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Report No: PAD1358

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED ADDITIONAL IDA GRANT & CREDIT

IN THE AMOUNT OF SDR7.3 MILLION
(US$ 10.0 MILLION EQUIVALENT)

TO THE

REPUBLIC OF TAJIKISTAN

ON A

PROPOSED PROJECT RESTRUCTURING

OF THE

HEALTH SERVICES IMPROVEMENT PROJECT

May 21, 2015

Health, Nutrition and Population Global Practice
Europe & Central Asia Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective March 31, 2015)

Currency Unit	=	Tajik Somoni (TJS)
TJS1	=	US$0.18
US$1	=	TJS5.53
US$1.37	=	SDR 1

FISCAL YEAR

January 1-December 31

ABBREVIATIONS AND ACRONYMS

AF	Additional Financing		M&E	Monitoring & Evaluation
CG	Coordination Group		MoF	Ministry of Finance
CPS	Country Partnership Strategy		MoHSP	Ministry of Health and Social Protection
CSC	Citizen Score Cards		NBTJ	National Bank of Tajikistan
DA	Designated Account		NCDs	Non Communicable Diseases
DALY	Disability Adjusted Life Years		NGOs	Non-Governmental Organizations
DCP-2	Disease Prevention Control Priorities in Developing Countries-2		NPV	Net Present Value
EMF	Environmental Management Framework		PBF	Performance Based Financing
GBAO	Gorno-Badakshan Autonomous Oblast		PDO	Project Development Objective
GDP	Gross Domestic Product		PHC	Primary Health Care
GRS	Grievance Redress Service		POM	Project Operational Manual
HRITF	Health Results Innovation Trust Fund		PP	Procurement Plan
HSIP	Health Services Improvement Project		QA	Quality Assurance
IBRD	International Bank for Reconstruction & Development		QC	Quality Control
IDA	International Development Association		RBF	Results Based Financing
IDAT	IDA Grant		RH	Reproductive Health
IDF	Institutional Development Fund		RHC	Rural Health Center
IE	Impact Evaluation		RRS	Rayons of Republican Subordination
IFR	Interim Unaudited Financial Reports		SCISPM	State Committee on Investments & State Property Management
IPF	Investment Project Financing		SOE	Statement of Expenditures
IRR	Internal Rate of Return		SORT	Systematic Operational Risk-Rating Tool
ISR	Implementation Status and Results Report		TDHS	Tajikistan Demographic Health Survey
JSDF	Japan Social Development Fund		WB	The World Bank
MCH	Maternal and Child Health		WHO	World Health Organization
MDGs	Millennium Development Goals			

Vice President:	Laura Tuck
Regional Director:	Saroj Kumar Jha
Senior Global Practice Director:	Timothy Grant Evans
Practice Manager:	Daniel Dulitzky
Task Team Leader:	Wezi Msisha

TAJIKISTAN
ADDITIONAL FINANCING TO
HEALTH SERVICES IMPROVEMENT PROJECT

CONTENTS

ADDITIONAL FINANCING DATA SHEET

Tajikistan

Additional Financing to TJ Health Services Improvement Project (P153975)

EUROPE AND CENTRAL ASIA

GHNDR

Basic Information – Parent			
Parent Project ID:	P126130	Original EA Category:	B - Partial Assessment
Current Closing Date:	31-Jan-2019		

Basic Information – Additional Financing (AF)			
Project ID:	P153975	Additional Financing Type (from AUS):	Scale Up
Regional Vice President:	Laura Tuck	Proposed EA Category:	
Country Director:	Saroj Kumar Jha	Expected Effectiveness Date:	16-Nov-2015
Senior Global Practice Director:	Timothy Grant Evans	Expected Closing Date:	31-Dec-2019
Practice Manager/Manager:	Daniel Dulitzky	Report No:	PAD1358
Team Leader(s):	Wezi Marianne Msisha		

Borrower

Organization Name	Contact	Title	Telephone	Email
Ministry of Finance	Mr. Shavkat Sohibov	Deputy Minister of Finance	(992-372) 21-42-05	

Project Financing Data - Parent (Tajikistan Health Services Improvement Project (HSIP)-P126130) (in USD Million)

Key Dates

Project	Ln/Cr/TF	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date
P126130	IDA-H8790	Effective	30-Jul-2013	20-Sep-2013	11-Dec-2013	31-Jan-2019	31-Jan-2019
P126130	TF-14871	Effective	20-Sep-2013	20-Sep-2013	11-Dec-2013	31-Jan-2019	31-Jan-2019

Disbursements

Project	Ln/Cr/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed

P126130	IDA-H8790	Effective	USD	15.00	15.00	0.00	2.96	11.22	19.76
P126130	TF-14871	Effective	USD	4.80	4.80	0.00	0.48	4.32	10.04

Project Financing Data - Additional Financing Additional Financing to TJ Health Services Improvement Project (P153975)(in US$ Million)

[ ] Loan [ ] Grant [X] IDA Grant
[X] Credit [ ] Guarantee [ ] Other

Total Project Cost:	10.00	Total Bank Financing:	10.00
Financing Gap:	0.00		

Financing Source – Additional Financing (AF)	Amount
BORROWER/RECIPIENT	0.00
International Development Association (IDA)	5.50
IDA Grant	4.50
Total	10.00

Policy Waivers

Does the project depart from the CAS in content or in other significant respects?	No
Explanation	
Does the project require any policy waiver(s)?	No
Explanation	

Team Composition

Bank Staff

Name	Role	Title	Specialization	Unit
Wezi Marianne Msisha	Team Leader (ADM Responsible)	Senior Health Specialist	Health & Operations	GHNDR
Dilshod Karimova	Procurement Specialist	Procurement Specialist	Procurement	GGODR
Niso Bazidova	Financial Management Specialist	Financial Management Analyst	Financial Management	GGODR
Angela Nyawira Khaminwa	Safeguards Specialist	Senior Social Development Specialist	Social Safeguards	GSURR

Ayshe Muratova	Team Member	Executive Assistant	Program Assistant	ECCTJ
Jasna Mestnik	Team Member	Finance Officer	Finance	WFALA
Lingzhi Xu	Team Member	Senior Operations Officer	Operations Design & Implementation	GHNDR
Natalia Robalino	Counsel	Senior Counsel	Legal	LEGIA
Norosoa Andrianaivo	Team Member	Senior Program Assistant	Senior Program Assistant	GHNDR
Rouselle F. Lavado	Team Member	Economist (Health)	Health Economist	GHNDR
Rustam Arstanov	Safeguards Specialist	Environmental Specialist	Environmental Safeguards	GENDR
Sarvinoz Barfieva	Team Member	Operations Officer	Health Operations	GHNDR
Shoira Zukhurova	Team Member	Program Assistant	Fiduciary & Portfolio Management	ECCTJ

Extended Team

Name	Title	Location

Locations

Country	First Administrative Division	Location	Planned	Actual	Comments
Tajikistan	Region of Republican Subordination	Region of Republican Subordination	X	X	Location: Khatlon Region, Sogd Region, RRS and GBAO

Institutional Data

Parent (Tajikistan Health Services Improvement Project (HSIP)-P126130)

Practice Area (Lead)

Health, Nutrition & Population

Contributing Practice Areas

Cross Cutting Topics

[ ] Climate Change

[ ] Fragile, Conflict & Violence

[ ] Gender

[ ] Jobs

[ ] Public Private Partnership

Sectors / Climate Change

Sector (Maximum 5 and total % must equal 100)

Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Health and other social services	Health	53		
Public Administration, Law, and Justice	Compulsory health finance	27		
Public Administration, Law, and Justice	Public administration-Health	20		
Total		100		

Themes

Theme (Maximum 5 and total % must equal 100)

Major theme	Theme	%
Human development	Health system performance	36
Human development	Child health	32
Human development	Injuries and non-communicable diseases	12
Human development	Population and reproductive health	12
Rural development	Rural services and infrastructure	8
Total		100

Additional Financing Additional Financing to TJ Health Services Improvement Project (P153975)

Practice Area (Lead)

Health, Nutrition & Population

Contributing Practice Areas

Cross Cutting Topics

[ ] Climate Change

[ ] Fragile, Conflict & Violence

[X] Gender

[ ] Jobs

[ ] Public Private Partnership

Sectors / Climate Change

Sector (Maximum 5 and total % must equal 100)

Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Health and other social services	Health	53		
Health and other social services	Other social services	47		
Total		100		

Themes

Theme (Maximum 5 and total % must equal 100)

Major theme	Theme	%
Human development	Health system performance	36
Human development	Child health	32
Human development	Population and reproductive health	12
Human development	Injuries and non-communicable diseases	12
Rural development	Rural services and infrastructure	8
Total		100

Consultants (Will be disclosed in the Monthly Operational Summary)

Consultants Required ?Consultants will be required

I. Introduction

1. This Project Paper seeks the approval of the Executive Directors to provide an additional grant and credit (45 and 55 percent, respectively) in an amount of SDR7.3 million equivalent (US$10 million equivalent) to the Tajikistan Health Services Improvement Project (HSIP) (P126130).

2. The proposed additional financing (AF) would help to finance the costs associated with: (i) the financing gap arising from higher than anticipated construction costs for the rural health centers (RHCs); and (ii) the scaling-up of activities initiated under the original IDA grant to cover additional primary health care (PHC) facilities in four districts. In addition, a Level One restructuring is being processed, which would include: (i) a minor revision of the Project Development Objective (PDO); (ii) revision of a few intermediate outcome indicators, adjustments of the targets and some indicator definitions in line with this AF, and the inclusion of two indicators on citizen engagement, which are required for all new projects under IDA 17; and (iii) an 11-month extension of the original Project closing date, from January 31, 2019 to December 31, 2019.

3. The original PDO is to contribute to the improvement of the coverage and quality of basic PHC services in rural health facilities in selected districts.

II. Background and Rationale for the Additional Financing in the Amount of US$10 million equivalent

A. Background

4. The original grant for the HSIP in the amount of US$19.8 million (IDA Grant of US$15 million and Health Results Innovation Trust Fund [HRITF] of US$4.8 million) was approved on July 30, 2013, and became effective on December 11, 2013, with an original closing date of January 31, 2019.

5. The HSIP consists of the following three components: (i) Performance-based Financing (Component 1); (ii) Primary Health Care Strengthening (Component 2); and (iii) Project Management, Coordination and Monitoring & Evaluation (Component 3). The Project is currently implemented in eight out of 68 cities and rayons (districts) - four districts each in Khatlon and Sogd Oblasts (Regions) in Tajikistan, representing 314 facilities, and covering approximately 1.86 million people. The AF intends to: (i) fill the financing gap due to the change from rehabilitation to reconstruction of RHCs, which resulted in higher costs than originally estimated[1]; and (ii) extend the HSIP activities to four additional district (Dangara in Khatlon Oblast, Fayzabad in the Rayons of Republican Subordination (RRS), and two districts in the Gorno-Badakshan Autonomous Oblast [GBAO].

6. Although Tajikistan has made progress towards meeting several of the Millennium Development Goals (MDGs), it is unlikely to meet all its targets, particularly those for maternal and child health (MCH), and access to clean water and sanitation. The positive trend in poverty reduction from 47 percent in 2009 to an estimated 36 percent in 2012, enabled the incomes of the bottom 40 percent of society to grow faster than the population at large. However, poverty reduction for women was lower than for men, and other non-monetary indicators of poverty increased in urban areas, particularly access to heating and sanitation, affecting the welfare of the growing middle class. Low contraceptive coverage rates, and childhood under-nutrition continue to be key areas of concern within the health MDGs. The continued focus of the proposed

[1]The original HSIP planned to support the rehabilitation and reconstruction of 24 RHCs. Re-assessment during the first year of implementation, showed that reconstruction would be more cost-effective than rehabilitation. Therefore only 12 RHCs could be reconstructed under the original HSIP, and the remaining 12 are proposed to be reconstructed under the AF.

AF on increasing the coverage and quality of mainly MCH services at the PHC level would support achievement of not only the MDGs[2] but also the Country Partnership Strategy (CPS) objectives.

7. The proposed AF activities are strategically aligned and consistent with the second pillar of the current FY15-18 CPS for Tajikistan[3] which aims to address extreme poverty and help promote shared prosperity through promoting social inclusion. The proposed AF would contribute to this objective by: (i) increasing access of the rural and vulnerable population, particularly women and children to better quality PHC services; and (ii) supplementing PHC workers' salaries with financial incentives.

B. Project Progress

8. The Project has been performing at a satisfactory level with respect to implementation progress and progress towards achievement of the PDO. The Interim Financial Reports (IFRs) are satisfactory, and the Project's first audit report is due in June, 2015 and arrangements are in place for its timely completion. As expected, women and children are a direct beneficiary group of all the Project activities. Activities under all the components have been initiated including the performance-based financing (PBF) scheme, which was tested initially in one district-Spitamen- from April to December 2014. Improved PHC facility performance on the 10-PBF quantity indicators particularly, contraceptive use, number of children fully vaccinated, and number of postnatal visits was noted over the eight-month testing period. Facility performance on quality indicators also improved during this period. The total incentive amounts earned by the 17 PHC facilities in Spitamen district increased from US$5,534 at the end of the first quarter (August 2014) to US$19,315 at the end of the second quarter (December 2014). The PBF scheme was rolled out to the remaining seven Project districts (representing 297 PHC facilities) starting in January 2015, with 326 health administrators and staff trained on PBF. In addition, 35 doctors and 72 nurses completed a 6-month Family Medicine training program, and 506 medical personnel were trained in PHC clinical protocols and PBF principles during the first year of Project implementation. Designs for the re-construction of 12 PHC facilities are currently being developed with actual civil works expected to start towards the beginning of 2016. Total disbursements from the IDA Grant and the HRITF implementation grant, as of April 3, 2015 are US$2.66 million (19.2 percent) and US$0.48 million (10.0 percent), respectively, already exceeding the initial disbursement projections. The HRITF preparation grant in the amount of US$850,000 was fully disbursed at closing on December 31, 2014.

9. The proposed AF meets the eligibility criteria under OP 10.00: (i) the Implementation Status and Results Report (ISR) ratings for progress towards Development Objectives and implementation progress over the most recent 12 months have been "Satisfactory"; (ii) the available data for the PDO level indicators indicates that progress against set targets is on track; (iii) there has been substantial compliance with the legal covenants, including audit and financial management reporting requirements; (iv) the proposed AF is not expected to change environmental safeguards category nor trigger new safeguard policies; (v) the fiduciary ratings have been "Satisfactory" or "Moderately Satisfactory" for the last 12 months; and (vi) the proposed AF activities are consistent with the original PDO and strategically aligned with the CPS for Tajikistan. Legal covenants are complied with to date.

C. Rationale for Additional Financing

10. The rationale for the AF is two-fold, firstly to enable the completion of RHC re-construction as planned under the original HSIP, and second, to scale up the HSIP activities. The original Project identified

[2] MCH and non-communicable disease NCD prevention will be priority areas under the new Sustainable Development Goal 5- "Ensuring healthy lives and promote well-being for all at all ages"- the Project activities would therefore remain relevant to and continue to contribute to achievement of these new goals.

[3] FY15-18 Country Partnership Strategy (CPS) for Tajikistan (Report 86372-TJ, discussed by the Executive Directors on June 10, 2014).

approximately 24 RHCs to be rehabilitated or reconstructed. However, re-assessment during the first year of implementation found the facilities to be in very poor condition, and reconstruction would therefore be more cost-effective than rehabilitation. Due to the change from rehabilitation to reconstruction, the original allocation for the physical infrastructure improvements could only cover 12 RHCs under the original Project. The remaining 12 are therefore proposed to be financed under the AF. The Government of Tajikistan is strongly committed to scaling-up the Project in order to expand coverage to additional districts of the country to further improve access to quality primary health services. The proposed four new districts were selected in consultation with the Ministry of Health & Social Protection (MoHSP) following similar criteria as the original eight Project districts. These included health outcomes, population served and PHC budget allocation. The institutional arrangements would remain unchanged, as they have been effective during the implementation of the current Project. The MoHSP's Coordination Group (CG) will continue to be responsible for the implementation of all health project activities.

11. Overall, this AF, which has support of the Government of Tajikistan, is a better mechanism to maximize development impact and results than a repeater project, a completely new operation, or non-lending instruments. This is mainly because the AF will use the well performing HSIP implementation and institutional arrangements as an instrument to maximize outcomes, while at the same time bringing additional funds, which would be particularly important in view of the implementation of the healthcare reforms. In addition, the activities financed under the AF will be implemented in parallel with the ongoing Project. An 11-month extension of the original Project closing date from January 31, 2019 to December 31, 2019 is deemed sufficient to complete both the original HSIP and the AF activities.

III. Proposed Changes

Summary of Proposed Changes	
The proposed AF would help to finance the costs associated with: (i) the financing gap due to the change from rehabilitation to reconstruction of RHCs, which resulted in higher costs than originally estimated; and (ii) the scaling-up of activities initiated under the original IDA grant to cover additional PHC facilities in four districts (Dangara, Fayzabad, and two in GBAO). Additional technical assistance[4] to support the implementation of comprehensive PHC financing reforms, including fine tuning the model for implementing PBF in central rayon health centers and city PHC facilities would also be financed. In addition, a Level One restructuring is being processed, which would include: (i) a minor revision of the PDO; (ii) minor adjustments of the targets and some indicator definitions in line with this AF, and the inclusion of two indicators on citizen engagement, which are required for all new projects under IDA 17; and (iii) an 11-month extension of the original Project closing date, from January 31, 2019 to December 31, 2019.	
Change in Implementing Agency	Yes [X] No [ ]
Change in Project's Development Objectives	Yes [X] No [ ]
Change in Results Framework	Yes [X] No [ ]
Change in Safeguard Policies Triggered	Yes [ ] No [X]

[4] This technical assistance would bring together two critical PHC financing reforms; PBF and full per capita financing. The general scope of the technical assistance would include: (i) development of a model for implementing PBF in central rayon health centres and city health facilities; (ii) defining scope of services provided in different types of PHC facilities (i.e. determine the boundary of services to be provided by family medicine versus narrow outpatient specialists); (iii) support MoHSP develop PHC strengthening strategy/action plan (i.e., determine whether narrow specialists who are currently at the PHC level should be integrated in hospitals; how to address human resource issues; etc.); (iv) support MoHSP in developing an overall vision of PHC financing and improve efficiency of services delivery by consolidating PBF and per capita financing reforms in PHC nationwide; and (v) monitoring the implementation of the PHC financing strategy.

Change of EA category	Yes [ ] No [X]
Other Changes to Safeguards	Yes [ ] No [X]
Change in Legal Covenants	Yes [X] No [ ]
Change in Loan Closing Date(s)	Yes [X] No [ ]
Cancellations Proposed	Yes [ ] No [X]
Change in Disbursement Arrangements	Yes [ ] No [X]
Reallocation between Disbursement Categories	Yes [ ] No [X]
Change in Disbursement Estimates	Yes [X] No [ ]
Change to Components and Cost	Yes [X] No [ ]
Change in Institutional Arrangements	Yes [ ] No [X]
Change in Financial Management	Yes [ ] No [X]
Change in Procurement	Yes [ ] No [X]
Change in Implementation Schedule	Yes [X] No [ ]
Other Change(s)	Yes [ ] No [X]

Development Objective/Results

Project's Development Objectives

Original PDO

The Project Development Objective (PDO) is to contribute to the improvement of the coverage and quality of basic primary health care (PHC) services in rural health facilities in selected districts.

Change in Project's Development Objectives

Explanation:

The original PDO would be slightly revised to include all PHC facilities, and not only rural health facilities. This is because the technical assistance on health financing planned in Component 1 of the proposed AF, would serve both the rural and urban PHC facilities. These facilities form the core of first level health services and provide similar basic preventive, curative care and some specialist outpatient services to both rural and urban populations.

Proposed New PDO - Additional Financing (AF)

The revised PDO is to contribute to the improvement of the coverage and quality of basic primary health care (PHC) services in selected districts.

Change in Results Framework

Explanation:

The results framework would be modified to reflect the proposed revised closing date of the Project to December 31, 2019. Modifications would also include revision of a few intermediate outcome indicators, adjustments of the targets and some indicator definitions in line with this AF, and the inclusion of two indicators on citizen engagement, which are required for all new projects under IDA 17. The proposed changes to the PDO and intermediate results indicators are detailed in the Results Framework in Annex 1.

Compliance						
Covenants - Additional Financing (Additional Financing to TJ Health Services Improvement Project - P153975)						
Source of Funds	**Finance Agreement Reference**	**Description of Covenants**	**Date Due**	**Recurrent**	**Frequency**	**Action**
IDA	Schedule 2, Section 1, Part A.4(d)	Not later than 6 months from the Effective Date, the MoHSP enters into an amended contractual relationship, on the terms acceptable to the Association, with an independent verification organization or firm, acceptable to the Association, to implement independent verification in a sample of PBF health facilities and beneficiaries, on a semi-annual basis, for the additional districts.	16-May-2016	☐		New
IDAT		Not later than 6 months from the Effective Date, the MoHSP enters into an amended contractual relationship, on the terms acceptable to the Association, with an independent verification organization or firm, acceptable to the Association, to implement independent verification in a	16-May-2016	☐		New

		sample of PBF health facilities and beneficiaries, on a semi-annual basis, for the additional districts.				

Conditions

Source Of Fund	Name	Type
IDA	Signing contract to update the existing 1C accounting software system.	Effectiveness

Description of Condition

The Recipient shall have signed the contract for updating the existing IC accounting software for project accounting, budgeting and reporting.

Source Of Fund	Name	Type
IDA	Updating and amendment of the Project Operational Manual.	Effectiveness

Description of Condition

The Project Operational Manual has been updated and amended by the Recipient in a manner acceptable to the Association.

Source Of Fund	Name	Type
IDA	Execution and delivery of the IDA Grant Financing Agreement.	Effectiveness

Description of Condition

The execution and delivery of the Financing Agreement (Grant) on behalf of the Recipient has been duly authorized or ratified by all necessary governmental action and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.

Source Of Fund	Name	Type
IDAT	Execution and delivery of the IDA Credit Financing Agreement.	Effectiveness

Description of Condition

The execution and delivery of the Financing Agreement (Credit) on behalf of the Recipient has been duly authorized or ratified by all necessary governmental action and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.

Source Of Fund	Name	Type

IDAT	Updating and amendment of the Project Operational Manual.	Effectiveness

Description of Condition

The Project Operational Manual has been updated and amended by the Recipient in a manner acceptable to the Association.

Source Of Fund	Name	Type
IDAT	Signing the contract to update the existing 1C accounting software system.	Effectiveness

Description of Condition

The Recipient shall have signed the contract for updating the existing IC accounting software for project accounting, budgeting and reporting.

Source Of Fund	Name	Type
IDAT	Disbursement from Component 1.	Disbursement

Description of Condition

No withdrawal shall be made under Category (1) unless the Recipient, through the MoHSP, has amended the PBF Manual, acceptable to the Association, to reflect the expanded scope of the Project.

Source Of Fund	Name	Type
IDAT	Disbursement from Component 1.	Disbursement

Description of Condition

MoHSP has submitted evidence acceptable to the Association that activities of & estimated performance-based payments to the PHCs have been verified by the PBF Verification Teams in accordance with & in compliance with the provisions of the PHC Performance Agreements and in accordance with the procedures set forth in in the PBF Manual and the additional instructions referred to in Section IV A (1).

Risk

Risk Category	Rating (H, S, M, L)
1. Political and Governance	Substantial
2. Macroeconomic	Substantial
3. Sector Strategies and Policies	Moderate
4. Technical Design of Project or Program	Moderate
5. Institutional Capacity for Implementation and Sustainability	Moderate
6. Fiduciary	Substantial
7. Environment and Social	Moderate
8. Stakeholders	Moderate
9. Other	
OVERALL	Substantial

Finance

Loan Closing Date - Additional Financing (Additional Financing to TJ Health Services Improvement Project - P153975)	
Source of Funds	**Proposed Additional Financing Loan Closing Date**
International Development Association (IDA)	31-Dec-2019
IDA Grant	31-Dec-2019

Loan Closing Date(s) - Parent (Tajikistan Health Services Improvement Project (HSIP) - P126130)

Explanation:

The original Project closing date and the IDA grant closing date would be extended for 11 months to allow sufficient time to complete both the original and AF activities.

Ln/Cr/TF	Status	Original Closing Date	Current Closing Date	Proposed Closing Date	Previous Closing Date(s)
IDA-H8790	Effective	31-Jan-2019	31-Jan-2019	31-Dec-2019	31-Jan-2019
TF-14871	Effective	31-Jan-2019	31-Jan-2019	31-Jan-2019	

Change in Disbursement Estimates (including all sources of Financing)

Explanation:

The disbursement estimates are being revised to include the US$10 million additional financing and the additional 11 months of project implementation.

Expected Disbursements (in US$ Million)(including all Sources of Financing)

Fiscal Year	2016	2017	2018	2019	2020					
Annual	0.05	0.10	2.00	3.10	4.75					
Cumulative	0.05	0.15	2.15	5.25	10.00					

Allocations - Additional Financing (Additional Financing to TJ Health Services Improvement Project - P153975)

Source of Fund	Currency	Category of Expenditure	Allocation	Disbursement %(Type Total)
			Proposed	Proposed
IDAT	XDR	PBF Scheme under Component 1 of the Project	690,000	100.00
IDAT	XDR	Goods, works, non-consulting services, consultants' services, training and incremental operating costs for the Project	2,610,000	100.00
		Total:	3,300,000	

IDA	XDR	Works	4,000,000	100.00
		Total:	4,000,000	

Components

Change to Components and Cost

Explanation:

The design of the Project remains unchanged. The proposed AF would extend activities that already constitute the original Project as follows:

Component 1: Performance-based Financing. This component would support the implementation of a PBF pilot at the PHC level in one additional rayon (district) in Khatlon Oblast, and one rayon in RRS. Additional technical assistance to support the implementation of comprehensive PHC financing reforms, including fine tuning the model for implementing PBF in central rayon health centers and city PHC facilities would also be financed. Lastly, to strengthen social accountability and improve outcomes, discussions between communities and PHC providers of feedback received through citizen scorecards (CSCs) would be undertaken and facilitated by local non-government organizations (NGOs).

Component 2: Primary Health Care Strengthening. Sub-component 2.2: Physical Infrastructure Improvements. The sub-component would support the improvement of PHC facility infrastructure through reconstruction of additional RHCs and provision of basic medical equipment to additional PHC facilities in the existing eight Project districts and the four new districts, according to previously agreed criteria[5]. Minor rehabilitation of and provision of teaching equipment to the Khatlon and Sogd Family Medicine Training Centers would also be supported.

Component 3: Project Management, Coordination and Monitoring & Evaluation. The component would support the expenses associated with the implementation and management of the Project at the central, regional and district levels. These would include recurrent costs, office equipment and furniture, vehicles for Project supervision, consultant salaries, travel expenses, study tours to enhance the knowledge on PBF, PHC reforms and management, and training for the CG members and project implementation staff at regional and district levels, monitoring and evaluation (M&E), and project audits. All activities would also cover the four new districts included through the AF.

Current Component Name	Proposed Component Name	Current Cost (US$M)	Proposed Cost (US$M)	Action
Component 1: Performance Based Financing	Component 1: Performance Based Financing	12.80	13.96	Revised
Component 2: Primary Health Care Strengthening	Component 2: Primary Health Care Strengthening	6.00	14.30	Revised
Component 3: Project Management,	Component 3: Project Management,	4.20	4.81	Revised

[5] Updated construction cost estimates revealed that only 12 out of 24 PHC facilities could be reconstructed and equipped with the US$3 million allocated under the original Project. The proposed AF would cover the remaining 12 original PHC facilities and additional facilities from the four new districts and the original districts.

Coordination, and Monitoring & Evaluation	Coordination, and Monitoring & Evaluation			
	Total:	23.00	33.07	

Other Change(s)

Change in Implementing Agency

Explanation:

The implementing agency remains the same, the only change is in the name of the agency. At the time of approval of the original Project, the implementing agency was known as the Ministry of Health, but became the Ministry of Health and Social Protection as of January 2014.

Implementing Agency Name	Type	Action
Ministry of Health & Social Protection	Implementing Agency	New

Change in Implementation Schedule

Explanation:

The implementation period would be extended by an additional 11 months until December 31, 2019.

Appraisal Summary

Economic and Financial Analysis

Explanation:

Economic Analysis. The AF has the same economic rationale as the original Project. The estimated benefit of the Project is the economic value of the lives saved and serious disability averted by the investments made in the Project through: (i) increased access to urban and rural PHC services (Components 1 and 2.2); (ii) improved quality of MCH and NCD services (Component 1); and (iii) improved prevention and management of health conditions at PHC level (Component 2.2).

Economic analysis of the Project required projecting the epidemiological scenario in Tajikistan up to 2030 and then estimating how many disability-adjusted life years (DALYs) might be averted with the Project. The project is expected to save a total of 41,390 DALYs over the 2014-2030 period. The baseline and DALY reduction in each major disease category has been estimated for each intervention. Projections made by the World Health Organization (WHO)[6] provided the counterfactual scenario of disease burden in Tajikistan without the Project.

Table 1 (Annex 3) summarizes the results of the economic analysis. As baseline, financial cost of the Project were discounted at 10 percent reflecting the average bank rate. The future stream of benefits in terms of annual DALYs saved is discounted at 3 percent following WHO and DCP-2 guidelines[7]. A higher rate of 5 percent that reduces the present value of DALYs saved in the future is also presented. Each DALY saved is valued at a conservative rate of per capita income.[8] The baseline scenario for the revised project with AF resulted in a net present value (NPV) of US$ 5.9 million and an 18.98 percent internal rate of return (IRR).

[6] See http://www.who.int/healthinfo/global_burden_disease/projections/en/

[7] See: DCP-2: Disease Control Priorities in Developing Countries: http://www.dcp2.org/.

[8] An upper estimate values each year of life as three times per capita income, as per the DCP-2 and Copenhagen Consensus guidelines (See: D. Jamison, P. Jha, and D. Bloom, "Copenhagen Consensus 2008 Challenge Paper: Diseases," 2008;

The robustness of the baseline scenario was tested by altering the basic parameters of the economic analysis in Table 2 (Annex 3). The financial cost of the Project was discounted at a lower rate of 7 percent to show an even more conservative assumption. Lower discount rates mean that the present value of project costs would be greater. The alternative scenario results in a NPV of about US$7.8 million and a 16.32 percent IRR for a DALY valued at per capita income. Given that very modest effectiveness estimates were used, there is no major risk of overestimation of returns.[9] The IRR ranges from 12.10 to 18.98 percent depending on the assumptions, thus, the proposed project is economically profitable.

Financial Analysis. IDA will provide additional financing of US$10 million, of which US$ 8.3 million will be allocated to physical infrastructure improvements. Recurrent costs are calculated at 10 percent of the investment costs, and when recurrent cost of the original project is included, this is estimated to be roughly US$1.180 million per year. Public health spending is estimated at around $86 million in 2015, so the recurrent costs generated by the Project represent around 1.4 percent. Additionally, public health spending is expected to increase by 8-10 percent over the next five years allowing the government to sustain the recurrent costs.[10]

Technical Analysis

Explanation:

The technical design and the fiduciary arrangements would remain the same as under the original Project. Experience has shown that the technical basis of the project is sound. The investment priorities would continue to focus on improving service coverage and quality.

Social Analysis

Explanation:

As in the original Project, women (especially rural women) would be a direct beneficiary group as will children and infants, given the Project's continued focus on improving MCH services in PHC facilities. The Project would also contribute to creation of short-term employment opportunities for returning migrant workers. The Project would disaggregate data by gender, and continue to monitor impacts on women, children, and the elderly, where relevant. The relevant results framework indicators have been revised to monitor outcomes by gender.

The AF would include an element of citizen engagement through the implementation of community-service provider discussions based on the results of CSCs. The CSCs were designed [under a related Trust Funded activity] and would be implemented under Component 1. The CSC discussions will strengthen social accountability and improve delivery of services by creating a feedback loop between service providers and beneficiaries. To track the implementation of the CSCs, two new indicators have been included in the results framework.

http://www.givewell.org/files/DWDA%202009/Stop%20TB/Copenhagen%20Consensus%20Paper-Diseases.pdf) will produce higher values but this project paper presents the most conservative value of only the per capita income.

[9] The effectiveness of the proposed PBF intervention has been estimated based on similar schemes implemented in other countries and on qualitative studies conducted during the preparation of the project. It was assumed that 4 percent of DALYs due to communicable diseases and 1-3 percent due to NCDs will be reduced. However, since the impact of the proposed PBF intervention in the specific Tajik context is currently not known yet, the original project has an impact-evaluation (IE) trust fund which would allow estimating the effectiveness of the project. Based on the effectiveness estimated by the IE at the end of the project, the cost-effectiveness of the PBF interventions would be revisited and the new results would inform the Bank, the Government, and other development partners.

[10] This is based on the finding of Tajikistan Health Public Expenditure Review (2013) that the current low level of resources allocated to the health sector provides space for re-prioritization of the health spending within the government budget as demonstrated by the rapid increase of total public health expenditure as percent of GDP in the past few years.

Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit http://www.worldbank.org/GRS. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

Environmental Analysis

Explanation:

The original Project triggered OP/BP 4.01- Environment Assessment, and was classified as Category B, which would remain unchanged for the AF. The Environmental Management Framework (EMF) for the original Project has been updated to incorporate changes in the Project scope. The EMF was publicly re-disclosed on March 19, 2015[11], and disclosed in the InfoShop on March 25, 2015. The original Project did not trigger OP 4.12 – Involuntary Resettlement, and no Project activities resulted in the impacts defined in OP 4.12. The AF would not trigger OP 4.12 as the nature of civil works – rehabilitation on existing footprints – would be the same.

Risk

Explanation:

The SORT assesses the overall rating of the HSIP and AF as "Substantial" due to overall substantial political, governance, macroeconomic and fiduciary risks. The most relevant risk that could affect the achievement of the PDO is related to the fiduciary aspects. In response to a complaint under a previous project in the Health sector, the Bank carried out an investigation which identified indicators of fraud and collusion on the part of a number of companies bidding for contracts. The new operation includes a number of measures that are designed to identify and mitigate such risks including implementation of the current and proposed new operation by a new procurement team; and strengthening the capacity of this team to better identify possible procurement red flags. Further the MoHSP would hire third Party Quality Assurance/Quality Control (QA/QC) consultant(s) to ensure the quality of civil works; involve its Capital Construction Department engineers in conducting regular physical inspections; and enforce public disclosure and transparency provisions of the Bank's Procurement Guidelines.

The other risk to implementation is that it could take some time for the two new districts to get familiar with the Project and Component One in particular. However, adequate capacity building measures (i.e. technical assistance, training) would continue to be provided through the proposed AF. In addition the team together with the fiduciary specialists would continue to closely monitor various aspects including procurement processes, disbursements and transaction processing, and to work with the MoHSP and Treasury to resolve any bottle-necks. Some specific actions to reduce transaction delays would include: the MoHSP CG will be provided with remote access to the Treasury system;(ii) the HSIP would be selected for piloting the remote access allowing the MoHSP CG to send their applications electronically to Central Treasury for disbursement starting from July 2015; and (iii) regular trainings would be organized based on the needs of Financial Management staff.

[11] EMF re-disclosed on MoHSP website http://www.health.tj/ru and at the Khatlon & Sogd Oblast Health Departments.

Climate Change and Disaster Risks. In compliance with IDA 17 priority commitments, this IDA operation has been screened to identify, and, if relevant, address any potential short- and long-term climate change and disaster risks. The risk screening suggests an overall low risk rating for Project outcome and service delivery. Therefore achievement of the PDO defined for this operation is unlikely to be affected by climate change and disaster risks.

However, in the event of any disaster risks, some key adaptation options for climate changes for this operation would include: (i) rebuilding and maintaining health infrastructure; (ii) disaster preparedness (improved rural health facility designs, etc.); and (iii) enhanced infectious disease control programs through promoting vaccination, and early case detection and treatment. Overall and in consideration to the IDA 17 climate change agenda, the proposed Project would contribute to improved access to PHC provision.

Annex 1: Revised Results Framework and Monitoring

Project Name:	Additional Financing to TJ Health Services Improvement Project (P153975)			Project Stage: Additional Financing	Status: DRAFT
Team Leader(s):	Wezi Marianne Msisha	Requesting Unit:	ECCU8	Created by:	Wezi Marianne Msisha on 09-Feb-2015
Product Line:	IBRD/IDA	Responsible Unit:	GHNDR	Modified by:	Wezi Marianne Msisha on 21-May-2015
Country:	Tajikistan	Approval FY:	2015		
Region:	EUROPE AND CENTRAL ASIA	Lending Instrument:	Investment Project Financing		
Parent Project ID:	P126130	Parent Project Name:	Tajikistan Health Services Improvement Project (HSIP) (P126130)		

Project Development Objectives

Original Project Development Objective - Parent:

The Project Development Objective (PDO) is to contribute to the improvement of the coverage and quality of basic primary health care (PHC) services in rural health facilities in selected districts.

Proposed Project Development Objective - Additional Financing (AF):

The revised Project Development Objective (PDO) is to contribute to the improvement of the coverage and quality of basic primary health care (PHC) services in selected districts.

Results

Core sector indicators are considered: Yes

Results reporting level: Project Level

Project Development Objective Indicators

Status	Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
Revised	Percentage of pregnant women receiving antenatal care four or	☐	Percentage	Value	79.20	79.20	85.00
				Date	01-Oct-2013	02-Apr-2015	31-Dec-2019

	more times from a skilled health provider			Comment	79.2% Sogd 39.2 % Khatlon 78.7% RRS	79.2% Sogd 39.2 % Khatlon 78.7% RRS Will be updated in June with baseline from Impact Evaluation (I.E).	85% Sogd 45 % Khatlon 82% RRS
Revised	Contraceptive Prevalence Rate	☐	Percentage	Value	30.70	30.70	35.00
				Date	01-Oct-2013	03-Apr-2015	31-Dec-2019
				Comment	30.7% Sogd 22.9% Khatlon 22.3% RRS	30.7% Sogd 22.9 % Khatlon 22.3% RRS Will be updated in June with baseline from I.E.	35% Sogd 27 % Khatlon 27% RRS
Revised	Average Health Facility Quality of Care Score	☐	Number	Value	180.00	232.00	250.00
				Date	01-Jul-2014	03-Apr-2015	31-Dec-2019
				Comment	180 (Spitamen district rural health centers only) 91 (only for health houses in Spitamen district)	232 (Spitamen district rural health centers only) 119 (only for health houses in Spitamen district)	End target is increased average scores compared to baseline.
Revised	Percentage of children under-five with diarrhea treated with any Oral Rehydration Therapy	☐	Percentage	Value	79.20	79.20	85.00
				Date	01-Oct-2013	03-Apr-2015	31-Dec-2019
				Comment	79.2% Sogd 68.2% Khatlon 82.2% RRS	79.2% Sogd 68.2 % Khatlon 82.2% RRS	85% Sogd 74 % Khatlon 85% RRS

						Will be updated in June with baseline from I.E.	
Intermediate Results Indicators							
Status	Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
Revised	Number of eligible health facilities in which PBF is initiated	☐	Number	Value	0.00	316.00	413.00
				Date	01-Oct-2013	03-Apr-2015	31-Dec-2019
				Comment		PBF started in all 316 RHCs and HHs in 8 project districts since Jan 2015	413 RHCs and HHs in 10 pilot districts
Revised	Percentage of Primary Health Care facilities eligible for PBF payments who received timely PBF payments in the preceding quarter	☐	Percentage	Value	0.00	100.00	100.00
				Date	01-Oct-2013	03-Apr-2015	31-Dec-2019
				Comment		Represents 17 pre-pilot facilities in Spitamen district which received payment in Jan 2015.	
Revised	Number of independent verification visits completed per schedule	☐	Number	Value	0.00	1.00	9.00
				Date	01-Oct-2013	03-Apr-2015	31-Dec-2019
				Comment		First independent verification carried out in Spitamen in January 2015.	9 (2 independent verifications per year)
Marked for Deletion	Number of pregnant/lactating women and/or children under age 5 reached by basic nutrition services	☐	Percentage	Value	0.00	0.00	0.00
				Date	01-Oct-2013	03-Apr-2015	31-Jan-2019
				Comment			

Marked for Deletion	Percentage of hypertensive patients who are receiving correct anti-hypertensive treatment per protocols.	☐	Number	Value	0.00	0.00	0.00
				Date	01-Oct-2013	03-Apr-2015	31-Jan-2019
				Comment			
Marked for Deletion	Number of Primary Health Care facilities constructed, renovated or equipped	☐	Number	Value	0.00	0.00	10.00
				Date	01-Oct-2013	22-Oct-2014	31-Mar-2018
				Comment		Architectural designs of facilities being developed	
Revised	Number of project districts in which PBF MIS is operational	☐	Number	Value	0.00	4.00	10.00
				Date	01-Oct-2013	03-Apr-2015	31-Dec-2019
				Comment		Computers and tablets provided and system functional in the 4 project districts in Sogd.	10
Revised	Report on evaluation of pilot experience completed and action plan for the roll-out prepared	☐	Yes/No	Value	No	No	Yes
				Date	01-Oct-2013	03-Apr-2015	30-Jun-2015
				Comment		Report on pre-pilot currently being prepared.	
Revised	Health personnel receiving training (number)	☒	Number	Value	0.00	1115.00	7957.00
				Date	01-Oct-2013	03-Apr-2015	31-Dec-2019
				Comment		(35 doctors & 72 nurses on Family Medicine; 326 on PBF; 506 on clinical protocols; 119, computer	

						literacy training) for doctors: female 40%; males 60%; for nurses: females 95%; males 5%; for Computer trainings (females: 60%; males 40%)	
Revised	Health facilities constructed, renovated, and/or equipped (number)	☒	Number	Value	0.00	0.00	388.00
				Date	01-Oct-2013	03-Apr-2015	31-Dec-2019
				Comment		Architectural design of 12 facilities in progress. Equipment bidding packages being prepared for 102 PHC facilities	38 PHC facilities constructed 350 PHC facilities equipped for a total of 388
Revised	Percentage of hypertensive adults who are currently receiving anti-hypertensive treatment	☐	Percentage	Value	0.00	0.00	30.00
				Date	01-Oct-2013	03-Apr-2015	31-Dec-2019
				Comment		To be updated in July with I.E. baseline survey results	
New	Number of citizen scorecard exercises/sessions conducted in the project districts.	☐	Number	Value	0.00	0.00	232.00
				Date	13-Mar-2015	03-Apr-2015	31-Dec-2019
				Comment			At least one session in each of the 72

							facilities per year in 16 districts.
New	Number of PHC facilities that developed and implemented action plans as a result of citizen feedback	☐	Number	Value	0.00	0.00	72.00
				Date	13-Mar-2015	03-Apr-2015	31-Dec-2019
				Comment			
New	Percentage of hypertension patient charts with treatment according to protocol	☐	Percentage	Value	0.00	0.00	60.00
				Date	30-Mar-2015	03-Apr-2015	31-Dec-2019
				Comment		To be updated with results from first quarter verification.	
New	Number of mothers counselled on nutrition	☐	Number	Value	0.00	336.00	3000.00
				Date	30-Mar-2015	03-Apr-2015	31-Dec-2019
				Comment		Data for Spitamen district only. Will be updated in July based on facility performance reports.	End of project target to be confirmed in July based on facility performance.

Annex 2: Implementation Arrangements and Support

1. **Institutional Arrangements.** The institutional arrangements will remain the same as under the original Project. Therefore, activities to be undertaken as a result of this AF would be executed under the direction of the MoHSP CG. The CG consists of MoHSP technical, fiduciary, administrative staff, and local consultants at the central level who manage implementation of Project activities, including M&E. Similar arrangements already in place in the Khatlon and Sogd Oblast (regional) health departments, will continue under the proposed AF. The proximity of Khatlon and RRS oblasts to Dushanbe will make it possible for the CG to closely monitor and support the implementation of activities. The CG will also support the implementation of activities in two districts in GBAO. Implementation of the citizen engagement activities will be done by the MoHSP public relations team in collaboration with facilitators from local NGOs. The implementing agency capacity and technical expertise have improved over the last two years, and it is therefore well positioned to utilize additional resources, as well as implement activities in the proposed new districts. Capacity building activities, such as training and technical assistance for the new districts, were discussed during appraisal to ensure that they will catch up with other districts on implementation as soon as the AF becomes effective. The full details on operation procedures that guide Project implementation are outlined in the Project Operations Manual (POM), adopted by Order #671 of the MoHSP on November 18, 2013. The POM is being updated to include the AF activities. Updating and amending of the POM by the Recipient in a manner acceptable to the Association would be a condition for the AF Project Effectiveness.

Fiduciary

2. ***Procurement.*** The procurement implementation arrangements would remain the same as under the original Project. Procurement activities will be carried out by the MoHSP through the existing CG. The CG has engaged the services of the procurement consultants who work in close collaboration with the MoHSP procurement staff. The MoHSP procurement staff has gained significant experience during implementation of the ongoing Bank-financed projects and participation in different procurement trainings. Overall procurement capacity for implementation of procurement under the AF is assessed as **Satisfactory.**

3. The procurement risk for the original project was assessed as ‘High”. With implementation of the mitigation measures planned under the project, some of the residual risks moved down to the “Substantial” category. In particular, the MoHSP staff involved in the project procurement received formal World Bank procurement trainings; internal decision making process at the MoHSP and clearance process with the State Committee for Investments and State Property Management (SCISPM) is being monitored against the agreed timeframes and implementation of the procurement plan; procurement announcements and contract award notifications are published in local newspapers; and procurement plans are placed in the SCISPM website. However, the following risks remain at the same level and cause the risk for the proposed AF: (i) quality issues in rehabilitation of health facilities; and (ii) some indicators of fraud and collusion on the part of a number of companies bidding for contracts which were identified during the Bank’s investigation in the sector. To minimize these risks, the MoHSP shall hire third Party QA/QC consultant(s) to ensure the quality of civil works; involve its Capital Construction Department engineers to conduct regular physical inspections; enforce public disclosure and transparency provisions of the Bank’s Guidelines; and strengthen the MoHSP procurement capacity to be better able to check for signs of fraud and/or collusion.

4. The MoHSP has prepared and discussed with the Bank team the initial procurement plan (PP) for the project implementation. The plan was agreed upon between the Borrower and the Bank team at negotiations, and will be published on the MoHSP website and Bank's external website. Procurement for the proposed project will be carried out in accordance with the World Bank's "Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" Dated January 2011 and Revised July 2014; Consulting services would be procured following the Bank's Guidelines "Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" Dated January 2011 and Revised July 2014; and the provisions stipulated in the Financing Agreement. The World Bank Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credit and Grants dated October 15, 2006 and revised on January 2011, would also apply.

Financial Management

5. The financial management responsibilities for the proposed AF would remain with the MoHSP's CG that was established in November, 2012 to implement Bank's funded projects; namely the HSIP, the Health Institutional Development Fund (IDF) Grant, and the Japan Social Development Fund (JSDF) Grant. The CG has gained the required capacity in implementing donor funded projects, with adequate staffing and appropriate controls and procedures in place. The internal control system for projects at the MoHSP continues to be overall acceptable to the Bank. The Minister of Health and Social Protection approves all project expenditures and signs the payment orders along with the Chief Accountant of the MoHSP. The financial management arrangements for the Projects including accounting and reporting arrangements, internal control procedures, planning and budgeting, external audits, funds flow, organization and staffing arrangements are assessed as **Moderately Satisfactory**.

6. The MoHSP submits quarterly IFRs on time and they are satisfactory to the Bank. The MoHSP is supposed to submit annual audits for IDA H8790 and MDTF 14871, with the first audit reports (for CY2014) due on June 30, 2015. The SCISPM, which is responsible for organizing project audits, included both projects in the new block audit contract with the firm Baker Tilly Romani in December 26, 2014.

7. To improve the financial management capacity, the MoHSP has to update the existing automated accounting system for the new project to cope with the rigorous requirements for project accounting and reporting, inbuilt controls and capacity to generate IFRs. MoHSP shall also update the existing financial management chapter of the POM to enable the tracking of the activities under the AF in an appropriate manner.

8. To meet the necessary financial management and disbursement requirements for the AF, the MoHSP should implement the following two conditions of Effectiveness:

Action for capacity building	**Responsibility**	**Completion Date**
1. The contract for updating of the existing 1C accounting software for project accounting, budgeting and reporting has been signed. The accounting system shall have inbuilt controls to ensure data security, integrity and reliability, and the functionality of automatic generation of IFRs.	MoHSP	By effectiveness

2. Update financial management chapter of the POM to guide staff in daily project financial management operations. The financial management chapter will reflect the project arrangements on financial management, including internal control mechanisms, accounting and reporting procedures, disbursement procedures, funds flow and audit arrangements.	MoHSP	By effectiveness

9. The MoHSP is recommended to open a Designated Account (DA) in the National Bank of Tajikistan (NBTJ) for the portion of grant/credit funds allocated to it. The ceiling for the DA and other disbursement details are provided in the Disbursement Letter. The overall residual financial management risk of the project is currently rated as **Substantial** and is expected to be rated as **Moderate** after implementation of the mitigation measures.

10. The Ministry of Finance (MoF) has introduced a new automated Treasury system SGB.net in January 2015 and it caused initial delays in payments through the treasury system as authorized access to the system and training on operations of the new system was required. This issue was addressed in February 2015 by the country management and Governance financial management team, and discussions have been held with the Treasury on avoiding any delays in future for the proposed AF. A training session on how to work with the new Treasury system specifically for project staff from various agencies including MoHSP was held in the MoF IT Center. It was assessed that the system allows making regular payments and is acceptable for Bank funded project at this stage. However, it was noticed by the MoF representative that some functions with the system will be improved to address all specific projects needs by June 2015. In order to avoid any delays in payments under the AF, the following measures were agreed to be undertaken: (i) the MoHSP CG will be able to access the system remotely from their office;(ii) the HSIP would be selected for piloting the remote access allowing the MoHSP CG to send their applications electronically to Central Treasury for disbursement starting from July 2015; and (iii) regular trainings would be organized based on the needs of Financial Management staff.

11. The MoHSP would submit quarterly IFRs that will be generated by the respective accounting software based on formats agreed with the World Bank. The reports, to include Statement of Sources and Uses of Funds, Uses of Funds by Project activities (Components & Expenditure Categories) and Statement of DA, would be submitted to the World Bank within 45 days of the end of each quarter, with the first reports under the proposed Project being submitted after the end of the first full quarter following initial disbursement. The formats of these IFRs were agreed with the MoHSP during the Negotiations.

12. The MoHSP will submit the annual audited project financial statements within six months of the end of each fiscal year of the Client. Each such audit will include the project financial statements, Statement of Expenditures (SOEs) and DA Statement. The cost of the audit will be financed from the project funds. Following the Bank's formal receipt of the audited financial statements from the MoHSP, the Bank will make them available to the public in accordance with the Bank's Access to Information Policy through its website. In addition, the MoHSP will publish the audit reports in a manner acceptable to the Bank.

Annex 3: Economic Analysis Tables

Table 1: Results of the Economic Analysis (in US$)

Baseline: discount rate of 10%

	Original project			**Revised project with AF**		
	Total costs (000) constant, 2014 terms	**Total benefits (000) constant, 2014 terms**	**Net benefits**	**Total costs (000) constant, 2014 terms**	**Total benefits (000) constant, 2014 terms**	**Net benefits**
Scenario 1: DALY discount rate of 3%						
Values (in 000s)	$18,224	$49,341	$ 31,117	$ 28,176	$ 55,744	$27,568
NPV (in 000s)			$ 6,648			$5,936
IRR			22.36%			18.98%
Scenario 2: DALY discount rate of 5%						
Values (in 000s)	$18,224	$42,004	$ 23,780	$28,176	$ 47,455	$19,279
NPV (in 000s)			$ 4,477			$2,968
IRR			19.05%			14.93%

Table 2: Sensitivity Analysis of Results (in US$)

Alternative: discount rate of 7%

	Original project			**Revised project with AF**		
	Total costs (000) constant, 2014 terms	**Total benefits (000) constant, 2014 terms**	**Net benefits**	**Total costs (000) constant, 2014 terms**	**Total benefits (000) constant, 2014 terms**	**Net benefits**
Scenario 1: DALY discount rate of 3%						
Values (in 000s)	$19,562	$49,341	$29,779	$ 31,618	$ 55,744	$24,126
NPV (in 000s)			$9,973			$7,782
IRR			20.90%			16.32%
Scenario 2: DALY discount rate of 5%						
Values (in 000s)	$19,562	$42,004	$22,442	$31,618	$ 47,455	$15,837
NPV (in 000s)			$6,928			$3,843
IRR			17.59%			12.10%