level, and requires risk assessment but not risk mitigation, and there is no central support or manuals. Government Resolution 161[12] calls for systematic, rigorous technical economic and financial analysis for all major projects, irrespective of whether financing is domestic or foreign. PPPs are not part of the PIP process, but equivalent regulation is found in the PPP and Concessions Law[13]. Project proposals must support the implementation of the government's strategic development plans for the country. Government Resolution 161 stipulates that documentation should contain an introductory section including the estimated project cost and a quantitative analysis of the demand for the project or socio-economic significance, a technical section on design and cost, a financial section on suggested financing and alternatives, an economic section on the overall impact of the project and possible risks, a social section on impact on users and society, and a section discussing ecological impact. Large and complex projects require special studies by independent experts. There is no requirement for publishing. There is a standardized methodology issued by the

[12] 'About the procedure for the development of state investment projects and the implementation of the state investment program of the Republic of Tajikistan' March 27, 2018 Government Resolution No. 161

[13] Law of the Republic of Tajikistan on Public-Private Partnership, #907, from December 28, 2012. Law on Concessions, No. 783 2017.

government that is applicable to all projects in the capital budget at a relatively general level. No detailed manuals are available to support budget users and there is no guidance on analysis needed for different types of projects (see Box 3). The MoEDT's investment unit is not formally required to support budget users in the development of projects. Government Resolution 161 requires a risk assessment to be included, but there are no requirements for risk mitigation plans.

Figure 31. Existing Public Investment Management Procedure

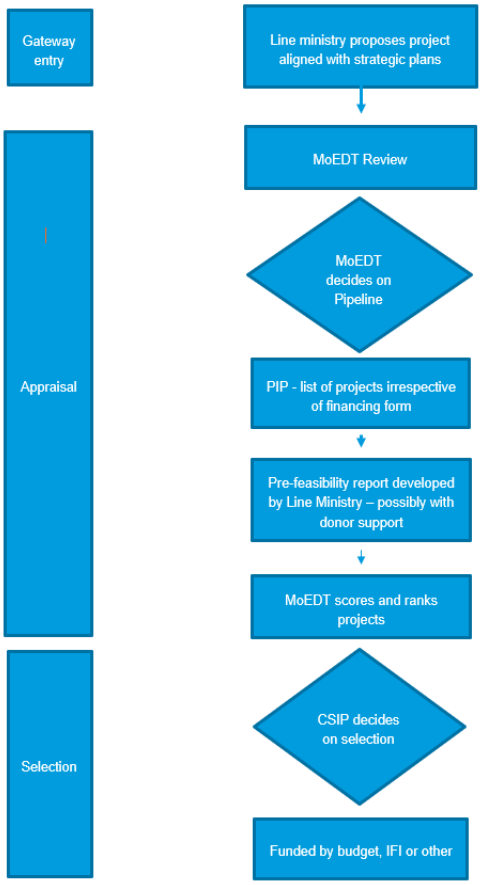


Source: IMF Mission team

35. Externally financed projects are systematically and rigorously appraised, but internally financed projects are not and do not fully benefit from the specified appraisal methodology nor stringent analysis of project risks. Externally financed projects make up the bulk of non-Rogun infrastructure investment and are systematically and rigorously appraised. However, this is not the case for internally funded projects. Despite its best efforts, the MoEDT does not have the capacity in terms of people or tools to ensure that the appraisal regulation is implemented as intended. Project documentation that is incomplete in terms of alignment with strategic plans and cost information is, in practice, returned to line ministries by MoEDT, but no projects are filtered out by the appraisal process. The standard methodology in Resolution 161 consequently has a limited impact on project appraisal. No internally funded projects fully benefit from the methodology set out in Resolution 161. Similarly, there is no systematic use of risk assessment in project appraisal or implementation, and no internally financed project includes stringent risk analysis. Figure 31 (above) lays out the current public investment management procedure.

36. The appraisal process should be strengthened to ensure that all projects, irrespective of financing mechanism, are appraised, included into a pipeline (the PIP) from which the Committee for Selection of Investment Projects (CSIP) can select projects for budgeting. Figure 32 lays out a process that should be able to ensure line ministries propose projects in line with strategic planning documents. These are then reviewed and possibly returned for further work by the MoEDT, and the MoEDT subsequently decides on whether the project can be included in the PIP. The project then proceeds to the pre-feasibility and full feasibility stage, possibly with donor financing for the feasibility study. The appraisal phase ends with the MoEDT assessing, scoring, and ranking the projects, thereby providing a relevant basis upon which to select projects for funding.

Figure 32. Suggested Public Investment Management Procedure



Box 3. How to Tailor Project Appraisal to the sSize of the Project

The project appraisal process should be structured in accordance with the size and risk of the proposed project.

Large Projects: Large projects are normally major infrastructure projects with i) major risks, such rail, tunnels, and dams with greater budget allocations and resource allocations; ii) higher task complexity, including many tasks that need to be done concurrently; iii) projects with more than a two-year construction phase.

Medium Projects: Medium projects are projects with i) significant risks; ii) medium impact, important to reach the strategic plan, and iii) with a one to two year span.

Small Projects: Small projects are normally: i) conceptualized in a few weeks, with their development and design done within a few months, and ii) execution time frame up to a year.

The following phases and elements are considered good practice for a comprehensive project appraisal for a large project.

Stage1: Project Concept Note

Stage 2: Pre-feasibility
Needs and demand analysis with specified outputs of the project *****
Option analysis

Stage 3: Feasibility
Demand analysis
Technical engineering analysis *****
Environmental analysis *
Socio-economic analysis (Local procurement, community development, job creation) *
Legal and regulatory due diligence
Financial analysis (investment phase, and maintenance and operating phase) *
Economic analysis (cost-benefit analysis, economic impact) *
Risk assessment and sensitivity analysis (natural, economic, political, financial, litigation, disaster) *

Stage 4: Implementation preparation
Detailed implementation plan and readiness confirmation *****
Institutional capacity (project management arrangements, in-house, outsourcing) *
Procurement plan *

Stage 5: Budget application
Project concepts note (summary of appraisal information to apply for funding) *

Requirements for medium-sized projects are indicated by *.

Small projects only require needs assessment, terms of reference with description and key outputs of the project, and financial assessment.

Source: IMF staff

5. Alternative Infrastructure Financing (Strength: Low; Effectiveness: Medium; Reform Priority: Medium)

37. This institution assesses the climate for the private sector, PPPs, and SOEs to finance infrastructure. When private firms find a stable environment in which they can achieve a fair return on long-term investment, responsibilities for some infrastructure can move from the public sector to the private sector, drawing on alternative sources of finance and management expertise.

38. Legal and policy measures to move infrastructure spending from the public sector to the private sector exist for PPPs but not for major economic infrastructure markets or SOEs.

- **Market structure**. Markets for major infrastructure are defined in law for electricity, water, and telecommunications. With a few exceptions, the legal and policy framework does not support competitive markets. For example, while the law allows for private investment in electricity infrastructure, electricity tariffs are kept low, and the sector is not self-financed. The Water Code was updated in 2020, with water supply for domestic consumption remaining in state ownership and operation. State-owned Tajiktelecom dominates the fixed line telecommunications market, while a competitive market is allowed for mobile telecommunications. The transport market structure is mixed, with truck transport being largely private and price competitive while railways are state-owned. The regulators of these markets are the respective central government ministries and, thus, are not independent.

- **Public-private partnerships (PPPs)**. The Law on PPPs was passed in 2012 and updated in 2017. The law provides a framework for PPPs, including roles and responsibilities of key bodies, and defines the process for preparation, approval, procurement, and contract management, but it does not address fiscal risk management, budgeting, or accounting procedures. The Law includes basic policies that constitute a strategy to guide decisions made within the process framework. There are currently nine PPPs under implementation in Tajikistan, with a combined value of US$33.8 million (0.3 percent of GDP).[14]

- **SOE investment plan coordination**. The Law on State Finances authorizes the MoF to monitor the financial position and economic activities of large SOEs. As a group, these SOEs have consistently incurred substantial losses in recent years. The MoF SOE Monitoring Department currently focuses on the fiscal risk posed by SOE financial losses. There are no legal requirements or formal procedures to report SOE investment plans to the government. There is an annual consolidated report on large SOE financial positions but no consolidated report on SOE investment projects.

39. Private investors are taking advantage of the opportunities allowed by the legal framework, and there is political coordination with major SOE investments. In the markets for which the legal framework provides an environment conducive to private investment, two hydropower plants, one electricity transmission line, six private mobile telecommunication services, and almost all trucking services are privately owned. Coordination with major SOE investment plans occurs outside of formal procedures. For example, the government closely monitors SOE investments in the energy sector,

[14] World Bank, Tajikistan Infrastructure Governance Assessment, December 2023.

particularly the Rogun Hydropower project, and regional electricity transmission infrastructure, and line ministries provide strategic guidance to SOEs operating in their sectors.

40. Two actions can be taken to better coordinate alternative sources of investment funding with public investment. First, analysis of PPP risks to the government noted above could restrict the nature, number, size, or sector of PPPs. Consideration should be given to expanding the coverage of the existing Statement of Fiscal Risks from Large SOEs to include presentation and analysis of PPP risk. This analysis may spur additional specifications to the PPP Law to minimize fiscal risk. Second, the collection and reporting of information on major SOE capital projects reflected in financial statements has the potential to inform subsequent public investment. While ex-post disclosure is a less effective means of coordination than the ex-ante influence on SOE capital allocation decisions, it avoids interjecting non-commercial considerations of the government into SOE decision-making.

Recommendations

Issue: Budget planning documents do not distinguish between new and ongoing capital projects.

Recommendation 1: Distinguish between new and ongoing capital projects in the MTFF and include an analysis of fiscal space available for new projects in the medium term in budget documents.
(MoF by end-2024 for use in 2025 budget).

Issue: The links between the Medium-Term Development Programs, PIP, medium-term expenditure framework (MTEF), and annual budgets are neither defined nor effective.

Recommendation 2: The PIP should include all projects funded from all financing sources, including external, internal, and PPP sources, and become the central repository for all proposed and ongoing projects in Tajikistan.
(President's Office and MoEDT, by end-2024).

Issue: The appraisal process does not produce a pipeline of quality projects that aligns with the country's strategic priorities, covering internal, external, or PPP financing mechanisms.

Recommendation 3: The appraisal process should be updated to ensure that all projects, irrespective of financing – internal, external, PPP – are appraised and prioritized according to the strategic policies and needs of the country and project quality. This requires an enhancement of the role of the MoEDT and the CSIP to act as an effective gatekeeper.
(President's Office and MoEDT, by end-2024).

Issue: Fiscal risks related to PPP infrastructure projects are neither documented nor known.

Recommendation 4: Expand the scope of the Statement of Fiscal Risks from Large SOEs to include measurement and analysis of fiscal risks posed by PPPs.
(MoF, by end-2024 for inclusion in the 2025 Statement of Fiscal Risks).

D. Investment Allocation

6. Multi-Year Budgeting (Strength: Medium; Effectiveness: Medium; Reform Priority: Low)

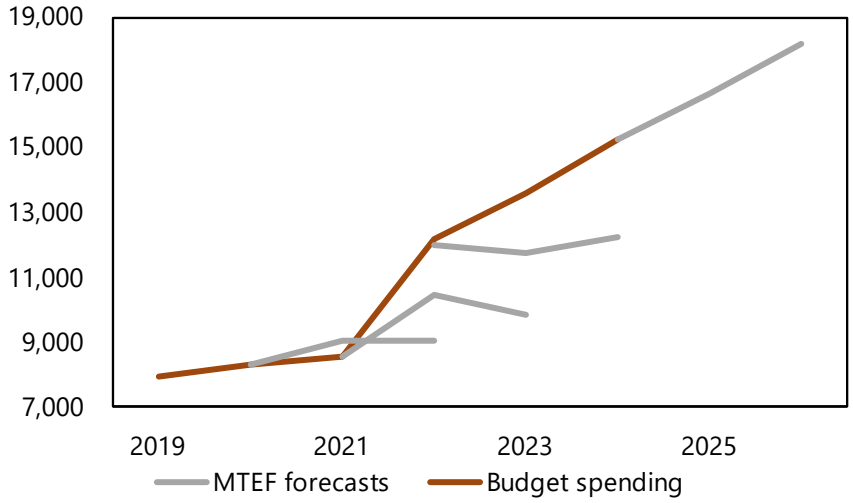
41. Multiyear budgeting provides line ministries with forward visibility of resource availability and longer-term funding requirements for investment projects. Major public investment projects take longer than the budget year to implement and have volatile cost distributions, complicating capital budgeting. As line ministries compete for budgetary resources, providing them with reliable medium-term capital expenditure ceilings facilitates a more strategic approach by incorporating investment programs into their budgeting process. Therefore, it is necessary to include the total costs of major projects in budget documents to ensure proper budgeting, align annual appropriations with long-term needs, and monitor them as they take time to implement. This will help with a smooth budgeting process by allocating necessary additional funds to ongoing projects and overseeing their cost overruns.

42. The government prepares a rolling MTEF with indicative capital spending ceilings, but individual project costs are not published. The MTEF has a three-year horizon and represents the first phase of the budget process. Ministries and other budget organizations are required early in the calendar year to submit information on existing commitments and proposed new initiatives. This gives rise to an MTEF with indicative ceilings on capital spending, disaggregated by economic and functional classifications, and shows whether it is an internal or external source of funding. The MTEF informs the second phase of the budget process, with the preparation of the annual budget to be passed by parliament and published before the start of the budget year on 1 January. Investment projects funded internally through the budget have a lower level of transparency than those financed externally by development partners through the PIP, where projects are published annually with the expected drawdown of funding over a three-year horizon.

43. Budget appropriations for capital spending resemble the previously published ceilings but changes in project costs are not explained. Figure 33 shows the capital spending allocations in the annual budgets and the different vintages of earlier MTEF forecasts for capital spending. The figures indicate that there has been a reasonable alignment between the spending ceilings and the subsequent budget allocation in recent years.[15] This suggests that the MTEF plays an important role in guiding budget preparations and allocating funds to public investment. The MTEF does not include explanations of key factors behind changes to MTEF forecasts and capital budget allocations. Furthermore, projections of and changes to project costs for major capital investment costs are not consistently identified and explained in budget documentation.

[15] For example, the annual capital budgets passed by parliament in the past three years until 2024 were on average around 15 percent higher than the projections one year out for those individual years in preceding MTEFs.

Figure 33. Capital Spending and MTEF Forecasts
(SM, millions)



Source: Republic of Tajikistan and IMF staff estimates

44. Further strengthening the medium-term planning of efficient capital spending would be helpful but is a lower priority than other reforms. The MTEF has supported a more medium-term focus in planning and budgeting public investment. Building on the positive experiences with the framework, continued attention should be paid to further aligning the capital spending ceilings with final budget allocations. It would further enhance the efficiency and reliability of Tajikistan's public infrastructure budgeting process if there were a consistent identification in budget documents of expected public investment costs, both in aggregate projections, by sector ceilings and on a project level, as well as an explanation of changes to those investment costs.

7. Budget comprehensiveness and unity (Strength—Medium; Effectiveness: Medium; Reform Priority: Medium)

45. Public investment projects, regardless of their financing and procurement methods, should be authorized by the legislature and supplemented with related funds for operation and maintenance. Policymakers should evaluate all spending proposals simultaneously to resolve conflicting pressures and priorities by selecting from among all proposed capital projects. Decisions on capital projects should also consider the need for current funding to operate and maintain them.

46. Not all capital spending is authorized through the budget, and investment projects in the budget are assessed by separate ministries. There are no extra-budgetary entities or government entities that have been given a separate identity and substantial autonomy by law. The Law on State Finances requires that expenditures financed from external sources (both loans and grants) and from revenue collected by budget entities from the sale of services (known as special funds) must be included in the budget. However, neither PPPs nor SOE investment plans are required to be presented in the budget for information or approval, except if contributions from the government are needed. Investment projects are prepared by line ministries. These proposals are appraised by different central ministries based on financing sources: Internally financed projects are appraised and selected by MoF, and

externally financed projects are appraised by MoEDT.[16] Instructions for preparing the budget[17] require line ministries to present the current costs of proposed projects. All projects, regardless of financing source, are presented together, along with estimates of project current costs, in the line ministry budget request submitted to the MoF. The budget classification includes a function segment to which both current and investment expenditures are aligned.[18]

47. The budget includes most internal and external financing for investment projects, but coordination between them is not clear. The legal framework, requiring that there are no extra-budgetary entities and that all government expenditures, regardless of financing source, are in the budget, is respected. The Law on SOEs authorizes SOEs to provide services such as health, social protection, and culture, which, in other countries, are typically financed through the budget. The total size of such quasi-fiscal activities is not known. PIMA institutions 4 and 10 describe the process for appraising and selecting projects and how the MoF and MoEDT perform their functions independently. In effect, coordination between projects reviewed by MoF and MoEDT is performed by line ministries in their budget proposal. Line ministries estimate the current cost of their proposed projects as required.

48. Budget unity is placed largely in the hands of line ministries, but there are limits on how well line ministries can perform this function. Line ministries are given wide latitude in the budget process, as indicated by the authority delegated to them to distribute their budget ceiling allocation across current and investment budgets. They are well placed to coordinate all projects under their remit, regardless of financing source. However, there is no mechanism for them to assess the effect of their investment plans on other sectors or coordinate with investment plans across sectors. Only after line ministries present their consolidated budget request to MoF can coordination across sectors be made. Line ministries are well placed to assess if the operating and maintenance costs of a completed project can realistically be covered given the medium-term budget ceilings given to them, but the MoF should provide a challenge function to ensure costs are realistic and do not lead to line ministries exceeding their ceilings.

8. Budgeting for Investment (Strength—Medium; Effectiveness: Medium; Reform Priority: Medium)

49. Good investment budgeting practices aim to appropriate on an annual basis and commit for the entire duration of major projects, protect funding for ongoing projects, and finance projects as approved by the legislatures. Major public investment projects are typically implemented over multiple years, which means a multiyear commitment to finance them. However, budget appropriations usually cover one fiscal year, and a weak budget system and poor management of the annual budget would pose challenges to financing investment projects. For this reason, commitment procedures can make it more likely that funds are available when needed over the construction cycle. Furthermore, allocation decisions should be prioritized in line with limited resources rather than crowding

[16] As noted earlier, for 2023, internally financed and externally financed investment expenditures were 4.3 billion and 9.3 billion somoni, respectively. Thus, MoF and MoEDT separately reviewed 32 percent and 68 percent of 2023 investment expenditures, respectively

[17] See, for example, guidance for preparation of the 2024 budget: paragraph 33 of the stage 1 instructions, and form 2.3 in the stage 2 instructions.

[18] The Unified Chart of Accounts was adopted in 2015.

out funding for ongoing projects. Despite the need for new investments, finalization of ongoing projects should be given priority. Finally, the appropriations for investment projects should be used only for capital spending and not transferred to recurrent expenditures.

50. There is a framework for protecting investment projects during budget implementation, but neither total project costs nor multiyear project commitments are published as part of the appropriated budget. The Government Decree to implement the PIP states the need to prioritize the completion of ongoing projects ahead of new ones to ensure that budget allocations sufficiently match contractual commitments and expenditure needs.[19] Transfers of funds between capital and current spending during the fiscal year are generally not permitted without the specific approval of the MoF.[20] Project outlays are appropriated on an annual basis at the level of economic classification as part of an annex to stage 3 of the budget. However, neither multi-year commitments nor total or multiyear cost estimates at the project level are published as part of appropriated budget documentation.[21]

51. Investment projects are generally well-protected during budget implementation, with minimal virements to the recurrent budget and a strong commitment to prioritizing ongoing projects. Net virements from the capital budget have been minimal over the past ten years. Domestically funded projects are generally well protected and have been executed at an average rate of 95 percent for the past three years.[22] In the most recent PIP, ongoing projects account for less than a third of total projects, all of which are foreign-financed.[23] Information on the total project cost is included but not broken down over a multiyear period, so it cannot be aligned with budgetary resources in the MTEF.

52. Including information on multiyear commitments and project costs in the PIP and ensuring these numbers are published as part of the appropriated budget is a medium-priority reform measure. This is important to ensure that the PIP is a comprehensive document consisting of both ongoing and pipeline projects from both internal and external funds that can be effectively scrutinized as part of the budget package. This will involve (i) adapting the existing costing forms in budget instructions and underlying automation processes; (ii) design changes to the PIP document; and (iii) updates to relevant laws and regulations. Annex 6 provides options to record project costing, and Annex 7 illustrates a project profile that could be used in the PIP as the document is strengthened and adopted in Tajikistan.

9. Maintenance Funding (Institutional Strength: Medium; Effectiveness: Low; Reform Priority: High)

53. Adequate maintenance of public infrastructure assets preserves their quality and condition and ensures services through their intended useful life. This requires regular assessments of the condition of all types of infrastructure assets, methodologies to translate these and other factors (e.g., road use patterns) into requirements for routine maintenance and major improvements, as well as

[19] Decree 161 Section 9 (paragraphs 52 and 54) on the procedure for development of public investment projects and implementation of the public investment program.

[20] Article 55 of the State Law on Public Finance requires Ministry of Finance authorization if Budget Organizations wish to change or redistribute appropriated budgetary expenditures.

[21] This is a requirement for the Law on State Finances (Article 53) and part of the stage 2 budget instructions.

[22] Based on the budget performance of code 28 “transactions with assets, liabilities and investments for 2020, 2021 and 2022.

[23] PIP 2021-2025. 59 projects were classified as active out of 203.

their cost estimates. This information should also be reflected in the budget and the planning process respectively. Asset condition is also impacted by climate change and natural hazards. See the C-PIMA section of the report for a discussion of this topic.

54. Standard methodologies exist for assessing the need for some routine maintenance and major improvements; some maintenance funding can be systematically identified in budget documents. Responsibility for maintaining roads lies with the Ministry of Transport and Communication.[24] Responsibility for maintaining buildings lies with the budget entities using them. Maintenance needs for roads are systematically estimated through standardized road infrastructure surveys that are conducted annually by district-level road departments and by state unitary enterprises for building maintenance. There are no such procedures for buildings. This information can influence the size of maintenance budget funding but is used primarily to allocate money once appropriated in the budget. The Unified Chart of Accounts, adopted in 2015, includes routine maintenance expenses under the economic classification item 2.2.1.5.[25] There is no coding to systematically identify major improvements or analysis in budget documents of spending on major improvements.

55. Current funding levels are likely substantially below needs, but only some funding for maintenance can be identified in the budget. Current methods to estimate maintenance needs are not ineffective but they have a bias toward visible problems rather than preventive maintenance and vary in quality based on the knowledge of individuals conducting the assessment. Routine maintenance costs are reflected in the economic classification item 2.2.1.5 and are shown as a percentage of total budget expenditures in Table 3 below. These expenditures are not insignificant, but the reasonableness of the expenditures cannot be determined without reference to the need for routine maintenance, which is unknown. While there is no coding structure to identify major improvement projects, major improvements can often be distinguished by words such as “rehabilitation” or “reconstruction” in their title. However, as noted earlier in this report, internally financed investment projects are not identified individually in budget documents. Improvements in estimating the need for maintenance, both physical and cost, are underway,[26] but few have been achieved to date. While it is not possible to compare actual funding for maintenance and needs in the absence of standards, anecdotal evidence suggests that there are substantial shortcomings in current funding levels compared to need.

56. Greater disclosure of maintenance needs and funding can contribute to discussions on the proper levels of maintenance funding and is a high priority. New infrastructure is commonly more attractive than maintaining existing infrastructure. However, timely maintenance is cost-effective as it saves money in the long run. The Ministry of Transport and Communications is working to modernize its approach to road maintenance through the recent adoption of the Road Asset Maintenance System. Until the system is fully operational and other sectors adopt maintenance standards, rough estimates of maintenance needs would be useful. There are many techniques for doing so, and they can be as simple as using depreciation rates as a proxy for annual maintenance needs, as described in Box 4. There are

[24] For this institution, the use of the word “maintenance” should be understood to include routine maintenance and major improvements, unless otherwise specified.

[25] Ministry of Finance Order No. 173 dated January 26, 2015

[26] For example, the Ministry of Transport and Communications has adopted the Road Asset Management System, which automates the monitoring, maintenance, planning, and management of road assets, and associated standards are being developed with the support of ADB.

also challenges for a reader of budget documents to see the amount of money for major improvements, as described above. Given these challenges, which may take time to overcome fully, the budget process would benefit from including guidance in annual budget preparation instructions[27] for amounts or priorities given to maintenance, as well as an analysis of maintenance needs and funding in the explanation annex to the budget. Such guidance and explanation would be in aggregate or for key sectors of the economy and, if applied consistently, would show long-term trends of maintenance funding compared to maintenance needs.

Table 3. Routine Maintenance: Actual Spending as a Percent of the Total Budget

	State budget	Republic budget	Local budget
2022	3.5	1.7	8.9
2021	4.0	2.1	8.4
2020	3.1	1.6	6.5

Source: Ministry of Finance

Box 4. A Simple Method to Estimate the Aggregate Need for Maintenance Spending

Ideally, routine and capital maintenance needs should be estimated based on classes of assets (often sector-specific) and would cover:

- Identification of individual assets;
- Systematic inspection of individual assets to determine condition;
- Minimum condition standards;
- Strategies to manage future conditions above minimum levels at the least cost; and
- Costing of maintenance strategies

However, most countries do not have the data necessary to do this. Rather than making no estimate of the need for maintenance funding, an approximate estimate can be made with reasonable effort. This would provide a benchmark for seeing if budget spending for maintenance is roughly adequate to preserve the total value of the capital stock. The IMF has conducted extensive research documenting the link between levels of capital stock and economic growth.

The IMF publishes the Investment and Capital Stock Dataset. The latest version of the dataset (2021) covers 170 countries, including Tajikistan, and the period 1960 to 2019. The primary purpose of the dataset is to observe trends in capital stock after depreciation. The Manual for the dataset, which explains technical issues such as how the standard depreciation rate is estimated, can be found at https://infrastructuregovern.imf.org/content/dam/PIMA/Knowledge-Hub/dataset/InvestmentandCapitalStockDatabaseUserManualandFAQ_May2021.pdf

Note that capital stock depreciation represents the sum of routine maintenance, major improvements, and replacement costs.

Source: IMF staff

[27] Some guidance was done in the 2024-26 budget preparation instructions, but more detail would be useful.

10. Project Selection (Strength: Medium; Effectiveness: Low; Reform Priority: High)

57. Choosing investment projects for funding based on reliable information on project quality, through a transparent and consistent mechanism, ensures that scarce public resources are used efficiently. The selection of projects is a distinct step in the project management cycle and depends on reliable project planning and appraisal. It links the project assessment with the budget process by providing a set of prioritized projects to the budget process, which aligns investment plans with the resource envelope. To ensure that resources are used efficiently, prioritization should be done based on consistent and comprehensive information from project appraisals and in a consistent and transparent process, according to objective selection criteria.

58. The design regulation stipulates a review process with standard criteria and a pipeline of projects, but the criteria are general, and the PIP pipeline is unprioritized, lacking strategic direction. There is a formally required central review process for all major projects, irrespective of whether they are externally or internally financed, prior to them being considered for inclusion in the budget (see Figure 31 in 4. Appraisal). Government Resolution 161 requires the MoEDT to review submitted investment proposals and submit them to the CSIP. The PPP process is separate and is the responsibility of the SCISPM[28]. The MoEDT is to carry out the following assessments on which to base its recommendations: suitability of the project, organizational readiness, technical, social, and ecological quality, economic feasibility, and assessment of physical and financial risks. The MoEDT subsequently submits a summary and recommendation to the CSIP on whether the project should be included in the PIP. The CSIP is chaired by the First Deputy Prime Minister and mandated to competitively consider each project based on several published selection criteria (see Box 5). The selection criteria are general and do not provide clear guidance on which projects should be selected or prioritized. The CSIP is not required to produce a ranked list of projects.

59. The review process is mostly formalistic, and internally financed projects are not significantly affected by the process and are selected outside the PIP pipeline. The central review of projects undertaken by the MoEDT and CSIP is mostly formalistic and cursory. A substantial proportion (20-40 percent) of the 100-150 projects submitted yearly are returned by the MoEDT to line ministries for additional information. Projects that require additional information are usually accepted within the year by the MoEDT when updated. The weak capacity of the MoEDT means that little substantive review takes place. The externally financed projects are subsequently processed through the CSIP and are all included in the PIP. Internally financed projects effectively exit the public investment management process after MoEDT review and become part of the budget process and bilateral bargaining between the line ministry and the MoF. The MoF sets a ceiling for the line ministry's internally funded projects within which the line ministry prioritizes and selects projects for inclusion in the budget. Consequently, the actual selection of projects is not significantly affected by the 'selection process' and defined criteria. For internally financed projects, there is no pipeline of appraised projects from which to select for budgeting.

[28] Law of the Republic of Tajikistan on Public-Private Partnership, #907, from December 28, 2012. Law on Concessions, No. 783 2017.

Box 5. Selection Criteria for Projects

The Commission for Selection of Investment Projects is tasked with selecting the projects for the PIP. CSIP's tasks include: (a) evaluation of the accuracy and quality of the competitive selection of projects; (b) review of project proposals' relevance to priority areas; (c) evaluation of the relevance and viability of projects (outcomes and sectoral, regional, and human impact); (d) analysis of economic efficiency indicators of projects; (e) evaluation of attracted funds and the assessment of their sources of funding; and (f) review of jobs creation and project impact. To support this work, the MoEDT assesses and recommends projects for inclusion and submits a summary of its analysis to the CSIP.

The specific criteria for selection of a project's inclusion into the PIP are:

- compliance with the investment project priorities of the Government;

- the budget holder's need for the investment;

- a minimum level of US$5 million for concessional loans and US$100,000 for grants;

- relevance and perspective of the project, its results, and potential positive influence on the industry, region, and population;

- indicators of economic efficiency;

- the expected attraction of investment funds from development partners;

- the number of planned new workplaces and the validity of their creation; and

- impact on the level of welfare of the population.

Source: Government Resolution 161, March 27, 2018

60. The selection process should be strengthened by upgrading the role of the CSIP to select projects for funding, regardless of financing. As discussed under PIMA Institution 4 on the proposed new public investment management process, it will be helpful to change the regulation so that the MoEDT becomes the gatekeeper with respect to projects joining the PIP. The CSIP should, on this basis, decide which projects can be funded (see Figure 32). The funding decision should cover all mechanisms – internal, external, or PPP. Selection criteria should be made clearer to provide more guidance to the CSIP with respect to selection.

Recommendations

Issue: Changes to project costs are not consistently identified and explained, which hampers the monitoring of financing needs and prevention of cost overruns.

Recommendation 5: Identify and explain changes in costs for public investment projects in medium-term budget documents. Common practice internationally is that the published medium-term expenditure framework budget documents would include changes in capital investment costs in aggregate projections, by sector ceilings, and on a project level for major projects.
(MoF, by end-2024 for inclusion in the MTFF in 2025).

Issue: Resolution 161 governing selection is vague on the selection criteria, does not give sufficient guidance on prioritization of projects, and does not specify how to score and rank projects.

Recommendation 6: Resolution 161 governing selection should be updated and accompanied by more precise methodology and guidance, including on how to score, rank, and prioritize projects, and the role of CSIP in project selection should be strengthened.
(President's Office and MoEDT, by end-2024).

Issue: Accurate information about maintenance needs and funding is not readily available.

Recommendation 7: Provide as supplements to budget documents analysis of maintenance needs (using approximations) and summarize budget spending for routine maintenance and major improvements.
(MoF, Mid 2025, for inclusion in the 2026 budget preparation instructions).

E. Investment Implementation

11. Procurement (Strength: Medium; Effectiveness: Medium; Reform Priority: Low)

61. Public procurement plays an increasingly strategic role in building modern infrastructure and delivering public services. Open competition for public procurement opportunities that leverage the use of technology strengthens transparency, enhances efficiency, helps generate fiscal savings, and builds trust in the government. A well-functioning system of independent procedures for dealing with procurement complaints can further support better outcomes.

62. The law requires open and transparent procurement and an entity for independent complaints review, but neither the review system nor a framework for procurement monitoring is in place. The Public Procurement Law[29] has been significantly improved as part of the recent public financial management reforms supported by the World Bank. The law calls for and regulates competitive procurement for all public procurements, except for procurement in projects fully or partially financed by development partners, procurements regulated by the law on PPPs, and purchases made by the Directorate for Construction of Government Facilities (Article 2). The authorized state body for public procurement is the Agency for State Procurement of Goods, Works, and Services. Major projects are to be competitively financed, subject to limitations covered in the law. Competitive procurement is required both for internally and externally financed projects, but externally financed projects can use the relevant development partners' procurement and monitoring procedures. Internally financed procurements are required to be published on the e-procurement website. This is a publicly available procurement portal maintained by the agency and contains a database of government-funded procurements by the institutions required to do so by the procurement law. The information has a level of detail that is consistent with what is required under the different steps of the government procurement process. The law calls for the establishment of an Interdepartmental Commission of Review of Complaints for timely and independent review of complaints (Article 61). The law also states that the commission's "regulations and staff will be approved by the Government of the Republic of Tajikistan." However, the latter has not happened yet, and the commission does not legally exist.

63. In practice, most capital projects follow a competitive process, and data for monitoring is available, but the independent complaints review system is not operational. Many major projects

[29] Law of the Republic of Tajikistan of March 15, 2023, No. 1955 "About public procurements."

are subject to clearly perceived effective competition. Externally funded projects follow strict competitive procurement rules set by development partner institutions. Data for monitoring and the development partners' own built-in independent mechanisms for addressing compliance and grievance redress systems are available. Data reported on the government e-procurement portal is reasonably comprehensive and suggests that in 2022, close to SM 3.2 billion worth of works and goods were publicly tendered. While this number includes both investments and current expenditures, the total is comparable to an average annual non-energy investment of SM 3.0 billion. Given that about half of public investments outside of the energy sector are also donor-funded,[30] a transparent and open process of effective competition is applied to most major projects. Standard reports (although limited) are easy to generate for any specific period, but there is neither an automated monitoring system nor a formal monitoring requirement that can be used to draw conclusions and make recommendations for improvements. The Agency for State Procurement of Goods, Works, and Services uses portal data to produce reports for the government at least bi-annually. Annex 8 provides details on signed contracts and other available data from the system. The Interdepartmental Commission of Review of Complaints is not yet established and is therefore not functioning; its creation is ongoing and expected to be completed in 2024. The current procurement law, however, does not address potential conflicts of interest that might exist in the commission.

64. The most pressing reforms for improving the procurement system are operationalization, securing independence, and addressing potential interdepartmental conflicts of interest of the Interdepartmental Commission of Review of Complaints. Other improvements in procurement, such as fixing mistakes in the e-procurement database, allowing for the distinction between procurement for current expenditures and investments, enhancing its analytical reporting capabilities, and institutionalizing procurement monitoring rules and frequency, are a medium priority.

12. Availability of Funding (Institutional Strength: Medium; Effectiveness: Medium; Reform Priority: Low)

65. To implement public investment projects efficiently, ministries, departments, and agencies must have certainty that funds will be made available for contractors to progress projects as planned. This institution assesses whether ministries and agencies can plan and commit expenditure on capital projects on the basis of reliable cash flow forecasts. When project proponents do not have certainty and invoice payments are delayed, contract implementation can be delayed, project assets can become degraded, the government may incur penalties, interest and arrears accumulate, and contractors' trust in the government declines.

66. Cash forecasting supports good planning for funding availability, but externally financed projects are excluded from this process. Article 40 of the Treasury Instructions requires quarterly cash-flow forecasts to be prepared, as well as commitment ceilings for the full fiscal year.[31] These can be updated by Budget Organizations with approval from the MoF to ensure the Central Treasury can provide the necessary liquidity for the coming month to fund Budget Organization spending needs on a timely

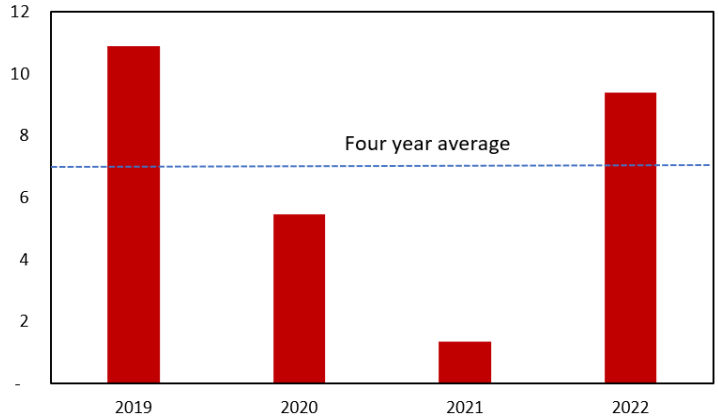
[30] E.g., Figure 15 Financing of public investment by source; suggests that total external investment, by volume, is comparable to domestic investment. If investment into Rogun hydro power plant is excluded, remaining externally funded public investments, by volume, are at lest equal, and for some years, e.g., 2021, almost double investments from domestic sources.

[31] Guidelines on the execution of state revenue and expenditure and preparation of reports in the treasury system (approved via the Resolution of the Ministry of Finance, No. 64 dated April 27, 2021).

basis.[32] The consolidated cash plan excludes externally financed projects (loans and grants) that hold project accounts in commercial banks and pay contractors directly when the specific standards on the phasing of road construction have been met.[33]

67. Cash flow projections align closely with actual spending, there is little evidence of cash rationing and levels of arrears are relatively low. For the past four years, actual net cash flow forecasts have deviated by, on average, 7 percent from outturns (see Figure 34). This suggests most invoices for investment projects are paid on time, and based on a three-year trend, arrears as a percentage of total expenditure accounted for less than 2 percent of total expenditure.[34] The MoF plays no active role in the release and payment processing of externally financed projects, as payments are made directly to contractors. Information on when payments are made is readily available to the MoF.

Figure 34. Average Deviations from Cash Flow Forecasts and Actual Spending (percent)



Source: MoF (Central Treasury). Based on quarterly cash flow projections and outturns.

68. Integrating externally financed projects in the single treasury account should be encouraged for a more comprehensive picture of cash flow projections. Given that externally financed projects account for almost two-thirds of capital investment spending, it is important for the government to have a comprehensive understanding of cash flow needs, particularly for co-financed projects.

13. Portfolio Management and Oversight (Strength—Low; Effectiveness: Low; Reform Priority: High)

69. Portfolio management of all major projects is of utmost importance to support efficiency in public investment and the achievement of over-arching policy objectives. The portfolio refers to the sum of all capital projects that have been previously approved, either in the budget or through other alternative financing mechanisms (development partner financing or PPPs, for instance). Portfolio management is different from looking at each project (discussed under Institution 14). Through looking at the whole portfolio of infrastructure projects, governments can collect and analyze data and determine if

[32] Article 47 specified the procedures for changes to the monthly financial plan for expenses.

[33] The is based on the FIDIC approved international standards.

[34] Based on data from 2018, 2019 and 2020.

projects and programs are on time, within budget, and if there are serious risks that require high-level intervention. Systematic portfolio management also comprises optimizing available funds by assigning them to the best-performing projects.

70. An inadequate regulatory framework for portfolio management impedes systemic monitoring and efficient fund reallocation, and there is a lack of ex-post reviews for comprehensive project assessment. Internally funded projects lack a legal or regulatory framework for systematic monitoring of major capital investment projects. Government Resolution 95 provides broad guidance for externally funded projects, but it does not cover internally funded initiatives. External project portfolio monitoring responsibilities are fragmented and shared among SCISPM, MoEDT, and MoF. Implementing agencies of externally funded projects are required to submit monthly, quarterly, six-monthly, and annual progress reports. However, there is no formal guidance on the reallocation of funds for either internal or external projects. Additionally, there are no formal requirements for ex-post reviews of major capital projects, limiting accountability and learning opportunities. Government Resolution 95 indicates the requirement of project completion reports, which is different from the ex-post review of the projects.

71. There is no evidence of active portfolio management, no data on cost and schedule performance, and opportunities to improve delivery across the investment portfolio are likely being missed. The government currently lacks a consolidated and systematic portfolio monitoring reporting mechanism that encompasses both externally and internally funded investment projects. Due to the absence of such a mechanism, there is no systematic data on portfolio delays and cost overruns. A notable instance highlighting this issue is the Rogun Hydropower project, one of the largest and most critical endeavors in the country, which is experiencing substantial cost increases and implementation delays. The absence of a comprehensive portfolio monitoring report for all investment projects is hindering efficient decision-making. Existing portfolio reviews are limited in scope, as they are primarily led by development partners, address the performance of major externally funded projects, and do not cover those funded internally. There is a lack of evidence demonstrating that there is a system for reallocating funds between projects or that any relocation takes place. Another critical gap in the current system is the absence of ex-post reviews for major projects. While Government Resolution 95 requires the submission of project completion reports, relying solely on reports from implementing agencies is inadequate for a comprehensive evaluation of project outcomes and lessons learned.

72. Strengthening portfolio oversight and management practices is crucial for improving the efficiency and effectiveness of public investment management in Tajikistan. Strong oversight mitigates risks by promptly addressing issues, reducing the likelihood of delays and cost overruns. It establishes accountability, making stakeholders responsible for project outcomes, and fosters transparency. Moreover, it creates valuable learning opportunities through comprehensive monitoring and ex-post reviews, enabling the incorporation of lessons learned into future projects. Improved portfolio oversight increases stakeholder confidence, fostering trust among the public, investors, and development partners through transparent monitoring and accountability.

14. Management of Project Implementation (Strength: Medium; Effectiveness: Medium; Reform Priority: Medium)

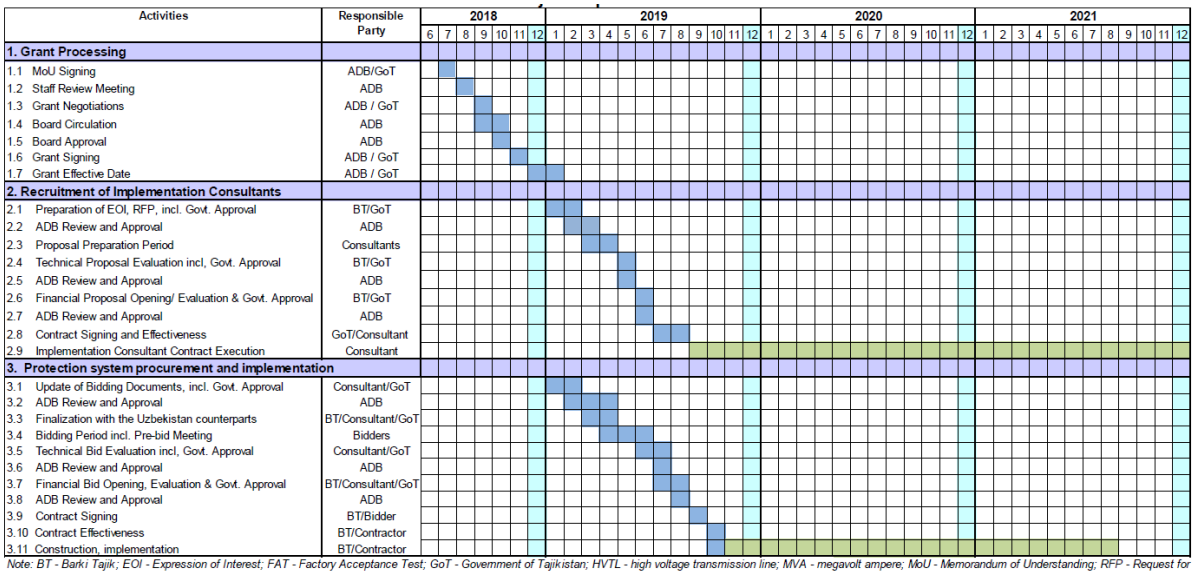
73. Effective project implementation is required to realize the full benefits of public investment. During the implementation stage, the management of time, money, and quality is of utmost importance. During the project cycle, it is important to address any questions at the commencement of the project and to draft the scope and goals for the project. It is important to communicate roles, expectations, and objectives to finalize the project. Also, regular and independent audits provide oversight and can identify common problems and solutions in infrastructure governance and delivery.

74. There is some evidence of project management requirements, but implementation plans and adjustment rules for internally funded projects are unavailable, and the legal mandate for audit is limited. The process of appointing project managers and developing implementation plans was unavailable for internally funded projects. However, Government Resolution 95 mandates a competitive selection process for project managers of externally funded projects based on financing agreement terms. An example of a project implementation plan for an ADB-funded project is presented in Box 6 and Figure 35. The resolution also requires project implementation plans to align with the development partner's agreement. However, the absence of standardized rules for project adjustments in major internally funded investment projects introduces the risk of ad hoc changes without regulatory clarity. The June 2023 amendment to the Law of the Chamber of Accounts underscores its crucial role in auditing major investment projects, covering both domestic and external programs. The Chamber of Accounts is legally obligated to audit, publish reports, and submit these to the legislatures. However, gaps still exist in the law, lacking explicit provisions for stand-alone ex-post audits dedicated to completed investment projects. Additionally, the Agency for Financial Control and Anti-corruption conducts biennial financial reviews of investment projects, enhancing oversight.

Box 6. Project Implementation Plans

A well-structured Project Implementation Plan offers several benefits. It serves as a comprehensive roadmap, providing clarity on project activities, milestones, and responsibilities. The plan fosters efficient coordination, collaboration, and resource allocation. It includes risk assessments, mitigation plans, project schedules, and budget allocations, supporting proactive management and financial efficiency. The plan ensures adherence to quality standards, facilitates timely execution, and becomes a valuable resource for post-project analysis. Overall, the plan contributes to successful outcomes, stakeholder satisfaction, and continuous improvement in future projects.

Figure 35. Example of a Project Implementation Plan



Activities	Responsible Party	2018						2019												2020												2021											
		6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12
1. Grant Processing																																											
1.1 MoU Signing	ADB/GoT																																										
1.2 Staff Review Meeting	ADB																																										
1.3 Grant Negotiations	ADB / GoT																																										
1.4 Board Circulation	ADB																																										
1.5 Board Approval	ADB																																										
1.6 Grant Signing	ADB / GoT																																										
1.7 Grant Effective Date	ADB / GoT																																										
2. Recruitment of Implementation Consultants																																											
2.1 Preparation of EOI, RFP, incl. Govt. Approval	BT/GoT																																										
2.2 ADB Review and Approval	ADB																																										
2.3 Proposal Preparation Period	Consultants																																										
2.4 Technical Proposal Evaluation incl, Govt. Approval	BT/GoT																																										
2.5 ADB Review and Approval	ADB																																										
2.6 Financial Proposal Opening/ Evaluation & Govt. Approval	BT/GoT																																										
2.7 ADB Review and Approval	ADB																																										
2.8 Contract Signing and Effectiveness	GoT/Consultant																																										
2.9 Implementation Consultant Contract Execution	Consultant																																										
3. Protection system procurement and implementation																																											
3.1 Update of Bidding Documents, incl. Govt. Approval	Consultant/GoT																																										
3.2 ADB Review and Approval	ADB																																										
3.3 Finalization with the Uzbekistan counterparts	BT/Consultant/GoT																																										
3.4 Bidding Period incl. Pre-bid Meeting	Bidders																																										
3.5 Technical Bid Evaluation incl, Govt. Approval	Consultant/GoT																																										
3.6 ADB Review and Approval	ADB																																										
3.7 Financial Bid Opening, Evaluation & Govt. Approval	BT/Consultant/GoT																																										
3.8 ADB Review and Approval	ADB																																										
3.9 Contract Signing	BT/Bidder																																										
3.10 Contract Effectiveness	BT/Contractor																																										
3.11 Construction, implementation	BT/Contractor																																										

Note: BT - Barki Tajik; EOI - Expression of Interest; FAT - Factory Acceptance Test; GoT - Government of Tajikistan; HVTL - high voltage transmission line; MVA - megavolt ampere; MoU - Memorandum of Understanding; RFP - Request for

Source: ADB and the Republic of Tajikistan: Reconnection to the Central Asian Power System Project

75. Major externally funded projects have implementation plans, but the absence of adjustment data and unclear government utilization of ex-post audits impact project management effectiveness. The lack of clarity on the appointment process for internally funded projects, along with the absence of project implementation plans, hampers the evaluation of project performance against intended plans. Additionally, the absence of formal project adjustment rules raises concerns about inadequate analysis and documentation of adjustment proposals. There is a lack of information substantiating the analysis of major capital projects for adjustments during implementation, posing risks of insufficient updates to cost estimates, timetables, and the implementation plan, and neglecting necessary project cancellations. While the Chamber of Accounts conducts audits for both externally and internally funded projects and submits reports to the legislatures, there remains uncertainty about the reports' influence on improving future project implementation.

76. A comprehensive regulatory framework for project management is required. Improving project management is pivotal for improved project delivery, organizational performance, and sustainability. Appointing a dedicated project manager and implementing a robust project plan will ensure streamlined coordination, accountability, effective risk management, and prompt problem-solving. Standardized rules for adjustments, particularly in major internally funded projects, would mitigate various risks. Access to project adjustment data will enhance decision-making and efficient risk management.

Moreover, establishing explicit requirements for ex-post audits of major completed projects would eliminate gaps in audit effectiveness.

15. Monitoring of Public Assets (Strength—Medium; Effectiveness: Medium; Reform Priority: Medium)

77. Maintaining an up-to-date picture of non-financial assets and their condition is essential to enable effective management of the public sector asset portfolio. Effective management requires a comprehensive assets register capturing relevant data and is updated regularly. Information on the values and types of assets should be incorporated in the government's balance sheet as a basis for the calculation of net worth and depreciation charged as an indication of asset condition.

78. Physical assets are recorded in an asset register and as non-financial assets in financial statements, with depreciation applied. The SCISPM has operated a legally mandated central asset register since January 2022. The information system on which the register is based was designed by SCISPM.[35] The register is comprehensive in that it covers all types of assets owned by central and local government budget entities, as well as state unitary enterprises. Data on existing assets is updated annually at the end of each year, including responsible entity, description (does not cover the condition of the asset), location, replacement value, depreciation, and whether it is operational. Access to the register is restricted, as its main purpose is to ensure proper financial accountability and control, not asset management. Published accounting policy requires that non-financial assets are comprehensively recorded in financial statements at historical costs and depreciated on an asset class-specific basis defined in regulation. For this purpose, MDAs are expected to maintain asset records, but no guidance or standards have been issued for this purpose other than to support accounting for fixed assets.

79. While depreciation is applied in a manner consistent with international standards, data in the asset register is incomplete and not re-valued. Budget entities have not been diligent in providing information to the SCISPM, resulting in the register being materially incomplete. The State Service on the Use of State Property investigates improper use of state property but does not routinely verify that data in the register is correct. The Chamber of Accounts has not audited the register. The SCISPM has established policies regarding access to the register, typically restricting access to agencies involved in financial control, such as the Chamber of Accounts and the Anti-Corruption Agency. Accounting policy directs that major assets are listed and appended to its financial statement to justify its non-financial assets entry. The Chamber of Accounts checks that the non-financial sums match the appended list of assets and will perform spot checks in the field and with the register. However, there is no systematic reconciliation between a budget entity's financial statement and its assets recorded in the register. Assets are not revalued in financial statements. Published guidance on depreciation policies and rates is consistent with international practices, which are applied to each budget entity's records of assets.

80. The asset register is not yet well established but has the potential to be useful for investment planning and estimating maintenance needs. The register collects information on assets, which are described, and their replacement value. While the MoEDT can collect asset information directly from MDAs and SNGs, a centralized register is much more convenient and could serve as the basis for

[35] An asset management module to SGB.net, the treasury management information system, is planned. Coordination between the SCISPM asset register and the planned SGB.net module is not clear.

cross-sector analysis. Assets in the register could be coded according to a classification that meets the data needs of other agencies, especially those addressing planning, maintenance, and climate change. Currently, the register includes a simple identification code for assets that is not designed for analysis. MoEDT and the SCISPM are well placed to establish a working group, with broad participation, to develop a coding system that would enable the analysis of assets to meet a variety of issues. Given that the register was developed locally, modification of the registers to add one or more coding schemes should not be technically difficult or expensive. However, ministries and agencies would benefit from the register with appropriate classification codes only if they could obtain reports on individual (or groups of) assets. Under all circumstances, the SCISPM should develop methods for verifying the accuracy of its data, including reconciliation with accounting data and the broader system of real estate registration.

Recommendations

Issue: There is no formal mechanism for monitoring internally funded initiatives, and externally financed project portfolio monitoring responsibilities are fragmented and shared unclearly across SCISPM, MoEDT, and MoF.

Recommendation 8. Establish an overarching framework for portfolio oversight and management that encompasses all investment projects, regardless of funding source.
(MoEDT, by end-2024).

Issue: There is no requirement for ex-post reviews of major capital projects, which means the outcome and performance of the project cannot be evaluated, and lessons cannot be drawn on in future projects.

Recommendation 9: Establish an ex-post evaluation process and require these evaluations for all large projects. *(MoEDT, by mid-2025)*

Issue: There is a lack of centralized data on assets to support medium-term investment planning, maintenance, climate mitigation, and vulnerability of assets to climate change.

Recommendation 10: Expand the functionality of the SCISPM asset register by classifying assets for analytical purposes and allowing entities outside of the SCISPM to access and register data.
(MoEDT and SCISPM, by mid-2025 for use during 2026 budget preparation)

IV. The Climate PIMA

A. Climate Change and Public Infrastructure

81. Tajikistan is increasingly experiencing the impacts of climate change. As a lower middle-income country with a landlocked, mountainous, but diverse topography and climate, it is especially vulnerable to climate change (Figures 36 and 37). Climate change models for all global warming scenarios predict that Tajikistan's weather patterns will become more volatile and extreme. Annual average temperatures have risen steadily over the past decades in Tajikistan and are projected to increase by 1.6 to 2.3°C in 2050 and between 1.8 and 3.3°C in 2070 across the 1-2.6 and 3-7.0 Shared Socioeconomic Pathway (SSP) emission scenarios (Figure 38). This will be more than in most other countries (Figure 39). More warming than in these estimates cannot be excluded, and in a high-emission, fast-warming scenario (SSP3-7.0 90th percentile), temperatures could increase by 4.1°C by 2070.[36]

82. These changes could result in substantial damage to infrastructure and the broader economy. Rising temperatures leading to an increased likelihood of drought can accelerate land degradation and glacial retreat, which will impact water flows and lead to increased hydrological variability. Flooding, landslides, and mudslides are expected to intensify. The most vulnerable areas are the glacier-dependent river catchments and basins. This carries risks to hydropower, with existing plants requiring renewal to cope with the changing climate and new plants needing to be resilient by design. It will also impact livelihoods, with the economy heavily dependent on these sectors; renewable hydropower accounts for approximately 40 percent of energy and 93 percent of electricity generation, and agriculture employs almost 46 percent of the population (Figures 40 and 41). Without mitigation and adaptation efforts, the effects of climate change could result in severe loss and damage in Tajikistan.

83. Climate change has significant macroeconomic and fiscal implications in Tajikistan. Analysis by the Government of the Republic of Tajikistan found that 3,460 natural disasters occurred between 1997 and 2018, which on average meant almost 160 a year or one occurring every two days.[37] These severely affect people and the economy, with annual average losses due to floods estimated at US$60.8m (0.7 percent of GDP), while a 100-year flood would incur economic losses of US$550m (6.5 percent of GDP).[38] Damages from all types of natural disasters have been estimated to cost up to 3 percent of GDP each year.[39] Climate-resilient infrastructure is key to averting the impacts of climate change and natural disasters, which will otherwise become more frequent and cause further loss and damage. It will also continue to have a disproportionate impact on the rural and urban poor and remote groups and communities due to their limited capacity to adapt and respond to the change happening around them.

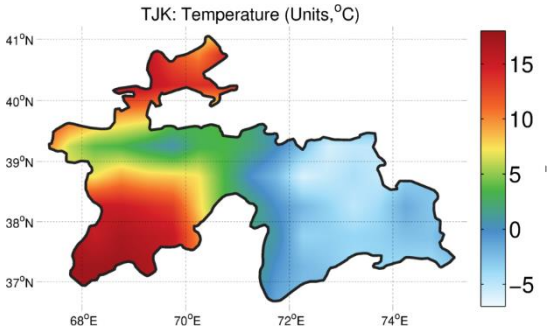
[36] IMF Climate Dataset (Massetti and Tagklis, 2023), using Climate Research Unit data (Harris et al., 2020), and Coupled Model Intercomparison Project 6 data (Copernicus Climate Change Service, Climate Data Store, 2021); World Bank, Climate Change Knowledge Portal, 2021.

[37] Government of the Republic of Tajikistan, National Strategy to Reduce the Risk of Natural Disasters 2019-2034, December 2022 and IMF staff calculations

[38] Central Asia Regional Economic Cooperation Program, Country Risk Profile: Tajikistan, April 2022

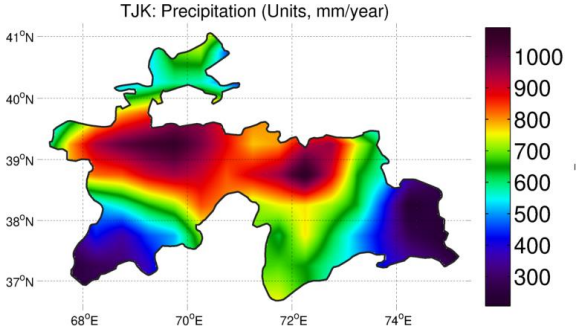
[39] Zoï Environment Network, Climate Change in Tajikistan, 2020

Figure 36. Tajikistan: Average Annual Temperature (1991-2020, degree Celsius)



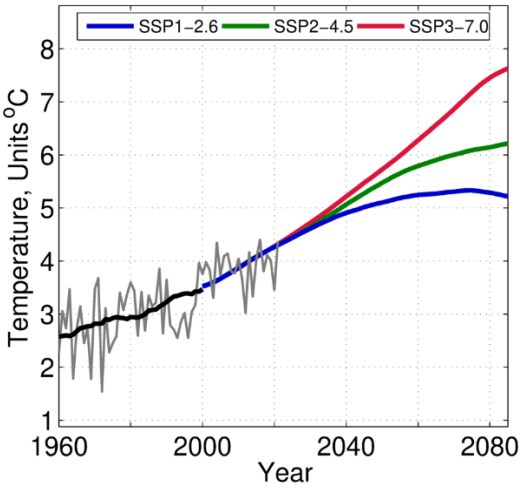
Source: IMF Climate Dataset (Massetti and Tagklis, 2023).

Figure 37. Tajikistan: Average Annual Precipitation (1991-2020, millimeters per year)



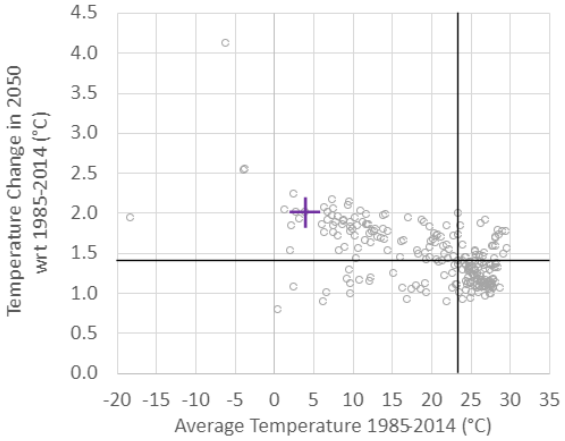
Source: IMF Climate Dataset (Massetti and Tagklis, 2023).

Figure 38. Tajikistan: Average Annual Temperature Under Different SSP Scenarios (1960-2080, degrees Celsius)



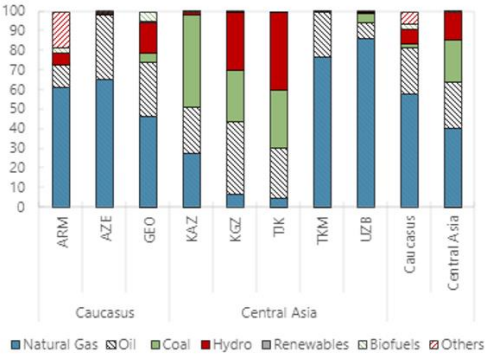
Source: IMF Climate Dataset (Massetti and Tagklis, 2023.
Note: The grey line describes the historical mean annual temperature based on observations. The black line describes the 30-year moving average of historical data around every 30 years.

Figure 39. Cross-country Comparison of Average Temperature and Changes by 2050 (1985-2014 climatology and SSP2-4.5 Scenario)



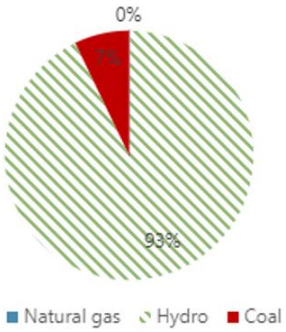
Source: IMF Climate Dataset (Massetti and Tagklis, 2023)
Note: Each circle indicates a country, and the cross indicates Tajikistan. It shows projected temperature change in 2050 relative to 1985-2014 climatology using the SSP2-4.5 emission scenario.

Figure 40. Total Energy Supply
(2019, percent of total)



Source: International Energy Agency and IMF staff calculations.

Figure 41. Electricity Supply Sources
(2019, percent of supply)



Source: International Energy Agency and IMF staff calculations.

84. Investment in climate-resilient infrastructure will be essential to mitigate and adapt to the impacts of climate change and natural disasters in Tajikistan. Improving infrastructure while addressing climate mitigation and adaptation challenges involves transformation across energy, transport, water, and other key sectors. Public investment plays a major role in Tajikistan's climate mitigation and adaptation efforts, and mainstreaming climate change considerations into infrastructure and public investment management is critical.

85. While Tajikistan currently contributes a negligible amount to global greenhouse gas (GHG) emissions, its emissions are rising. Reliance on low-carbon electricity has helped keep emissions at one of the lowest levels in the region and globally. However, as Tajikistan's economy continues to grow, its energy demand and subsequent emissions are expected to rise. Alongside the ongoing contribution of agriculture, this is being driven by a growing transportation sector, expansion of heavy industry, and more coal being added to the grid in response to energy security concerns.

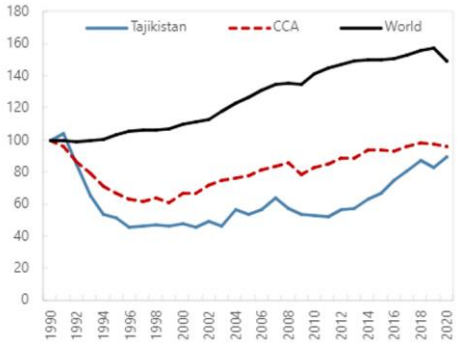
B. Climate Change Objectives and Strategy

86. Tajikistan has been increasing its focus on climate as part of the country's overall economic strategy (see Table 4). NDS-2030, adopted in 2016, sets the long-term economic direction and includes measures that can contribute to reducing the impacts of climate change. This has been supported by the two recent Medium-Term Development Programs covering 2016-20 and 2021-25, respectively. The recently adopted Green Economic Development Strategy for 2023-37 takes this further and provides a roadmap for the green development of major economic sectors. This commits to further developing Tajikistan's renewable energy sector to meet the ambition for sustainable growth. It also seeks to improve the resilience and environmental sustainability of sectors in the real economy, such as industry, agriculture, transport, construction, and waste management.

87. Tajikistan has committed to a robust Nationally Determined Contribution (NDC). Tajikistan's greenhouse gas emissions index and emissions per capita are low compared to other countries in the region and the world (Figures 42 and 43). Emissions are predominantly from the agriculture sector, but other fuel combustion and increasingly transport have been important contributors. (Figure 44). In its updated NDC, submitted to the United Nations Framework Convention on Climate Change in 2021,

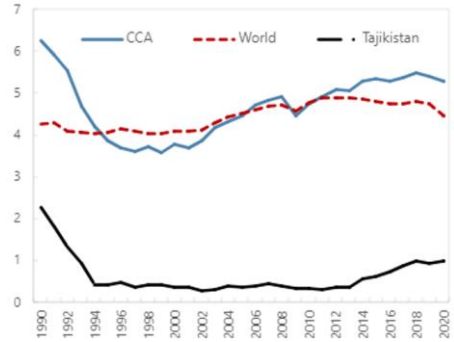
Tajikistan committed to reducing emissions by 30-40 percent of pre-industrial levels by 2030 (unconditionally) and 40−50 percent (conditional on adequate international financial or technical support, technology transfer, and capacity building). The NDC covers sectors such as energy, forestry and biodiversity, industry and construction, transport and infrastructure, and proposes a stronger approach to adaptation.[40] While GHG emissions are currently low, they are projected to rise over the next decades, and further mitigation efforts will be needed to achieve the NDC commitments (Figure 45).

Figure 42. Greenhouse Gas Emissions Index (1990=100)



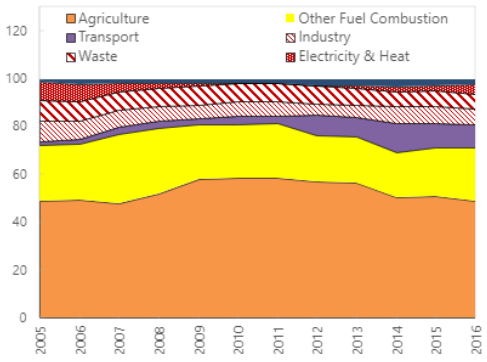
Source: Ritchie and Roser (2020), Climate Indicators Dashboard, and staff calculations.

Figure 43. Average Annual CO2 Emissions Per Capita (Million tons per capita)



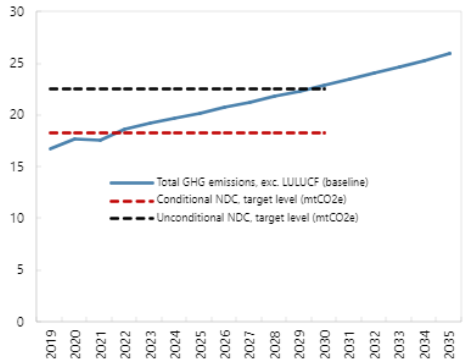
Source: Ritchie and Roser (2020), Climate Indicators Dashboard, and IMF staff calculations.

Figure 44. Sectoral Greenhouse Gas Emissions (Percent of total emissions



Source: Ritchie and Roser (2020), Climate Indicators Dashboard, and IMF staff calculations.

Figure 45. Greenhouse Gas Emissions and NDC (Metric tons of carbon dioxide equivalent)



Source: Ritchie and Roser (2020), Climate Indicators Dashboard, and IMF staff calculations.

88. The development and improvement of infrastructure is a key part of Tajikistan's climate mitigation and adaptation strategy. The updated NDC sits alongside the National Strategy for Adaptation to Climate Change for the period up to 2030, adopted by the government in 2019, which serves as the strategic document to achieve the goals stated in the Paris Agreement. It is now also supported by the new Green Development Strategy for 2023−37 and an NDC Implementation Plan,

[40] Government of the Republic of Tajikistan, Nationally Determined Contribution, October 2021

adopted in 2022, which provides a roadmap for achieving its updated NDC. The government is also in the process of developing a Climate Finance Plan and a National Adaptation Plan.

Table 4. Strategies and Plans to Support Climate Change Objectives in Tajikistan

Key Strategies and Plans	Coverage
National Development Strategy	NDS-2030, adopted in 2016, is Tajikistan's long-term economic strategy. It outlines the general direction of economic development and includes proposals that can contribute to reducing the impacts of climate change: i) use of non-traditional (renewable) energy sources; ii) minimization of the negative impact of transportation on the environment and human health; and iii) development of green employment, environmental entrepreneurship, and the environmental services market.
Medium-Term Development Program	The Medium-Term Development Program 2021-2025 is the country's medium-term economic plan and contains a section devoted to environmental protection, climate change, and natural disasters. It was preceded by the plan for 2016-2020, which also contained measures to reduce the impact of climate change.
National Strategy for Adaptation to Climate Change	The Strategy, adopted in 2019, serves as the strategic document to achieve the goals stated in the Paris Agreement. It summarizes the information needed to identify risks, threats, and adaptive measures related to climate change and prioritizes four sectors that are both climate-sensitive and development priorities: i) energy; ii) water; iii) transport; and iv) agriculture. It also outlines adaptive measures in key sectors of the economy and suggests mechanisms and sources of financing.
NDC Update	Tajikistan communicated its Intended NDC under the Paris Agreement in 2015, which became the country's first NDC upon ratification of the Paris Agreement in 2017. It submitted its updated NDC in 2021, which committed to reducing emissions by 30-40 percent of pre-industrial levels by 2030 (unconditionally) and 40-50 percent (conditionally). The update covers climate adaptation and mitigation and includes high-level cost estimates across key sectors: i) agriculture; ii) energy; iii) forestry and biodiversity; iv) industry and construction; and v) transport and infrastructure.
Green Development Strategy	The recently adopted Green Economic Development Strategy for 2023-37 provides a roadmap for the green development of major economic sectors. Further development of Tajikistan's renewable energy potential, with a focus on expanding small and medium-sized hydropower, is envisaged to address seasonal power shortages, boost electricity exports, and satisfy a growing demand for clean electricity in the context of the national plan for accelerated industrialization. The Strategy's adaptation aspects aim to improve the resilience and environmental sustainability of key sectors such as agriculture, transport, and construction.
NDC Implementation Plan	The NDC Implementation Plan, adopted in 2022, provides a comprehensive roadmap for achieving Tajikistan's updated NDC. It sets out 34 actions to deliver its unconditional NDC commitment and 16 to meet its conditional commitment. It also includes 40 actions across energy, water, agriculture, forestry, transport, industry, and construction, plus six cross-sectoral actions to adapt to climate change. It is considered a living document and will be updated as necessary.
National Strategy to Reduce the Risk of Natural Disasters	The National Strategy to Reduce the Risk of Natural Disasters for 2019-2034, adopted in 2018, aims to reduce existing and prevent new risks of natural disasters by: i) reducing the impacts of natural disasters; ii) ensuring that all stakeholders have access to disaster risk information; iii) integrating disaster risk management into development; and iv) improving disaster preparedness and response mechanisms.
Institutions	Climate-related Responsibilities
Committee on Environmental Protection	CoEP is responsible for controlling the use of natural resources and protecting land, minerals, forests, water, and other resources, as well as coordinating activities on environmental protection. It is also responsible for climate change, including the

Key Strategies and Plans	Coverage
	implementation of the NDC and National Strategy for Adaptation to Climate Change 2030.
Ministry of Economic Development and Trade	MoEDT is the central executive authority that develops policies for all socio-economic sectors of the country. It prepares and implements economic development strategies, including the recently approved Green Economy Development Strategy.
Sector Ministries	Line ministries play a critical role in the development and implementation of climate-relevant infrastructure projects and climate-related rules and regulations.

89. Public investment will need to be used strategically and judiciously to achieve Tajikistan's climate goals. Meeting the country's climate objectives will involve significant costs and require concerted effort to create the fiscal space required. This will need to be accompanied by strong policy frameworks and clear finance mechanisms to catalyze private investment. It will also require close coordination among MDAs and stakeholders, including development partners. This will mark a substantial increase in overall public investment in Tajikistan and emphasize the importance of robust climate-sensitive public investment practices. Box 7 presents a summary of the key measures in the NDC Implementation Plan.

Box 7. Measures in the NDC Implementation Plan

Tajikistan's NDC Implementation Plan contains mitigation and adaptation actions for the period up to 2030. The plan is considered a living document representing Tajikistan's current plans based on emissions trends and feasible mitigation actions, climate change impacts/vulnerability, and feasible adaptation actions, as well as the capacity building, technology, and finance needs. It will be updated as needed to ensure validity, transparency, and accuracy over time.

It contains a total of 34 unconditional and 16 conditional mitigation actions spanning across the energy; industrial processes and product use (IPPU); agriculture, forestry, and other land use (AFOLU); and waste sectors (Table 5).

Table 5. Unconditional and Conditional Actions by Emissions Type

Mitigation action	Energy	IPPU	AFOLU	Waste
Unconditional	10	0	13	11
Conditional	3	1	12	0

A total of 40 adaptation actions are included across the energy, water, agriculture, forestry, transport, and industry and construction sectors plus 6 cross-sectoral actions (Table 6).

Table 6. Adaptation Actions by Sector

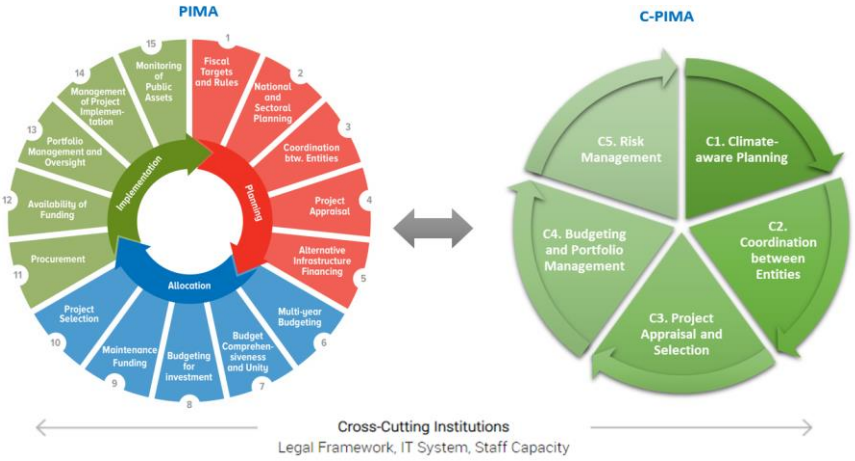
Energy	Water	Agriculture	Forestry	Transport	Industry and construction	Cross-sectoral
6	9	9	7	5	4	6

Source: Tajikistan NDC Implementation Plan

C. Climate PIMA Framework

90. The **Climate PIMA assesses five key public investment management practices from the climate change perspective and is an extension of the existing PIMA framework.** Figure 46 describes the main elements.

Figure 46. Climate Public Investment Management Assessment Framework



91. The Climate PIMA covers the following specific issues (see Annex 3 for the C-PIMA Questionnaire):

- *C1. Climate-aware planning:* Is public investment planned from a climate change perspective? This is necessary to ensure that long- and medium-term plans contribute to meeting climate objectives and facilitate effective prioritization and decision-making.
- *C2. Coordination across the public sector:* Is there effective coordination of decision-making on climate change-related public investment across the public sector? In addition to the central government, subnational governments (SNGs), state-owned enterprises (SOEs), and private sector entities play key roles in realizing climate-related public investment. Climate adaptation investments will often take place at the SNG level, and both SOEs and private sector entities may play key roles, for instance, in energy production.
- *C3. Project appraisal and selection*: Do project appraisal and selection include climate-related analysis and criteria? This is necessary to ensure that the most effective and efficient investments are prioritized. This serves to maximize the climate impacts of public investments with available resources.
- *C.4 Budgeting and Portfolio management:* Is climate-related investment spending clearly identified in the budget and subject to active management and oversight? Because the climate benefits may be less tangible and more difficult to quantify than other project benefits, systematic and consistent management, and oversight of benefits over the project lifecycle is critical.
- *C5. Risk management:* Are fiscal risks relating to climate change and infrastructure incorporated in budgets and fiscal risk analysis and managed according to a plan? The likelihood of climate-related disasters is expected to increase over time. The impacts of these risks on public

infrastructure must be systematically assessed and monitored to facilitate adequate and effective risk mitigation.

D. Detailed Assessment

C1. Climate-aware Planning (Strength: Medium; Reform Priority: Medium)

92. Tajikistan has adopted an impressive NDC Implementation Plan covering mitigation and adaptation, but further steps could be taken to fully integrate it within national public investment strategies, plans, and processes. The NDC Implementation Plan sets out 34 actions to deliver its unconditional NDC commitment (measures with the country's own efforts up to 2030) and 16 to meet its conditional NDC commitment (measures that rely on adequate international financial or technical support, technology transfer, or capacity building). It also includes 40 actions across energy, water, agriculture, forestry, transport, industry, and construction, plus six cross-sectoral actions to adapt to climate change. Although individual actions are not costed, this detail is expected in the forthcoming Climate Finance Plan. The ongoing development of a National Adaptation Plan also provides an opportunity to further strengthen the country's approach to climate change. These are positive developments, but it will be important to ensure that future national and sectoral public investment strategies, plans, and key processes reflect these commitments as well.

93. Legislation on spatial and urban planning and construction largely does not address climate-related risks and impacts on public investment in Tajikistan but does include some beneficial provisions. Tajikistan has several laws covering environmental protection, and through the Urban Planning Code, can restrict activity in areas exposed to natural disasters. However, the challenges of emissions reduction and building resilience to climate change are generally not addressed. For example, the 2013 Law on Energy Savings, while broad, aims to improve the energy efficiency of buildings, but several important pieces of secondary legislation needed for implementation are still under consideration, and Tajikistan remains at an early stage of developing a comprehensive set of measures to improve energy efficiency.[41] Recent climate strategies and plans, such as the National Strategy for Adaptation to Climate Change for the period up to 2030, have also acknowledged that the country's existing laws, regulations, and codes while focusing on environmental protection, do not include climate change issues sufficiently. Legislation should be reviewed and accompanied by the development of a plan to incorporate climate mitigation and adaptation across spatial and urban planning and construction. This should be taken forward as part of work already underway to incorporate climate considerations through the development of a broader Ecological Code.

94. There is no centralized guidance on technical climate issues or support for ministries and agencies in the preparation and costing of climate-aware public investment plans. The most relevant provision is Government Resolution 161, which concerns the development and implementation of the state investment program and specifies that ecological and environmental sections must be

[41] International Energy Agency, Tajikistan 2022: Energy Sector Review, 2022

included within project proposals. However, it does not adequately include climate change (see C-PIMA Institution C3), and there is no wider guidance on technical climate issues or support for line ministries to prepare and cost climate-aware public investment plans. Technical guidance and support will be crucial in enabling Tajikistan to develop and deliver the policies and projects needed to achieve its climate objectives. The NDC Implementation Plan acknowledges the need for capacity development and includes a commitment to developing an NDC Capacity Building Action Plan (see Box 8).

Box 8. Government of the Republic of Tajikistan Analysis of Capacity and Capability in the Context of NDC Delivery

Tajikistan has been actively strengthening its capability in climate change risk management.

Through the NDC Implementation Plan, Tajikistan has identified the need for capacity development at the national, sectoral, regional, and local levels and strong cooperation with civil society, academia, and the private sector to manage the impacts of climate change and implement the measures identified.

In this, it committed to developing an NDC Capacity Building Action Plan to deliver the necessary knowledge, skills, communication, and institutional strengthening needed for effective implementation:

1. Creation of favorable conditions for the introduction of new technologies in the field of climate change in collaboration with the MoF
2. Adoption of gender-sensitive measures to improve the planning system
3. Creation of climate change awareness and disaster risk management campaigns
4. Adjustment of master plans in response to climate change
5. Strengthening the technical capacity of government agencies in the field of climate change adaptation and management

Source: Government of the Republic of Tajikistan, Nationally Determined Contribution Implementation Plan, April 2022

C2. Coordination Between Entities (Strength: Medium; Reform Priority: Low)

95. Public investment decisions are coordinated across central government regardless of financing sources, but climate change is not fully embedded. Overall, public investment planning and decision making is coordinated through the public investment management process (see PIMA Institution 3), and climate mitigation and adaptation measures are set out in the NDC Implementation Plan. While the Plan makes the link between each action and the relevant national and sectoral strategy and institution responsible for implementation, climate change considerations are not fully integrated within broader public investment management processes. The concept of environmental impacts of investment projects is included in Government Resolution 161, but there is no guidance on how to consider climate change as part of it. Coordination on climate-related public investment across the public sector should be improved, with climate-related considerations emphasized and integrated into key processes. This will also require the strengthening of central institutions. MDAs, such as CoEP, MoEDT, and MoF, will need to be able to oversee the development and implementation of these plans and integrate them within these key processes alongside the ministries responsible for developing and implementing plans in their sectors.

96. Planning and implementing SNG capital spending is coordinated with the central government, but a climate-change perspective is not prominent within it. The NDC implementation plan includes municipal-level investment projects with ministries as lead agencies and SNGs as stakeholders. Government Resolution 161 provides regulatory guidance for both central and local government public investment, mandating SNGs to propose projects to the MoF for state budget funding and MoEDT for external financing through the PIP, but there are no climate-change references in this document. Central government and sub-national investment projects funded externally through the PIP often include a climate change perspective and link to Tajikistan's climate change strategies and plans, but investment projects financed internally through the state budget have a lower level of transparency. Coordination on climate-related public investment should be strengthened at all levels of the public sector, including with SNGs, and capacity-building initiatives should support them with climate-related issues, including the planning and implementation of local mitigation and adaptation projects.

97. The regulatory and oversight framework for SOEs does not promote consistency between their investments and national climate objectives. SOEs play an important role in Tajikistan's economy and are key operators in sectors that are crucial to the country's climate mitigation and adaptation goals. Well-known examples include Barki Tojik, Tajik Railways, and the Tajik Aluminum Company. The MoF monitors the financial performance of SOEs in which the government owns more than 50 percent of the company, while line ministries are responsible for reviewing investment plans to ensure that a proposed project is in line with the core functions and strategic objectives of the respective SOE. While the NDC Implementation Plan sets out the line ministries responsible for the various sectors that SOEs operate in, there does not appear to be any specific guidance for SOEs about the alignment of public investments and national climate change objectives or a requirement for them to assess new investment projects for climate mitigation and adaptation impacts. Attention should be given to ensuring that national climate change goals and climate change risks are integrated into the oversight and governance of SOEs. The responsibility of the MoF to monitor the financial performance and risks of SOEs should include financial implications from climate-related risks (both physical risks stemming from climate change as well as transitional risks relating to the impact of climate policy and technological change).

C3. Project Appraisal and Selection (Strength: Low; Reform Priority: High)

98. Climate change is not included in the appraisal process for public investment, and there is no standard methodology containing technical details nor publication and external review requirements. Government Resolution 161, which governs the appraisal and selection process for the development of the government's investment program, requires an appraisal of the environmental impact of a project and compliance with national and international environmental standards. However, there is no mention of climate mitigation or adaptation measures or requirements (see Annex 9 for more detail). There is currently no methodological guidance on how to implement government Resolution 161, but the MoEDT has noted that this is a priority. The forthcoming Ecological Code should provide an opportunity to include climate mitigation and adaptation requirements in the appraisal and selection criteria and methodological guidance. As noted in C-PIMA Institution C1 on climate-aware planning, it will be important to develop guidance on technical climate issues and provide support for line ministries on how to prepare and cost climate-aware public investment plans and projects, including alignment with the NDC. This will be necessary to ensure that projects are aligned with the country's climate commitments,

that the projects fully take climate mitigation and adaptation measures into account, and that these initiatives are eligible for concessional financing that targets such measures.

99. The exposure of PPP assets to risks arising from climate change and arrangements for their transfer in PPP contracts is not part of the regulation of PPPs. Tajikistan has a very limited portfolio of PPPs, but there appears to be a willingness to ramp up the program. While the 2012 Law on PPPs requires environmental impact assessments, it does not explicitly mention how to incorporate the risks stemming from climate change into this type of long-term obligation (see Box 9). A review of the PPP and concession regulation would provide an opportunity to incorporate climate change risks in these assessments and contracts.

Box 9. Incorporation of Climate into PPP Contracting and Operation.

PPPs and similar infrastructure contracts commit the government to long-term obligations, typically 20-30 years. This means that risks from climate change – either adaptation or mitigation risks such as lock-in of high emitting infrastructure, or both – are likely to arise depending on the nature of the project at some point during the term of the contract.

It is, therefore, important that careful analysis of climate-related risks is conducted at the design and appraisal stages of PPPs. It is also important for the portfolio of existing PPPs that contract management considers the climate implications of the assets' operation and future transfer to the government.

Source: IMF staff.

100. There are no formal project selection criteria that explicitly refer to climate change. As noted above, Government Resolution 161 does not include climate mitigation or adaptation considerations (the selection criteria can be found in Box 5 under PIMA Institution 10). However, the envisioned review of Government Resolution 161 and the much-needed supplemental guidance and support could be a basis for fully integrating climate change criteria into the selection process.

C4. Budgeting and Portfolio Management (Strength: Low; Reform Priority: High)

101. Budget documents do not identify climate-related investment expenditures, but program classification provides a basis for aligning climate budgets and spending. There is currently no methodology on what constitutes climate-related spending, although the Chart of Accounts is structured in a way that could support climate budget tagging at various levels. Currently, six sectors are being piloted using a program classification, and each sector is required to develop a budget plan where key objectives and indicators are aligned to program spending plans over the medium term. At the project level, budget organizations are required to complete a table as part of the budget instructions that provide information on how the project contributes to specific outputs and outcomes. Both initiatives could be easily adapted to include climate mitigation and adaptation measures undertaken by investment projects. In line with the NDC Implementation Plan, the MoF and CoEP should explore options for identifying climate change-related investments in the budget. Annex 10 provides an illustration of how France adopted green budget tagging, which is based on a budget structure similar to that of Tajikistan.

102. No ex-post reviews or audits are conducted with climate change adaptation and mitigation outcomes for public investments. Whilst there is a law and process for conducting ex-post reviews for investment projects (see PIMA Institution 14), there is no reference to reviews of projects with adaptation

and mitigation components. Additionally, the absence of a definition of what constitutes climate-related spending implies there is no basis to compare whether climate mitigation or adaptation outcomes of climate-related investments and investment projects had their intended effect. This is not the case for externally financed projects from the major development banks (ABD and World Bank), which have internal mechanisms to ensure projects meet certain climate criteria before they can be implemented. Exposure to climate change impacts and risks and climate-related policy objectives creates a need for specific review practices. For projects with a mitigation component, ex-post reviews should compare actual GHG emissions against projected and actual emissions under a business-as-usual scenario. For adaptation, reviews should assess the impact of natural hazards and risks of climate change on the completed infrastructure.

103. Neither estimates of maintenance needs of climate change-exposed infrastructure assets nor asset management policies address climate-related risks. There has been no update to the maintenance methodology for major infrastructure in over 30 years, and there is no reference to climate change. It is understood that road maintenance standards are being updated, which could provide an option to integrate climate-related risks into this methodology (see PIMA Institution 9). There is a new Government Decree that authorizes a comprehensive centralized register (see PIMA Institution 15), but this omits any reference to damage or impairment to assets caused by climate-related disasters or climate-exposed infrastructure assets. Maintenance manuals and schedules should be strengthened to guide requirements in sectors where climate change is likely to increase damage (for example, due to hydrological events or higher temperatures).

C5. Risk Management (Strength: Medium; Reform Priority: Medium)

104. The National Strategy to Reduce the Risk of Natural Disasters for 2019-2034 provides an overview of climate-related disaster impacts on public infrastructure, but there is scope to strengthen the approach further. The Strategy acknowledges the increased likelihood of mudflows, avalanches, and droughts due to climate change, as well as the need for improved early warning systems and risk management practices. It also aligns with the Sendai Framework for Disaster Risk Reduction 2015-2030 and the 2030 Sustainable Development Goals, underlining its commitment to international best practices. While it outlines a comprehensive multi-phase plan, indicating a structured approach to disaster risk reduction, it stops short of providing a current, in-depth hazard analysis and quantification of risks to public infrastructure assets and networks, instead laying out intentions for such analyses to be conducted in subsequent stages. The current approach could, therefore, be complemented by a detailed vulnerability assessment of public infrastructure to climate-related risks. This analysis could pay careful attention to the vulnerability of the Rogun Hydropower Project, given its national significance and substantial investment requirements. For a more granular assessment that could guide actionable mitigation and adaptation strategies, an analytical approach, as detailed in Box 10, would be necessary. This would enable targeted interventions for infrastructure resilience, addressing the current gap in quantifying exposure and vulnerability – crucial elements for enhancing preparedness in disaster risk management.

Box 10. Importance and Approach to Assessing Infrastructure Exposure to Climate-Related Disaster Risks

Understanding the exposure of infrastructure to climate-related disaster risks is crucial for effective planning and risk mitigation. It enables decision-makers to prioritize resources, develop effective adaptation strategies, and enhance the resilience of infrastructure. A leading example of such an assessment is the Third United Kingdom Climate Change Risk Assessment, which provided a comprehensive approach to evaluating infrastructure exposure to climate-related risks.

The assessment categorizes infrastructure into two types: Category A, which includes assets linked to water and energy, and Category B, which includes infrastructure sites such as railway stations, hospitals, and schools. This categorization aids in identifying the types of infrastructure most at risk and tailoring appropriate mitigation strategies. This information is then used to identify the extent of significant risk exposure across the United Kingdom (Table 5).

Table 7. Example of Infrastructure Risk Exposure: United Kingdom

Table 4.13 Number or length of infrastructure assets currently exposed to 'significant' risk of coastal flooding across the UK (Sayers *et al.* 2020)

Infrastructure Asset at 1:75 or greater risk of coastal flooding (present day)	England	Northern Ireland	Scotland	Wales	Total (UK wide)
Water sites (no.)	3	11	0	8	22
Sewage treatment works (no.)	53	0	20	18	91
Power stations (no.)	34	0	1	0	35
Electricity substations (no)	23	0	4	7	34
Rail length (km)	114	20	65	312	511
Rail stations (no.)	5	3	5	12	25
Landfill sites	0	0	0	0	0

Source. United Kingdom Climate Change Risk Assessment 3, Chapter 4, July 2020.

Similar analysis could be undertaken in Tajikistan. Given the prevalence of hydro-meteorological hazards such as glacial lake outbursts and mudflows, the analysis would need to account for the link between the country's mountainous terrain and its infrastructure, particularly water management systems like dams and irrigation networks that are crucial for agriculture and hydroelectric power generation. Incorporating local climate data and terrain analysis, the assessment could map the most vulnerable regions, including the Pamir and Fann Mountains, where infrastructure may be at heightened risk. These areas are recognized within the Strategy as particularly susceptible to natural disasters, underlining the importance of region-specific risk assessments to inform infrastructure development and disaster risk mitigation efforts.

Source: Mission drawing on cited material.

105. Funds are available to address the impact of natural disasters, including infrastructure rehabilitation, but governance could be more effective. The National Contingency Fund, designated by Article 45 of the 2018 Law on Public Finances, sets aside up to 0.5 percent of state budget revenues for unforeseen expenses such as natural disasters. Another is the Reserve Fund of Local Executive Bodies, established by Decree 602 of the 2021 Law on the Use of the Reserve Fund of Local Executive Bodie. This allocates 0.5 percent of local budget revenues to cover expenses, including those resulting from natural disasters. However, there is no reporting on the use of these funds in budget execution reports. A further "Reserve Fund of the President" also exists, as per Article 46 of the Law on Public Finances, but there are no clear directives on its usage other than it "shall be determined by the President of the Republic of Tajikistan." The legislation does not provide the purposes for which this fund can be employed, leaving its potential role in disaster management—or any specific scenario—unclear. This absence of transparency and specificity raises concerns about the fund's allocation and whether it can serve as an instrument for managing fiscal contingencies. This underscores the need for enhanced clarity

and specificity in the legislative framework to ensure that these financial resources are effectively employed for contingencies, including climate-related risk management and infrastructure resilience.

106. The government has a limited Statement of Fiscal Risks that does not include fiscal risks related to climate change. The Statement of Fiscal Risks focuses only on contingent liability risks related to SOEs, with the latest report published in 2021. Consistent with the recommendations under Institution 5 of the PIMA, this statement could be expanded to include other contingent liability risks (such as PPPs), risks related to natural disasters (including those caused by climate change), and more specific analysis of risks related to climate change. This could include long-term fiscal sustainability analysis taking into account climate projections (such as temperature rises and precipitation changes) and discrete fiscal risk analysis related to infrastructure, state-owned enterprises, and PPPs (for instance, the impact of accelerated glacial melt on hydropower projects and risks related to the climate-related policy transitions).

Recommendations

Issue: Regulations on spatial and urban planning and construction do not address climate-related risks and impacts on public investment.

Recommendation 11: Legislation should incorporate climate mitigation and adaptation measures across spatial and urban planning and construction.
(CoEP, mid-2025)

Issue: There is no explicit integration of climate mitigation and adaptation into the project appraisal and selection process, nor is it taken into consideration as an explicit risk in long-term contracts such as PPPs.

Recommendation 12: Update the regulatory framework governing the appraisal and selection process to include climate mitigation and adaptation criteria for use when appraising and selecting projects. PPP and concession regulations should also be updated to take climate-related risks into account. This should accompany changes proposed under Recommendation 3 in the PIMA (I4: Appraisal).
(MoEDT with CoEP, by end-2024)

Issue: There is no systematic approach to identify and track climate-sensitive investments.

Recommendation 13: Report climate-related investment expenditure in an annual climate budget statement that accompanies the detailed budget documentation. Ensure these are followed up as part of the ex-post review process (see Recommendation X of the PIMA)
(MoF, Department of Budget, mid-2025 for inclusion in the 2026 budget)

Issue: There is no government analysis of infrastructure-related fiscal risks as a result of climate change.

Recommendation 14: Expand the Statement of Fiscal Risks to include long-term fiscal risk analysis under different climate scenarios and assess the exposure of infrastructure, SOEs, and PPPs to changing climatic conditions (such as accelerated glacial melting) and policy transition risks.
(MoF with CoEP, mid-2025 for inclusion in the 2026 budget).

V. Cross-Cutting Issues

A. Legal and Regulatory Framework

107. The legal framework in Tajikistan is structured at six cascading levels below the Constitution. The first level is national laws and codes, which include accompanying regulations and instructions. The second is Parliamentary decisions. Third is Presidential Decrees or Resolutions. Fourth is Government Decisions (also referred to as resolutions). Fifth is Government Directives, which are more operational sector-specific ministerial instructions. The sixth level is municipal-level decisions.[42]

108. A comprehensive legal, policy, and regulatory framework covers all key aspects of public investment management. Most important issues are covered by Laws and their accompanying regulations and instructions (first level) and by Government Decisions (fourth level). Annex 11 provides an overview of the most important laws, regulations, and guidelines that were used to support the analysis of each PIMA and Climate PIMA institution.

109. Climate adaptation and mitigation measures are largely missing from the legal, regulatory, and policy framework, although there are plans to update elements of the legal framework. Whilst the legal framework does cover environmental considerations related to public investment management, mitigation and adaptation measures are largely absent. This is echoed in the National Strategy for Adaptation to Climate Change (2019), which identifies gaps at the sectoral level.[43] The CoEP is currently in the process of drafting a new Ecological Code, which includes climate change components (see C-PIMA Institution C1).

B. Information Technology

110. Tajikistan currently has four operational public financial management information systems, as follows:

- The Tajikistan Financial Management Information System (which locally is known as SGB.net) was introduced in 2015 and became fully operational in 2016. It has budget, revenue, treasury, and accounting modules. Other modules are planned, including public investment and asset management. Externally financed expenditures do not go through the system and are not recorded after the expenditures have been made outside the system. Therefore, it is not possible to generate budget expenditure reports that are consistent with the approved budget.
- The Debt Management and Financial Analysis System was introduced in 2022 and is still being populated with historical data. It is expected to become fully operational in early 2024. While the system is used to track loan and grant agreements and disbursements related to them, there are no plans at this time to reconcile the system with SCISPM data on externally financed projects.

[42] Based on the Law of Regulatory Legal Acts No. 506 (2009).

[43] The strategy states that existing laws, regulations and codes on environmental protection, energy, drinking water supply, construction and disaster risk management do not include climate change issues.

- The e-procurement system managed by the Agency for State Procurement of Goods, Works, and Services became operational in 2019. Its coverage is described in PIMA Institution 11 (on procurement).
- An asset management system under the SCISPM became operational in 2022. Its coverage and state of development are described in PIMA Institution 15 on monitoring of asset management.

111. Links between systems are limited. None of the four public financial management-related systems share information with each other. Regarding closely related systems, the Integrated Tax Management System is linked to the Tajikistan Financial Management Information System, but the Human Resources Management Information System and Payroll System are not.

112. Three key functions are not supported by electronic information systems. MoEDT does not employ a modern electronic information system for its long- and medium-term planning or the PIP. The SCISPM had an electronic information system to keep track of externally funded projects. This system, initially supported by a development partner, ceased operation in 2016 when no other financial support was found to keep it running. Several climate initiatives are underway. Effective climate actions are dependent on accurate information on existing assets exposed to climate-related risks, described in C-PIMA Institution C4 on budgeting and portfolio management. At this time, a coding system has not been agreed upon or structured in the Tajikistan Financial Management Information System to identify climate-related current and investment budget spending.

113. Electronic information support for public investment management is largely absent. The lack of systems is especially important given the fragmented nature of the public investment management system in Tajikistan. Information systems typically follow an investment project through the annual phases of planning, budgeting, and execution, and tracking multi-year expenditures for a single project. If present, such systems would overcome some of the challenges caused by the fragmented institutional environment. Priority should be given to establishing one or more (linked) systems to support the public investment planning, budgeting, expenditure, and asset management cycle, including climate-related public investment.

C. Capacity

114. There are substantial capacity issues facing the government with respect to public investment management across SNGs and MDAs. The lack of specialized skills and guidance means that foreign financing partners may de facto perform functions that belong within the national administration. At the project inception stage, the ideas for projects that are to translate the overall strategic framework into specific projects contain little analytical assessment and instead focus on policy alignment and cost estimates. While this is broadly acceptable for smaller, repeated projects (e.g., constructing basic buildings), this is a challenge to overcome if Tajikistan is to develop, assess, and execute its own larger and more complex projects—with external financing or not.

115. Greater staffing capacity is needed in key functions. The MoEDT's State Investment Program and Centralized Capital Investment Department is the hub of the investment program. It is meant to ensure that all investment proposals are properly appraised before prioritizing these and preparing the documentation that allows the CSIP to make informed decisions when selecting projects. It

receives and is expected to process between 100-150 proposals a year and returns many of these to line ministries for refinement, which is a substantial processing task. However, the unit currently consists of only seven staff including managers, which indicates that substantial review and analysis would be challenging. The unit has also indicated that Government Resolution 161 requires supplemental guidance and methodologies to help all partners in the national public investment management process implement the required analysis.

116. Tajikistan has a good basis for this work in the Academy of Public Administration under the President of the Republic of Tajikistan.[44] The Academy conducts retraining, advanced training and mobile courses for civil servants in support of their duties. There does not appear to be any internal system of financing to provide climate-related training to staff at a scale to materially meet the need in the coming years. International agencies, such as the United Nations, World Bank and others may be prepared to finance and conduct training to meet immediate staffing needs, but developing a national system for both training on public investment management and its climate aspects should also be a priority. Working closely with development partners to create a curriculum for officials that work on public investment would be a beneficial next step.

Recommendations

Issue: Staffing capacity and capability challenges make it difficult to efficiently analyze and execute public investment projects, including from a climate perspective.

Recommendation 14: Take stock of the skills, guidance and capacity gap across government ministries and agencies and sub-national government and develop a capability building action plan. Develop guidelines and provide technical support for ministries and agencies on climate in sectoral planning and in the preparation and costing of climate-related public investment strategies.
(MoEDT and CoEP, Immediately).

[44] Institute of Professional Development and retraining Civil Servants – Академия государственного управления при Президенте Республики Таджикистан (apa.tj)

Annex 1. PIMA and C-PIMA Action Plan

Inst.	Issue	Recommendations	Action	Priority	Responsibility	Timing
A. Planning Sustainable Levels of Public Investment						
1	MTFF does not distinguish between new and ongoing capital projects, or explain changes of forecasts or deviations between forecasts and approved budgets	MTFF to distinguish between new and ongoing projects, include analysis of fiscal space available for new projects, and explanations of key factors behind changes of forecasts and deviations between forecasts and approved budgets	1.1 Update the forms in the budget instructions to budget authorities	Medium	MoF	End 2024
			1.2 Undertake necessary update to budget IT system			End 2024
			1.3 Develop analysis and include in MTFF			Mid 2025
2	The links between the PIP, MTBF and the MTDS are neither defined, nor clearly effective.	The PIP should including all projects funded from all financing sources, including external, domestic and PPPs).	2.1 Develop a list of strategic projects in the PIP (from all funding sources) that have past a basic gateway.	High	MoF, SCISPM, MoEDT	End 2024
			2.2 Cost all projects and include performance indicators	High	MoF, SCISPM, MoEDT	End 2024
			2.3 Continuously update national and sectoral planning documents with the updated project list	High	MoF, SCISPM, MoEDT	Mid 2025
4	The appraisal process does not produce a pipeline of quality projects that aligns with the strategic priorities of the country covering domestic, foreign or PPP financing mechanisms.	The appraisal process must be updated to ensure that all projects irrespective of financing – foreign, domestic, PPP – are appraised and prioritized according to the strategic policies and needs of the country and project quality.	4.1 Upate regulation (161) to ensure projects follow the proposed single appraisal procedure.	High	MoEDT	End 2024
			4.2 Develop a full appraisal manual based on the above process	High	MoEDT	End 2024
			4.3 Run a pilot of the proposed appraisal process for the largest three project (domestic and external)	High	MoEDT	Mid 2025
			4.4 Train the MoEDT and the CSIP to act as an effective gatekeeper adopting this process	High	MoEDT	Mid 2025
			4.5 Roll out full training for MDAs	High	MoEDT	End 2025
5	Fiscal risks related to PPP infrastructure projects are neither documented nor known	Expand the scope of the Statement of Fiscal Risks from Large SOEs to include measurement and analysis of fiscal risks posed by PPPs.	5.4 Develop standards for estimating risk when assessing PPP proposals, and issue guidance	Medium	MoF	End 2024
			5.5 Develop standards, and data requirements, for estimating risk for PPPs already approved	Medium	MoF	End 2024
			5.6 Establish a format for presenting PPP fiscal risks in the Statement of Fiscal Risks	Medium	MoF	End 2024
			5.7 Adjust the title and structure of the document accordingly	Medium	MoF	End 2024

Inst.	Issue	Recommendations	Action	Priority	Responsibility	Timing
B. Ensuring Public Investment is Allocated to the Right Sectors and Projects						
6	Projections of and changes to project costs for major capital investment costs are not consistently identified and explained in budget documentation.	Budget documents to identify and explain changes in costs for public investment projects, both in aggregate projections, by sector ceilings and on a project level for major projects.	6.1 See recommendation under Institution 8	Medium	MoF	End 2024
			6.2 Develop analysis and include in MTFF	Medium		Mid 2025
8	Information on project costs, their revisions, and multi-year planned expenditures are not published at the time of appropriation	Project costs and multiyear projections to be appropriated as part of a new section in the PIP document.	8.1 Update the forms in the budget instructions to reflect multiyear project costing and commitments	Medium	MoF	End 2024
			8.2 Design the format of the updated PIP document	Medium	MoF	End 2024
			8.3 Adjust the associated regulations to include the PIP as part of the appropriated budget package	Medium	MoF	End 2024
			8.4 Develop necessary automation processes to collect, store, analyze and publish the PIP	Medium	MoF	Mid 2025
9	Accurate information about maintenance needs and funding is not readily available	Provide as supplements to budget documents analysis of maintenance needs (using approximations) and summarize budget spending for routine maintenance and major improvements	9.1 Develop a method for estimating aggregate or sectoral maintenance spending needs	High	MoF	Mid 2025
			9.2 Issue budget preparation guidance in stage 1 instructions on the priority of maintenance and the allocation of funds for maintenance	High	MoF	Mid 2025
			9.3 Compare proposed and final funding for routine maintenance and major improvements with the estimate of needs, and distribute as part of the set of budget documents	High	MoF	Mid 2025
10	The regulation 161 governing selection is vague on the selection criteria, does not give sufficient guidance on prioritization of projects and does not specify how to score and rank projects.	The regulation should be updated and accompanied by more precise methodology and guidance, including on how to score, rank and prioritize projects and the role of CSIP in project selection should be strengthened.	10.1 Develop a detailed criteria for project selection drawing on Multi Criteria Analysis	High	MoEDT, PE	End 2024
			10.2 Undertake a pilot on the applicability of the criteria on a subset of major projects and update	High	MoEDT, PE	Mid 2025
			10.3 Develop training materials and written instructions for the selection criteria	High	MoEDT, PE	End 2025
			10.4 Undertake full training on the criteria for MDAs	High	MoEDT, PE	End 2025
			10.5 Undertake a training and subsequent decision documents/recording procedures for the CSIP	High	MoEDT, PE	Mid 2026

Inst.	Issue	Recommendations	Action	Priority	Responsibility	Timing
C. Delivering Productive and Durable Public Assets						
11	Procurement complaints are not reviewed by an independent body as guided by Law. The complaints commission is yet to be established.	Expedite the creation of the complaints commission.	11.1 Ensure the establishment and operational structures are in place	High	ASPGWS	End 2024
			11.2 Operationalize commission's independence through government approved regulatory framework	High	ASPGWS	End 2024
			11.3 Create a clear and transparent mechanism for interdepartmental conflicts to be addressed	High	ASPGWS	End 2024
13	There is no formal mechanism for monitoring domestically funded initiatives, and externally project portfolio monitoring responsibilities are fragmented	Establish an overarching framework for portfolio oversight and management that encompasses all investment projects, regardless of funding source.	13.1 Conduct a comprehensive analysis to identify critical fragmentation issues.	High	MoF	Mid 2025
			13.2 Develop project monitoring and portfolio level templates for all funding sources	High	MoF	Mid 2025
			13.3 Develop appropriate automation solutions to capture project data at all levels and produce portfolio a	High	MoF, SCISPM, MoEDT	End 2025
			13.4 Train PIU and MDA project managers on the monitoring process and IT tools	High	MoF, SCISPM, MoEDT	Mid 2026
13	There is no requirement for ex-post reviews of major capital projects, meaning the outcome and performance of the project cannot be evaluated, and lessons cannot be drawn on in future projects.	Establish the ex-post evaluation process and require evaluations for large projects.	13.5 Update regulatory guidelines to enforce ex-post reviews and set clear criteria for ex-post reviews.	Medium	MoEDT	Mid 2025
			13.6 Establish a dedicated unit within MoEDT to coordinate ex-post reviews	Medium	MoEDT	Mid 2025
			13.7 Increase awareness of MDA staff on the ex-post review process and how this will inform future project	Medium	MoEDT	End 2025
			13.8 Conduct ex-post review for the largest 5 domestically financed projects	Medium	MoEDT, MoF	End 2026
14	The project management framework lacks project implementation plans and adjustments (cost estimates, timetables, and expected results).	Include requirements for the preparation of project implementation plans and project adjustment procedures.	14.1 Develop guidelines for development of project implementation plans and project adjustments.	Medium	MoEDT	Mid 2025
			14.2 Develop standardized templates for project management documents	Medium	MoEDT	End 2025
			14.3 Develop necessary processes to capture adjustment procedures (digital recording, decisions)	Medium	MoEDT	End 2025
			14.4 Train MDA project managers on the new processes and procedures.	Medium	MoEDT, MoF, SCISPM	Mid 2026
15	Lack of centralized data on assets to support medium-term investment planning, maintenance, climate mitigation, and vulnerability of assets to climate change	Expand the functionality of SCIPMC's asset register by classifying assets for analytical purposes and allowing access to register data by entities outside of the SCIPMC	15.1 Develop a classification system by which registered assets are coded to serve as the basis for analytical reports meeting the needs of major ministries & committees	High	MoEDT with major ministries and committees	Mid 2025
			15.2 Adjust the asset register software to allow for such coding	High	SCIPMC	Mid 2025
			15.3 Develop methods for providing this information to major ministries & committees without sacrificing confidentiality concerns by SCIPMC	High	SCIPMC	Mid 2025

Issue	Recommendations	Action	Priority	Responsibility	Timing
C1. Climate Aware Planning					
Regulations on spatial and urban planning and construction do not address climate-related risks and impacts on public investment.	Legislation should incorporate climate mitigation and adaptation measures across spatial and urban planning and construction.	Ensure climate mitigation and adaptation measures are clearly reflected in spatial and urban planning, and construction regulations.	Medium	CEP, COAC	Mid 2025

Issue	Recommendations	Action	Priority	Responsibility	Timing
C2. Coordination between entities					
Climate change awareness does not permeate the budget, investment and monitoring processes in SOEs	Government oversight and guidance of SOEs' investment activities to be updated to include climate-change considerations.	C2.1 Develop understanding of appropriate CC oversight and guidance from central government	Medium	CEP, MoF, MoEDT, BOs	Mid 2024
		C2.2 Issue guidance to line ministries and SOEs on integrating CC considerations in SOE activities			End 2024
		C2.3 Issue guidance to MoF SOE monitoring unit on integrating CC risk in financial monitoring			End 2024
		C2.4 Capacity building to embed CC considerations in SOE oversight and governance processes			Mid 2025

Issue	Recommendations	Action	Priority	Responsibility	Timing
C3. Project Appraisal and Selection					
The project appraisal process does not contain assessments of project mitigation and adaptation aspects.	Develop and require the use of methodologies to assess the GHG impact and climate change-resilience of projects in the project concept note and feasibility study templates for major new projects.	C3.1 Adapt the existing project concept note to include climate related criteria	High	MoEDT and EPC	End 2024
		C3.2 Train major MDAs on the new methodology and customize if required	High	MoEDT and EPC	Mid 2025
		C3.3 Roll out training to all MDAs	High	MoEDT and EPC	End 2025
The project selection process does not contain assessments of project mitigation and adaptation aspects.	Prepare specific selection criteria for projects entering the budget to include mitigation and adaptation components.	C3.4 Develop scoring and weighting for all selection criteria (including mitigation and adaptation aspects)	High	MoEDT and EPC	End 2024
		C3.5 Train major MDAs on the new methodology and customize if required	High	MoEDT and EPC	Mid 2025
		C3.6 Disseminate the scoring methodology and procedural requirements as part of the budget instructions	High	MoEDT and EPC	End 2025
		C3.7 Roll out training to all ministries	High	MoEDT and EPC	End 2025
There is no guidance on how climate change-related risks are identified, priced, allocated and mitigated in the PPP regulations.	Update the PPP regulations to provide specific guidance on the identification, pricing and allocation of climate change-related risks in PPP contracts	C3.8 Update the PPP regulations with relevant sections	Medium	SCISPM	Mid 2025
		C3.9 Train MDAs on relevant risks associated with PPP projects and how to mitigate against these	Medium	SCISPM	End 2025

Issue	Recommendations	Action	Priority	Responsibility	Timing
C4. Budget Portfolio Management					
There is no systematic approach to identify and track climate related public investments.	Implement a climate budget tagging framework for the six pilot program budget sectors and report climate-related investment expenditure.	C4.1 Undertake a tagging exercise based on the program, sub program and project structure	High	Budget Department, MoF	Early 2024
		C4.2 Design a climate budget statement that will include project profiles for climate sensitive projects	High	Budget Department, MoF	Mid 2024
		C4.3 Adjust the associated regulations to include the budget statement as part of the appropriated budget package	High	Budget Department, MoF	End 2024
		C4.4 Develop necessary automation processes to collect, store, analyze and publish the climate budget statement	High	Budget Department, MoF	Early 2025
		C4.5 Implement monitoring, reporting and verification system as identified in the NDC Implementation Plan	High	CEP	Mid 2024

Issue	Recommendations	Action	Priority	Responsibility	Timing
C5. Climate Risk Management					
There is no government analysis of infrastructure-related fiscal risks as a result of climate change	Expand the Statement of Fiscal Risks to include long-term fiscal risk analysis under different climate scenarios and assess the exposure of infrastructure, SOEs, and PPPs to changing climatic conditions (such as accelerated glacial melting) and policy transition risks.	C5.1 Apply the QCRAFT tool to undertake an assessment of the macroeconomic and fiscal risks associated with climate change.	Medium	MoF, CEP	Mid 2025
		C5.2 Carry out analysis of discrete fiscal risks related to climate change (such as natural disasters, transition risks, PPPs, SOEs and infrastructure projects)	Medium	MoF, CEP	Mid 2025

Issue	Recommendations	Action	Priority	Responsibility	Timing
Cross Cutting Issues: Capacity Development					
Staffing capacity and capability challenges make it difficult to efficiently analyze and execute public investment projects, including from a climate perspective.	Take stock of the skills, guidance and capacity gap across government ministries and agencies and sub-national government and develop a capability building action plan. Develop guidelines and provide technical support for ministries and agencies on climate in sectoral planning and in the preparation and costing of climate-related public investment strategies.	CC1. Undertake full gap analysis of capacity shortfalls			
		CC2. Develop a strategy with an associated costed training plan based on structured modules			
		CC3. Solicit support from development partners to support the plan			
		CC4. Collabrate with the Academy of Public Administration to implement relevant training courses			
		CC5. Develop NDC Capacity Building Action Plan as identified in the NDC Implementation Plan	High	CEP	Immediate
		CC6. Develop guidance to support line ministries with the preparation and costing of climate-aware public investment strategies	Medium	CEP, MEDT and MoF	End 2024

Annex 2. PIMA Questionnaire

Indicator		Scoring		
		1 = To no or a lesser extent	2 = To some extent	3 = To a greater extent
A. Planning Sustainable Levels of Public Investment				
1. Fiscal targets and rules: Does the government have fiscal institutions to support fiscal sustainability and to facilitate medium-term planning for public investment?				
1.a.	Is there a target or limit for government to ensure debt sustainability?	There is no target or limit to ensure debt sustainability.	There is at least one target or limit to ensure central government debt sustainability.	There is at least one target or limit to ensure general government debt sustainability.
1.b.	Is fiscal policy guided by one or more permanent fiscal rules?	There are no permanent fiscal rules.	There is at least one permanent fiscal rule applicable to central government.	There is at least one permanent fiscal rule applicable to central government, and at least one comparable rule applicable to a major additional component of general government, such as subnational government (SNG).
1.c.	Is there a medium-term fiscal framework (MTFF) to align budget preparation with fiscal policy?	There is no MTFF prepared prior to budget preparation.	There is an MTFF prepared prior to budget preparation but it is limited to fiscal aggregates, such as expenditure, revenue, the deficit, or total borrowing.	There is an MTFF prepared prior to budget preparation, which includes fiscal aggregates and allows distinctions between recurrent and capital spending, and ongoing and new projects.
2. National and Sectoral Planning: Are investment allocation decisions based on sectoral and inter-sectoral strategies?				
2.a.	Does the government prepare national and sectoral strategies for public investment?	National or sectoral public investment strategies or plans are prepared, covering only some projects found in the budget.	National or sectoral public investment strategies or plans are published covering projects funded through the budget.	Both national and sectoral public investment strategies or plans are published and cover all projects funded through the budget regardless of financing source (e.g. donor, public corporation (PC), or PPP financing).
2.b.	Are the government's national and sectoral strategies or plans for public investment costed?	The government's investment strategies or plans include no cost information on planned public investment.	The government's investment strategies include broad estimates of aggregate and sectoral investment plans.	The government's investment strategies include costing of individual, major investment projects within an overall financial constraint.

Indicator		Scoring		
		1 = To no or a lesser extent	**2 = To some extent**	**3 = To a greater extent**
2.c.	Do sector strategies include measurable targets for the outputs and outcomes of investment projects?	Sector strategies do not include measurable targets for outputs or outcomes.	Sector strategies include measurable targets for outputs (e.g., miles of roads constructed).	Sector strategies include measurable targets for both outputs and outcomes (e.g., reduction in traffic congestion).
3. Coordination between Entities: Is there effective coordination of the investment plans of central and other government entities?				
3.a.	Is capital spending by SNGs, coordinated with the central government?	Capital spending plans of SNGs are not submitted to, nor discussed with central government.	Major SNG capital spending plans are published alongside central government investments, but there are no formal discussions, between the central government and SNGs on investment priorities.	Major SNG capital spending plans are published alongside central government investments, and there are formal discussions between central government and SNGs on investment priorities.
3.b.	Does the central government have a transparent, rule-based system for making capital transfers to SNGs, and for providing timely information on such transfers?	The central government does not have a transparent rule-based system for making capital transfers to SNGs.	The central government uses a transparent rule-based system for making capital transfers to SNGs, but SNGs are notified about expected transfers less than six months before the start of each fiscal year.	The central government uses a transparent rule-based system for making capital transfers to SNGs, and expected transfers are made known to SNGs at least six months before the start of each fiscal year.
3.c	Are contingent liabilities arising from capital projects of SNGs, PCs, and PPPs reported to the central government?	Contingent liabilities arising from major projects of SNGs, PCs, and PPPs are not reported to the central government.	Contingent liabilities arising from major projects of SNGs, PCs, and PPPs are reported to the central government, but are generally not presented in the central government's budget documents.	Contingent liabilities arising from major projects of SNGs, PCs, and PPPs are reported to the central government, and are presented in full in the central government's budget documents.
4. Project Appraisal: Are project proposals subject to systematic project appraisal?				
4.a.	Are major capital projects subject to rigorous technical, economic, and financial analysis?	Major capital projects are not systematically subject to rigorous, technical, economic, and financial analysis.	Major projects are systematically subject to rigorous technical, economic, and financial analysis.	Major projects are systematically subject to rigorous technical, economic, and financial analysis, and selected results of this analysis are published or undergo independent external review.
4.b.	Is there a standard methodology and central support for the appraisal of projects?	There is no standard methodology or central support for project appraisal.	There is either a standard methodology or central support for project appraisal.	There is both a standard methodology and central support for project appraisal.

Indicator		Scoring		
		1 = To no or a lesser extent	2 = To some extent	3 = To a greater extent
4.c.	Are risks taken into account in conducting project appraisals?	Risks are not systematically assessed as part of the project appraisal.	A risk assessment covering a range of potential risks is included in the project appraisal.	A risk assessment covering a range of potential risks is included in the project appraisal, and plans are prepared to mitigate these risks.
5. Alternative Infrastructure Financing: Is there a favorable climate for the private sector, PPPs, and PCs to finance in infrastructure?				
5.a.	Does the regulatory framework support competition in contestable markets for economic infrastructure (e.g., power, water, telecoms, and transport)?	Provision of economic infrastructure is restricted to domestic monopolies, or there are few established economic regulators.	There is competition in some economic infrastructure markets, and a few economic regulators have been established.	There is competition in major economic infrastructure markets, and economic regulators are independent and well established.
5.b.	Has the government published a strategy/policy for PPPs, and a legal/regulatory framework which guides the preparation, selection, and management of PPP projects?	There is no published strategy/policy framework for PPPs, and the legal/regulatory framework is weak.	A PPP strategy/policy has been published, but the legal/regulatory framework is weak.	A PPP strategy/policy has been published, and there is a strong legal/regulatory framework that guides the preparation, selection, and management of PPP projects.
5.c.	Does the government oversee the investment plans of public corporations (PCs) and monitor their financial performance?	The government does not systematically review the investment plans of PCs.	The government reviews the investment plans of PCs, but does not publish a consolidated report on these plans or the financial performance of PCs.	The government reviews and publishes a consolidated report on the investment plans and financial performance of PCs.

Indicator		Scoring		
		1 = To no or a lesser extent	2 = To some extent	3 = To a greater extent
B. Ensuring Public Investment is Allocated to the Right Sectors and Projects				
6. Multi-Year Budgeting: Does the government prepare medium-term projections of capital spending on a full cost basis?				
6.a.	Is capital spending by ministry or sector forecasted over a multiyear horizon?	No projections of capital spending are published beyond the budget year.	Projections of total capital spending are published over a three to five-year horizon.	Projections of capital spending disaggregated by ministry or sector are published over a three to five-year horizon.
6.b	Are there multiyear ceilings on capital expenditure by ministry, sector, or program?	There are no multiyear ceilings on capital expenditure by ministry, sector, or program.	There are indicative multiyear ceilings on capital expenditure by ministry, sector, or program.	There are binding multiyear ceilings on capital expenditure by ministry, sector, or program.
6.c.	Are projections of the total construction cost of major capital projects published?	Projections of the total construction cost of major capital projects are not published.	Projections of the total construction cost of major capital projects are published.	Projections of the total construction cost of major capital projects are published, together with the annual breakdown of these cost over a three-five-year horizon.
7. Budget Comprehensiveness and Unity: To what extent is capital spending, and related recurrent spending, undertaken through the budget process?				
7.a.	Is capital spending mostly undertaken through the budget?	Significant capital spending is undertaken by extra-budgetary entities with no legislative authorization or disclosure in the budget documentation.	Significant capital spending is undertaken by extra-budgetary entities, but with legislative authorization and disclosure in the budget documentation.	Little or no capital spending is undertaken by extra-budgetary entities.
7.b.	Are all capital projects, regardless of financing source, shown in the budget documentation?	Capital projects are not comprehensively presented in the budget documentation, including PPPs, externally financed, and PCs' projects.	Most capital projects are included in the budget documentation, but either PPPs, externally financed, or PCs' projects are not shown.	All capital projects, regardless of financing sources, are included in the budget documentation.
7.c.	Are capital and recurrent budgets prepared and presented together in the budget?	Capital and recurrent budgets are prepared by separate ministries, and/or presented in separate budget documents.	Capital and recurrent budgets are prepared by a single ministry and presented together in the budget documents, but without using a program or functional classification.	Capital and recurrent budgets are prepared by a single ministry and presented together in the budget documents, using a program or functional classification.
8. Budgeting for Investment: Are investment projects protected during budget implementation?				
8.a.	Are total project outlays appropriated by the legislature at the time of a project's commencement?	Outlays are appropriated on an annual basis, but information on total project costs is not included in the budget documentation.	Outlays are appropriated on an annual basis, and information on total project costs is included in the budget documentation.	Outlays are appropriated on an annual basis and information on total project costs, and multiyear commitments is included in the budget documentation.

Indicator		Scoring		
		1 = To no or a lesser extent	2 = To some extent	3 = To a greater extent
8.b.	Are in-year transfers of appropriations (virement) from capital to current spending prevented?	There are no limitations on virement from capital to current spending.	The finance ministry may approve virement from capital to current spending.	Virement from capital to current spending requires the approval of the legislature.
8.c	Is the completion of ongoing projects given priority over starting new projects?	There is no mechanism in place to protect funding of ongoing projects.	There is a mechanism to protect funding for ongoing projects in the annual budget.	There is a mechanism to protect funding for ongoing projects in the annual budget and over the medium term.
9. Maintenance Funding: Are routine maintenance and major improvements receiving adequate funding?				
9.a.	Is there a standard methodology for estimating routine maintenance needs and budget funding?	There is no standard methodology for determining the needs for routine maintenance.	There is a standard methodology for determining the needs for routine maintenance and its cost.	There is a standard methodology for determining the needs for routine maintenance and its cost, and the appropriate amounts are generally allocated in the budget.
9.b.	Is there a standard methodology for determining major improvements (e.g. renovations, reconstructions, enlargements) to existing assets, and are they included in national and sectoral investment plans?	There is no standard methodology for determining major improvements, and they are not included in national or sectoral plans.	There is a standard methodology for determining major improvements, but they are not included in national or sectoral plans.	There is a standard methodology for determining major improvements, and they are included in national or sectoral plans.
9.c.	Can expenditures relating to routine maintenance and major improvements be identified in the budget?	Routine maintenance and major improvements are not systematically identified in the budget.	Routine maintenance and major improvements are systematically identified in the budget.	Routine maintenance and major improvements are systematically identified in the budget, and are reported.
10. Project Selection: Are there institutions and procedures in place to guide project selection?				
10.a.	Does the government undertake a central review of major project appraisals before decisions are taken to include projects in the budget?	Major projects (including donor- or PPP-funded) are not reviewed by a central ministry prior to inclusion in the budget.	Major projects (including donor- or PPP-funded) are reviewed by a central ministry prior to inclusion in the budget.	All major projects (including donor- or PPP-funded) are scrutinized by a central ministry, with input from an independent agency or experts prior to inclusion in the budget.
10.b.	Does the government publish and adhere to standard criteria, and stipulate a required process for project selection?	There are no published criteria or a required process for project selection.	There are published criteria for project selection, but projects can be selected without going through the required process.	There are published criteria for project selection, and generally projects are selected through the required process.

Indicator		Scoring		
		1 = To no or a lesser extent	2 = To some extent	3 = To a greater extent
10.c.	Does the government maintain a pipeline of appraised investment projects for inclusion in the annual budget?	The government does not maintain a pipeline of appraised investment projects.	The government maintains a pipeline of appraised investment projects but other projects may be selected for financing through the annual budget.	The government maintains a comprehensive pipeline of appraised investment projects, which is used for selecting projects for inclusion in the annual budget, and over the medium term.

C. Delivering Productive and Durable Public Assets				
11. Procurement				
11.a.	Is the procurement process for major capital projects open and transparent?	Few major projects are tendered in a competitive process, and the public has limited access to procurement information.	Many major projects are tendered in a competitive process, but the public has only limited access to procurement information.	Most major projects are tendered in a competitive process, and the public has access to complete, reliable and timely procurement information.
11.b	Is there a system in place to ensure that procurement is monitored adequately?	There is no procurement database, or the information is incomplete or not timely for most phases of the procurement process.	There is a procurement database with reasonably complete information, but no standard analytical reports are produced from the database.	There is a procurement database with reasonably complete information, and standard analytical reports are produced to support a formal monitoring system.
11.c	Are procurement complaints review process conducted in a fair and timely manner?	Procurement complaints are not reviewed by an independent body.	Procurement complaints are reviewed by an independent body, but the recommendations of this body are not produced on a timely basis, nor published, nor rigorously enforced.	Procurement complaints are reviewed by an independent body whose recommendations are timely, published, and rigorously enforced.
12. Availability of Funding: Is financing for capital spending made available in a timely manner?				
12.a.	Are ministries/agencies able to plan and commit expenditure on capital projects in advance on the basis of reliable cash-flow forecasts?	Cash-flow forecasts are not prepared or updated regularly, and ministries/agencies are not provided with commitment ceilings in a timely manner.	Cash-flow forecasts are prepared or updated quarterly, and ministries/agencies are provided with commitment ceilings at least a quarter in advance.	Cash-flow forecasts are prepared or updated monthly, and ministries/agencies are provided with commitment ceilings for the full fiscal year.
12.b	Is cash for project outlays released in a timely manner?	The financing of project outlays is frequently subject to cash rationing.	Cash for project outlays is sometimes released with delays.	Cash for project outlays is normally released in a timely manner, based on the appropriation.

Indicator		Scoring		
		1 = To no or a lesser extent	2 = To some extent	3 = To a greater extent
12.c	Is external (donor) funding of capital projects fully integrated into the main government bank account structure?	External financing is largely held in commercial bank accounts outside the central bank.	External financing is held at the central bank, but is not part of the main government bank account structure.	External financing is fully integrated into the main government bank account structure.
13. Portfolio Management and Oversight: Is adequate oversight exercised over implementation of the entire public investment portfolio				
13.a	Are major capital projects subject to monitoring during project implementation?	Most major capital projects are not monitored during project implementation.	For most major projects, annual project costs, as well as physical progress, are monitored during project implementation.	For all major projects, total project costs, as well as physical progress, are centrally monitored during project implementation.
13.b	Can funds be re-allocated between investment projects during implementation?	Funds cannot be re-allocated between projects during implementation.	Funds can be reallocated between projects during implementation, but not using systematic monitoring and transparent procedures.	Funds can be re-allocated between projects during implementation, using systematic monitoring and transparent procedures.
13.c	Does the government adjust project implementation policies and procedures by systematically conducting ex post reviews of projects that have completed their construction phase?	Ex post reviews of major projects are neither systematically required, nor frequently conducted.	Ex post reviews of major projects, focusing on project costs, deliverables and outputs, are sometimes conducted.	Ex post reviews of major projects focusing on project costs, deliverables, and outputs are conducted regularly by an independent entity or experts, and are used to adjust project implementation policies and procedures.
14. Management of Project Implementation: Are capital projects well managed and controlled during the execution stage?				
14.a	Do ministries/agencies have effective project management arrangements in place?	Ministries/agencies do not systematically identify senior responsible officers for major investment projects, and implementation plans are not prepared prior to budget approval.	Ministries/agencies systematically identify senior responsible officers for major investment projects, but implementation plans are not prepared prior to budget approval.	Ministries/agencies systematically identify senior responsible officers for major investment projects, and implementation plans are prepared prior to budget approval.
14.b.	Has the government issued rules, procedures and guidelines for project adjustments that are applied systematically across all major projects?	There are no standardized rules and procedures for project adjustments.	For major projects, there are standardized rules and procedures for project adjustments, but do not include, if required, a fundamental review and reappraisal of a project's rationale, costs, and expected outputs.	For all projects, there are standardized rules and procedures for project adjustments and, if required, include a fundamental review of the project's rationale, costs, and expected outputs.
14.c.	Are ex post audits of capital projects routinely undertaken?	Major capital projects are usually not subject to ex post external audits.	Some major capital projects are subject to ex post external audit, information on which is published by the external auditor.	Most major capital projects are subject to ex post external audit information on which

Indicator		Scoring		
		1 = To no or a lesser extent	2 = To some extent	3 = To a greater extent
				is regularly published and scrutinized by the legislature.
15. Monitoring of Public Assets: Is the value of assets properly accounted for and reported in financial statements?				
15.a	Are asset registers updated by surveys of the stocks, values, and conditions of public assets regularly?	Asset registers are neither comprehensive nor updated regularly.	Asset registers are either comprehensive or updated regularly at reasonable intervals.	Asset registers are comprehensive and updated regularly at reasonable intervals.
15.b	Are nonfinancial asset values recorded in the government financial accounts?	Government financial accounts do not include the value of non- financial assets.	Government financial accounts include the value of some non- financial assets, which are revalued irregularly.	Government financial accounts include the value of most nonfinancial assets, which are revalued regularly.
15.c	Is the depreciation of fixed assets captured in the government's operating statements?	The depreciation of fixed assets is not recorded in operating statements.	The depreciation of fixed assets is recorded in operating statements, based on statistical estimates.	The depreciation of fixed assets is recorded in operating expenditures, based on asset-specific assumptions.

Cross-cutting issues	
A	**IT support**. Is there a comprehensive computerized information system for public investment projects to support decision making and monitoring?
B	**Legal Framework**. Is there a legal and regulatory framework that supports institutional arrangements, mandates, coverage, procedures, standards and accountability for effective PIM?
C	**Staff capacity.** Does staff capacity (number of staff and/or their knowledge, skills, and experience) and clarity of roles and responsibilities support effective institutions?

Annex 3. C-PIMA Questionnaire

Indicator		Scoring		
		1 = To no or a lesser extent	2 = To some extent	3 = To a greater extent
C1. Climate-aware planning: Is public investment planned from a climate change perspective?				
C.1.a	Are national and sectoral public investment strategies and plans consistent with NDC or other overarching climate change strategy on mitigation and adaptation?	National and sectoral public investment strategies and plans are not consistent with NDC or other overarching climate change strategy.	National public investment strategies and plans are consistent with NDC or other overarching climate change strategy for ***some*** sectors.	National and sectoral public investment strategies and plans are consistent with NDC or other overarching climate change strategy for ***most*** sectors.
C.1.b	Do central government and/or sub-national government regulations on spatial and urban planning, and construction address climate-related risks and impacts on public investment?	Central government and/or sub-national government regulations on spatial and urban planning, and construction do not address climate-related risks and impacts on public investment.	Central government and/or sub-national government regulations on spatial and urban planning, ***or*** construction (through building codes) addresses climate-related risks and impacts on public investment.	Central government and/or sub-national government regulations on spatial and urban planning, ***and*** construction (through building codes) address climate-related risks and impacts on public investment.
C.1.c	Is there centralized guidance/support for government agencies on the preparation and costing of climate-aware public investment strategies?	There is no centralized guidance/support for government agencies on the preparation and costing of climate-aware public investment strategies.	There is centralized guidance/support for government agencies on the ***preparation*** of climate-aware public investment strategies.	There is centralized guidance/support for government agencies on the ***preparation and costing*** of climate-aware public investment strategies.
C2. Coordination between entities: Is there effective coordination of decision making on climate change-related public investment across the public sector?				
C.2.a	Is decision making on public investment coordinated across central government from a climate-change perspective?	Decision making on public investment is not coordinated across central government from a climate-change perspective.	Decision making on public investment is coordinated across budgetary central government from a climate-change perspective.	Decision making on public investment is coordinated across all central government, including externally financed projects, PPPs and extra-budgetary entities, from a climate-change perspective.

Indicator		Scoring		
		1 = To no or a lesser extent	2 = To some extent	3 = To a greater extent
C.2.b	Is the planning and implementation of capital spending of SNGs coordinated with the central government from a climate-change perspective?	The planning and implementation of capital spending of SNGs is not coordinated with the central government from a climate-change perspective.	The central government issues guidance on the planning and implementation of capital spending from a climate-change perspective and information on major climate-related projects of SNGs is shared with the central government and is published alongside data on central government projects.	The central government issues guidance on the planning and implementation of capital spending from a climate-change perspective, information on major climate-related projects of SNGs is shared with the central government and is published alongside data on central government projects, and there are formal discussions between central government and SNGs on the planning and implementation of climate-related investments.
C.2.c	Does the regulatory and oversight framework for public corporations ensure that their climate-related investments are consistent with national climate policies and guidelines?	The regulatory and oversight framework for public corporations does not promote consistency between their climate-related investments and national climate policies and guidelines.	The regulatory and oversight framework for public corporations promotes consistency between their climate-related investments and national climate policies and guidelines.	The regulatory and oversight framework for public corporations requires that their climate-related investments be consistent with national climate policies and guidelines.
C3. Do project appraisal and selection include climate-related analysis and criteria?				
C.3.a	Does the appraisal of major infrastructure projects require climate-related analysis to be conducted according to a standard methodology with central support?	The appraisal of major infrastructure projects does not require climate-related analysis to be conducted according to a standard methodology.	The appraisal of major infrastructure projects requires climate-related analysis to be conducted according to a standard methodology.	The appraisal of major infrastructure projects requires climate-related analysis to be conducted according to a standard methodology, and a summary of appraisals is published or subject to independent external review.
C3b	Does the framework for managing longer-term public investment contracts, such as PPPs, explicitly address climate-related challenges?	The referred framework does not include explicit consideration of climate change for risk allocation or contract management.	The referred framework includes explicit consideration of climate change with respect to how risks are allocated between the parties in infrastructure contracts.	The referred framework includes explicit consideration of climate change with respect to how risks are allocated between the parties in infrastructure contracts, and contract managers in government departments and agencies

Indicator		Scoring		
		1 = To no or a lesser extent	2 = To some extent	3 = To a greater extent
				are mandated to address climate-related challenges.
C.3.c	Are climate-related elements included among the criteria used by the government for the selection of infrastructure projects?	Either there are no explicit selection criteria or climate-related elements are not included among the criteria used by the government for the selection of projects for financing.	Climate-related elements are included among the criteria used by the government for the selection of all major budget-funded projects, and the criteria are published.	Climate-related elements are included among the criteria used by the government for the selection of all major projects, including externally financed projects, projects financed by extra-budgetary entities, and PPPs, and the criteria are published.
C.4 Budgeting and portfolio management: Is climate-related investment spending subject to active management and oversight?				
C.4.a.	Are planned climate-related public investment expenditure, sources of financing, outputs and outcomes identified in the budget and related documents, monitored, and reported?	Planned climate-related public investment expenditure are not identified in the budget and related documents.	Some planned climate-related public investment expenditure are identified in the budget and related documents, including investment expenditure funded externally, by extra-budgetary entities, and PPPs.	Most planned climate-related public investment expenditure, sources of financing, and outputs and outcomes are identified in the budget and related documents, including investment expenditure funded externally, by extra-budgetary entities, and PPPs, and expenditure on these projects is monitored and reported.
C4.b.	Are ex-post reviews or audits conducted of the climate change mitigation and adaptation outcomes of public investments?	No ex-post reviews or audits are conducted of the climate change mitigation and adaptation outcomes of public investments.	Ex-post reviews or audits are conducted for selected major public investments of either the climate change mitigation or adaptation outcomes.	Ex-post reviews or audits are conducted and published for selected major public investments of both the climate change mitigation and adaptation outcomes.
C4.c.	Do the government's asset management policies and practices, including the maintenance of assets, address climate-related risks?	Neither the government's asset management policies and practices nor methodologies for estimating the maintenance needs of climate change-	Methodologies prepared by the government for estimating the maintenance needs of some climate change-exposed infrastructure assets address climate-related risks.	Methodologies prepared by the government for estimating the maintenance needs and associated costs of most climate change-exposed infrastructure assets address climate-related risks, and government asset

Indicator		Scoring		
		1 = To no or a lesser extent	2 = To some extent	3 = To a greater extent
		exposed infrastructure assets address climate-related risks.		registers include climate-related information of these assets.
C5. Risk management: Are fiscal risks relating to climate change and infrastructure incorporated in budgets and fiscal risk analysis and managed according to a plan?				
C5.a.	Does the government publish a national disaster risk management strategy that incorporates the potential impact of climate change on public infrastructure assets and networks?	Either there is no published national disaster risk management strategy, or the strategy does not identify the key climate-related risks to public infrastructure assets and networks.	The government publishes a national disaster risk management strategy that identifies the key climate-related risks to public infrastructure assets and networks in terms of hazards, exposure, and vulnerability.	The government publishes a national disaster risk management strategy that identifies and analyses the key climate-related risks to public infrastructure assets and networks in terms of hazards, exposure and vulnerability, and includes the government's plans to mitigate and respond to these risks.
C5.b.	Has the government put in place ex ante financing mechanisms to manage the exposure of the stock of public infrastructure to climate-related risks?	The government has not put in place any ex-ante financing mechanisms to manage the exposure of the stock of public infrastructure to climate-related risks.	There is an annual contingency appropriation in the budget or other financing mechanisms that is available to meet the costs of climate-related damages to public infrastructure.	There is an annual contingency appropriation in the budget and other financing mechanisms that are available to meet the costs of climate-related damages to public infrastructure.
C5.c.	Does the government conduct and publish a fiscal risk analysis that incorporates climate-related risks to public infrastructure assets?	The government does not conduct a fiscal risk analysis that incorporates climate-related risks to public infrastructure assets.	The government conducts and publishes a fiscal risk analysis that incorporates a qualitative assessment of climate-related risks to public infrastructure assets over the medium term.	The government conducts and publishes a fiscal risk analysis that incorporates a quantitative assessment of climate-related risks to public infrastructure assets over the medium term and policies to mitigate these risks, and a qualitative assessment of the risks that may arise over the long-term.
Cross-cutting issues				
A	**IT support**. Is there a comprehensive computerized information system for public investment projects to support decision making and monitoring?			
B	**Legal Framework**. Is there a legal and regulatory framework that supports institutional arrangements, mandates, coverage, standards and accountability for effective			
C	**Staff capacity.** Does staff capacity (number of staff and/or their knowledge, skills, and experience) and clarity of roles and responsibilities support effective			

Annex 4. Detailed PIMA Scores

A. Planning		
	Institutional Design	Effectiveness
1.a.	3	3
1.b.	2	2
1.c.	2	2
2.a.	2	2
2.b.	2	1
2.c.	2	2
3.a.	3	3
3.b.	1	1
3.c.	2	2
4.a.	2	2
4.b.	2	1
4.c.	2	1
5.a.	1	1
5.b.	2	2
5.c.	1	2

B. Allocation		
	Institutional Design	Effectiveness
6.a.	3	2
6.b.	2	2
6.c.	1	1
7.a.	3	2
7.b.	1	1
7.c.	2	2
8.a.	1	1
8.b.	2	2
8.c.	2	3
9.a.	2	1
9.b.	2	1
9.c.	2	2
10.a.	2	1
10.b.	2	1
10.c.	1	1

C. Implementation		
	Institutional Design	Effectiveness
11.a.	2	2
11.b.	2	2
11.c.	1	1
12.a.	2	2
12.b.	2	2
12.c.	1	2
13.a.	1	1
13.b.	1	1
13.c.	1	1
14.a.	2	2
14.b.	1	1
14.c.	2	2
15.a.	2	1
15.b.	2	2
15.c.	3	3

Not met	Partially met	Met

Annex 5. Detailed C-PIMA Scores

C1. Climate-aware planning	
C1.a.	National and sectoral planning
C1.b.	Land use and building regulations
C1.c.	Centralized guidance on planning
C2. Coordination between entities	
C2.a.	Coordination across central government
C2.b.	Coordination withsubnational governments
C2.c.	Oversight framework for public corporations
C3. Projection appraisal and selection	
C3.a.	Climate analysis in project appraisal
C3.b.	PPP framework including climate risks
C3.c.	Climate consideration in project selection
C4. Budgeting and portfolio management	
C4.a.	Climate budget tagging
C4.b.	Ex post review of projects
C4.c.	Asset management
C5. Risk management	
C5.a.	Disaster risk management strategy
C5.b.	Ex ante financing mechanisms
C5.c.	Fiscal risk analysis including climate risks

Not met	Partially met	Met

Annex 6. Example of a Format to Include Total Project Costs and Multiyear Projections

1	2	3	4	5	6	7	8	9	10
Budget Organization	Project Details	Total Project Cost	Revised Total Cost	Spent to Date	Remaining Balance	Agency Budget Allocation	Year 1 allocation	Year 2 allocation	Remaining Balance

Notes

1 Consistent with the groupings in the unified Chart of Accounts
2 Project code and title consistent with the Chart of Accounts
3 Including all contractual commitments and planned expenditures
4 Any planned revisions that have been discussed, reviewed, and verified
5 Spending to date by all funding sources for the project
6 Balance left for the duration of the project until completion
7 Budget allocation for the appropriated budget year inclusive of all funding sources
8 Budget allocation for the first outer year
9 Budget allocation for the second outer year
10 Remaining balance beyond the MTEF period required to complete the project

Annex 7. Example of a PIP Project Profile

PIP Project Profile	
Name of Proposing Public Body:	
Responsible Line Ministry	
Name of Project:	
Project Code:	
Physical Description of the Project:	
Location(s):	
New Project	**(Y/ N)**

Estimated Capital Cost of the Project (Total)**:**

- **Consultancy and fees .....**
- **Land Aquisition Costs .....**
- **Site Access, Preparation and Utility .....**
- **Construction .....**
- **Equipment .....**
- **Other capital costs .....**

Project Classification: (Distinguish between large, medium or small)

Capital Outflows from the Budget by year: Year 1 XXXX Year 2 XXXX Year 3 XXXX

Source of Funding:

Type of Funding	Amount (MWK or Foreign Currency)	Amount (%)	Foreign Currency
State Budget			
External Project Loan			
External Grant Aid			
Domestic Borrowing			
PPP			

PIP Project Profile

Contractor Financing			
Total			

Start date of the project (month / year)**:**

Estimated date of operation of the completed project (month / year)**:**

Estimated Recurrent Cost Requirement: (year / amount)

Entity owning and managing the Asset(s) (e.g. Budget Organization / SOE / mix / PPP)

Status of the Project

1. Pipeline (not funded to date)
2. Funded for preparatory work – underway
3. Funded for preparatory work – completed
4. Procurement
5. Under Implementation – contract awarded (committed)

Meets National or Sector Policy

Project Objectives

Project Activities

Outputs

Desired Outcomes

Number of Beneficiaries

Project Revenues
(year / revenue)

Annex 8. E-Procurement in Tajikistan

Tajikistan's government procurement database is available on the e-procurement portal (https://eprocurement.gov.tj/en/searchanno). The portal includes only information on public procurements that were ***not*** funded by development partners.

The portal contains the following information: (i) list of suppliers; (ii) list of procuring entities; (iii) list of debarred suppliers; (iv) list of signed contracts; (v) list of qualified procuring entities (i.e., those which have qualified procurement specialists on staff); (vi) procurement plans; and (vii) advertisements. All registers are searchable.

The following reports can be generated in the portal: (i) report on public procurement of goods, works, services, including information on number of advertisements published and contracts awarded; (ii) report on types of procurement (single source, request for quotations, tenders); (iii) report on the number of suppliers registered and active on the portal; (iv) report on an average duration of one procurement procedure. Reports (i)-(iii) are available for multiple years.

Registers and reports are available in Tajik, Russian, and English languages (although titles may be misleading, totals may be difficult to reconcile, and translated versions are not always comprehensive).

The government procurement agency uses data to produce reports to the government at least bi-annually or more often if requested.

Tables 7 to 10 provide a slice of information available in standard reports. It is worth that number of active vendors continued to grow at about 10 percent per year for the last two years (Table 7), and while percentage, by volume, of procurements contracted after the first publication remains about the same, percentage of these procurements, by number, consistently falling – from 97 percent in 2021 to 85 percent over first 11 months of 2023 (Table 6).

Table 11 shows that, according to information provided by the Agency for State Procurement of Goods, Works, and Services, the average number of "per transaction" participants in public procurement is low.

Table 7. Procurement of goods, works, and services by procurement method

	2021		2022		2023 (Jan 1 -Dec 9)	
	number	volume (TJS)	number	volume (TJS)	number	volume (TJS)
number of published procurements						
open tender	5,832	2,906,430,949	5,684	3,335,916,334	5,310	3,010,570,073
restricted tender	9	12,840,531	1	2,449,130	1	4,671,598
request for quotation	1	48,608	0	0	0	0
single source	104	51,686,726	47	21,882,252	46	68,085,537
total	5,946	2,971,006,814	5,732	3,360,247,716	5,357	3,083,327,208
published procurement contracted after first publication						
open tender	5,707	2,008,708,397	5,124	2,236,518,124	4,538	2,113,650,985

	2021		2022		2023 (Jan 1 -Dec 9)	
	number	volume (TJS)	number	volume (TJS)	number	volume (TJS)
restricted tender	5	6,153,344	1	2,310,500	1	4,390,600
request for quotation	0	0	0	0	0	0
single source	75	39,706,499	43	20,327,573	41	40,081,457
total	5,787	2,054,568,240	5,168	2,259,156,197	4,580	2,158,123,042
percentage of published procurements contracted after first publication						
	97%	69%	90%	67%	85%	70%

Table 8. Procurement by procurement type, 2023 (January 1 – December 9)

	Goods		Works		Services	
	number	volume (TJS)	number	volume (TJS)	number	volume (TJS)
number of published procurements						
open tender	3,355	1,585,467,672	1,686	1,087,099,991	270	338,002,411
restricted tender	0	0	0		1	4,671,598
request for quotation	0	0	0	0	0	0
single source	0	0	17	66,585,537	29	1,500,000
total	3,355	1,585,467,672	1,703	1,153,685,528	300	344,174,009
published procurements resulted in contracting after the first publication						
open tender	3,025	1,260,723,723	1,345	800,574,176	168	52,353,087
restricted tender	0	0	0	0	1	4,390,600
request for quotation	0	0	0	0	0	0
single source	0	0	12	38,581,457	29	1,500,000
total	3,025	1,260,723,723	1,357	839,155,633	198	58,243,687
percentage of published procurements resulted in contracting after the first publication						
	90%	80%	80%	73%	66%	17%

Table 9. Number of vendors per year, 2020-2023

Date	Number of registered vendors	Annual increase of registered vendors	Number of active vendors	Change in the number of active vendors, %
12/31/2020	2,129	466	1,987	x
12/31/2021	2,518	389	2,369	19.2%
12/31/2022	2,770	252	2,621	10.6%
12/8/2023	3,056	299	2,907	10.9%

Table 10. Average duration of procurement from publication to contract signing

	From publication to bids opening	From publication to contract signing
open tender	12 days 15:17:26	36 days 29:43:49
restricted tender	9 days 10:54:54	18 days 11:11:19
single source procurement	2 days 17:41:36	8 days 13:27:14

Table 11. Average number of participants per procurement, 2021-2023

Year	Average number of participants per procurement
2021	2,06
2022	2,24
2023	2,36

Annex 9. Environment and Climate Appraisal

As countries increase their focus on sustainability, it is helpful to distinguish policy objectives regarding the environment, climate adaptation, climate mitigation, and climate risks, as well as their interaction with public investment.

Improved environmental outcomes have been a focus of government policy for many decades. ***Environmental impact assessment*** of infrastructure proposals typically considers factors such as noise, air quality, water quality, flora and fauna, visual impacts, habitats and socio-economic impacts. A requirement to assess new projects in terms of these impacts is legally enshrined in many countries around the world and there are specific requirements in EU Member States.

Although closely linked and generally complementary, ***climate and environment should be seen as distinct issues***. The mere adherence to environmental planning regulations, and the conduct of environmental impact assessments, will not be sufficient to achieve climate-informed public investment management in the future. There are instances where climate and environment objectives can come into conflict, for example where the construction of solar energy parks or electricity transmission lines – which are vital for achieving a shift to renewable energy – can be delayed or cancelled owing to challenges in planning relating to environmental impacts. The shift to a low carbon future involves several such trade-offs that need to be understood and managed in a holistic manner to achieve a sustainable development path.

Climate change mitigation refers to actions to limit the magnitude and/or rate of long-term climate change. Mitigation is primarily understood as reductions in human-caused emissions of GHGs, for example through a move to renewable energy from fossil-fuel dependence. In addition, mitigation also includes increases in the use of carbon sinks, for example through afforestation or the use of new carbon-capturing technologies.

Climate change adaptation refers to the process needed to minimize losses and maximize benefits from climate change, for example making infrastructure more resilient to extreme weather events like flooding.

Climate change risks refers to physical and transition risks. Physical risks of climate change stem from uncertainty about how the climate system works and is impacted by human activity, such as temperature increases or extreme weather events. Transition risks stem from uncertainty about technological innovation and how climate policy will be formulated to mitigate climate change, for example whether the price for GHG emissions will increase sharply and impact on the profitability of renewable energy projects or the characteristics of a future transport system. A sound understanding of the various forms of risk, which can be enhanced through quantitative and qualitative scenario analysis, support better investment decisions and risk management.

Appraisal methodology across the world is in the process of being updated to fully consider the effects of climate change and a suite of core approaches is emerging. In the context of the Climate PIMA, climate-related appraisal analysis means assessments containing technical details relating to:

- Climate change mitigation: estimation of business-as-usual GHG emissions and gross and net emissions impacts of alternative technologies; estimation of marginal abatement cost curves; and use of parameters such as the social cost of carbon, shadow price of carbon and appropriate long-term discount rates.

- Climate change adaptation: hazard analysis, risk mapping and screening; loss and damage estimation; vulnerability analysis; use of risk scenarios; dealing with climate uncertainty in project design (for example, through climate-robust physical design features; delaying full implementation until better information is available; by implementing in stages; doing 'no regrets' elements first; or through the use of real options).

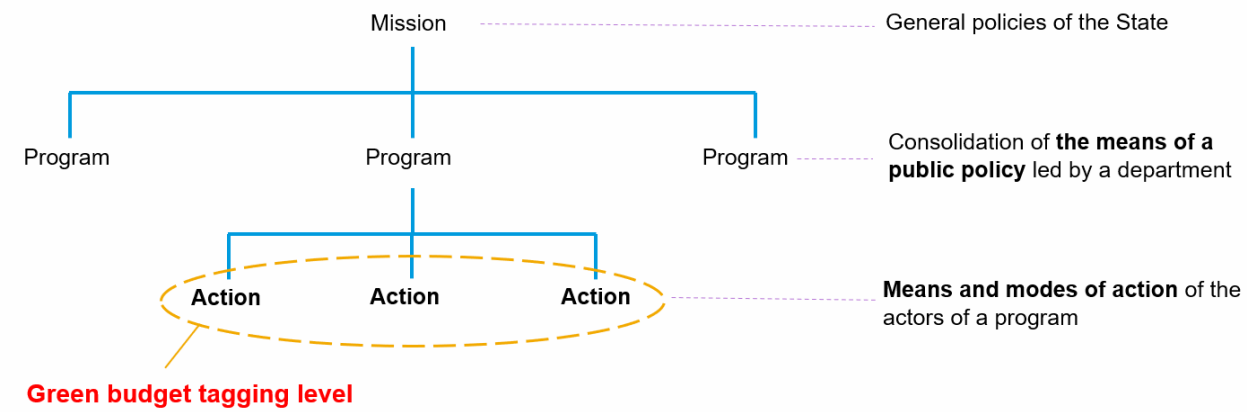
One example of a comprehensive approach is the project screening undertaken for World Bank Group financed projects. The World Bank mainstreams climate change into the analysis of infrastructure project proposals, through (i) screening for climate risks and building in appropriate risk mitigation measures, (ii) conducting GHG accounting, and (iii) applying a shadow carbon price for all material investments.

Climate-related aspects – be it mitigation, adaption or climate risks – as well as environmental aspects require that the resilience of infrastructure assets to changing conditions should be fully understood and appraised when planning, allocating and executing public investment projects.

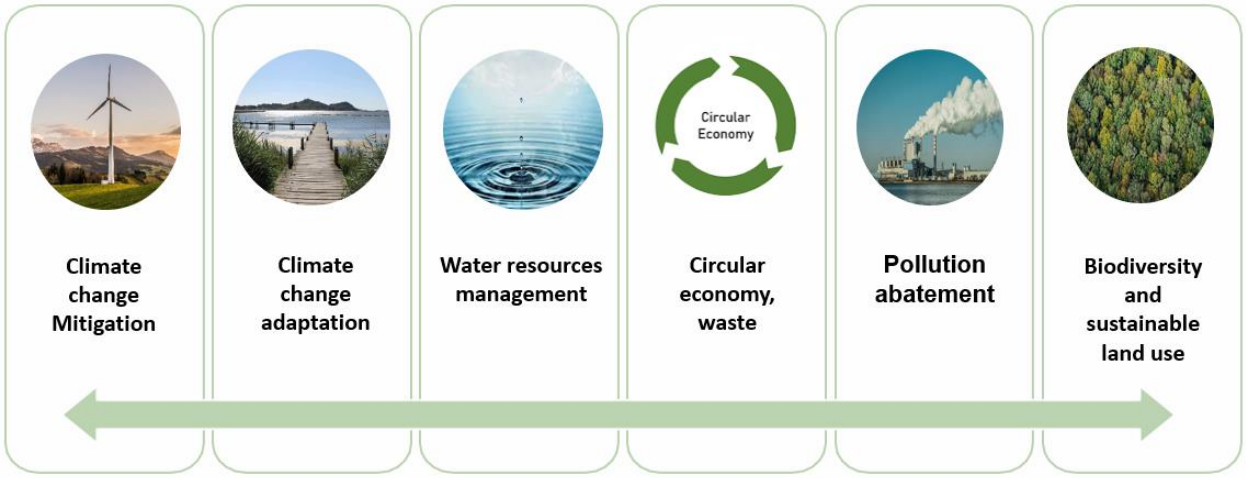
Source: IMF staff; https://climatescreeningtools.worldbank.org/

Annex 10. Climate Budget Tagging in France

France has three main levels in their budget structure as indicated below. Budget tagging is conducted at the lowest level “action” against the six climate change and environmental objectives.



Climate change and environmental objectives:



A similar approach could be adopted for Tajikistan, but by tagging at the project level instead of action. The linkages between projects with sub programs and programs is clearly defined in the budget instructions.

Annex 11. Legal Framework for Tajikistan Public Investment Management

Act / Regulation / Policy	Year	Active
Law No. 1448 on Environmental Impact Assessment	2017	Yes
Law No. 1977 on the Audit Chamber of the Republic of Tajikistan	2023	Yes
Law No. 1923 on State and Guaranteed State Debt	2022	Yes
Law No. 1916 on the Government Budget 2023[1]	2023	Yes
Law No. 1674 on Treasury	2020	Yes
Law No. 723 on State Finances (amended in 2018)	2011	Yes
Law No. 1955 on Public Procurement	2023	Yes
Law No. 3 on Audit Activity	2006	Yes
Law No. 702 on Accounting and Financial Reporting	2011	Yes
Law No. 1978 on Telecommunications	2023	Yes
Law No. 94 on Combating Corruption	2005	Yes
Law No. 783 on Concessions	2011	Yes
Law No. 123 on Energy	2000	Yes
Law No. 626 on Financial Management and Internal Control	2010	Yes
Law No. 350 on Indicators of Accounts	2008	Yes
Law No. 55 on Information	2002	Yes
Law No. 194 on Inspection of Activities of Economic Entities	2006	Yes
Law No. 357 on Investment	2010	Yes
Law No. 37 on Licensing Specific Activities	2004	Yes
Law No. 907 on the partnership between the State and the Private Sector	2012	Yes
Law No. 439 on Public Private Partnerships	2012	Yes
Law No. 549 on City and Village Self Governing Authorities	2009	Yes
Law No. 886 on State Credit and State Guaranteed Debt	1999	Yes
Law No. 168 on Government Purchase of Goods, Works and Services	2006	Yes
Law No. 216 on State Material Resources	2006	Yes

Act / Regulation / Policy	Year	Active
Law No. 53 on Strategies and Programs of Socio-Economic Development	2003	Yes
Law No. 984 on Subsoil Resources	1994	Yes
Law No. 522 on Technical Standardization	2009	Yes
Government Resolution 83 on Maintaining a List of Projects	2019	Yes
Government Resolution 95 on Coordinating and Monitoring Foreign Aid	2017	Yes
Government Resolution 106 on Management of State Property	2007	Yes
Government Resolution161 on Developing and Implementing Projects	2018	Yes
Government Resolution 330 on Effectiveness of Agencies Implementing Projects	2018	Yes
Government Resolution 392 on Converting SOEs to Joint Stock Companies	2010	Yes
Government Resolution 557 on the Action Plan for Implementing Macro Policy and Preventing Risks	2018	Yes
Government Resolution 234 on Creating a List of Projects not Subject to Concessions	2011	Yes
Government Order 698 on Revaluation of Fixed Assets	2009	Yes
Government Decree 525 on the rules for maintaining a unified electronic register of state property.	2023	Yes
Public Finance Management Strategy until 2030	2020	Yes
National Development Strategy until 2030	2016	Yes
Law on strategies and programs of socio-economic development		
Government Resolution 482 on the strategy for green economy development in the Republic of Tajikistan for 2023–2037	2023	Yes
Updated Nationally Determined Contribution	2021	Yes
National Strategy for Adaptation to Climate Change until 2030	2019	Yes
Law No. 760 on Environmental Protection	2011	Yes
Law No. 705 on Environmental Information	2011	Yes
Law No. 788 on Specially Protected Natural Areas	2011	Yes
Urban Planning Code	2012	Yes
NDC Implementation Plan	2022	Yes

Source. IMF Mission Team

Note. Most recent law reflected in the table. This is done each year but older Laws are not reflected.