RURAL ECONOMY DEVELOPMENT PROJECT
(P168326)

PROJECT PROCUREMENT STRATEGY FOR DEVELOPMENT

May 19, 2019
1. Project Overview

<table>
<thead>
<tr>
<th>Country:</th>
<th>Tajikistan</th>
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<tbody>
<tr>
<td>Full Project Name:</td>
<td>Rural Economy Development Project</td>
</tr>
<tr>
<td>Total Finance:</td>
<td>US$ 30 million</td>
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<td>Project Number:</td>
<td>P168326</td>
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<tr>
<td>Summary of Project Development Objectives</td>
<td>To improve the sources of livelihood for local populations in GBAO and Khatlon through tourism and agribusiness.</td>
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2. Project Description

The Project Development Objective is to improve the sources of livelihood for local populations in GBAO and Khatlon through tourism and agribusiness.

The project has four components. Component 1 funds public investment in infrastructure at cultural sites and grants to communities to improve small local agribusiness and tourism infrastructure. Component 2 funds matching grants to farmers and MSMEs in agribusiness, tourism, and related sectors. Component 3 funds technical assistance to public agencies, service providers, and operators in tourism, agriculture, and related sectors. Component 4 funds the Project Implementation Unit and a grant management company that will design and implement all grants and matching grants funded by the project.

Component 1—Improve public infrastructure for the development of tourism, agribusiness and related sectors (US$12,000,000)

This component aims to improve public infrastructure for development of tourism and agribusiness. Component 1 includes three subcomponents

- **Subcomponent 1.1: Public investments in historical and cultural tourism sites (US$9,300,000):** This subcomponent will finance the rehabilitation, beautification, landscaping, and general improvement of four cultural and historical sites. One site is in GBAO and three are in Khatlon. The project will finance the investments, as well as the technical design and commercialization plans, the associated social and environmental assessments, and the supervision of the works. The investments will help: (i) attract more visitors, (ii) encourage new economic activity on and around the sites, (iii) enhance visitors’ experience at the sites, increasing their spending, and (iv) preserve local cultural assets. The construction works under this subcomponent will give jobs to youth and returning migrants, and will contribute to upskill them, making them ready for more specialized occupations in the construction industry in the future. The sub-component will include:

  - **Investment in the Yamchun Fortress in GBAO, leveraging the site as a tourism anchor in Tajikistan (US$4,800,000).** The fortress is located in the Whakan Corridor, along the southern branch of the ancient Silk Route. Tourists traveling the region visit the site and spend money locally. However, site constraints prevent increasing the number of tourists. The site constraints include structural issues in the fortress, ineffective presentation to tourists, lack of visitors’ facilities, and sub-optimal management. To address these constraints and unlock the site's potential, the project will finance, among other things: (i) a comprehensive diagnostic campaign to assess the status of the fortress and determine all needed measures and interventions (outputs of the diagnostic campaign will be a feasibility study, preliminary and detailed engineering designs, bill of quantities, and technical specifications); and (ii) implementation of conservation, presentation, and management measures as identified in the
diagnostic campaign. Based on current site knowledge, interventions may include structural stabilization, conservation of walls and towers, development of pedestrian access to the fortress, and other measures to enhance presentation to tourists. Yamchun fortress and some similar sites in Tajikistan have been on the UNESCO Tentative List since 2013.

- **Investment in the three sites in Khatlon (Hulbuk Castle, Khoja Mashad Madrassa and Chiluchorchashma) to develop a historical and religious circuit (US$4,500,000).** The government performed major restoration work on the Hulbuk fort, and a grant from the US Ambassadors’ Fund for Cultural Preservation financed restoration of the Khoja Mashad Madrassa. The project will complement past and ongoing restoration by financing improvements to the landscape surrounding the three sites. The improvements will include landscape architecture, such as creating pathways, green areas, and lighting to and within the sites. Because Hulbuk Castle and Khoja Mashad Madrassa are UNESCO-nominated sites, and the UNESCO application for Hulbuk has been submitted, all works will be conducted under UNESCO guidelines.

- **Subcomponent 1.2: Grants to communities, municipalities, and nongovernmental organization (NGOs) to improve tourism and agribusiness infrastructure and develop local tourism attractions (US$2,400,000).** This subcomponent will finance grants for communities, municipalities, and NGOs to develop local tourism attraction and to improve infrastructure in public agricultural markets. The objective of this subcomponent is to solicit local communities’ proposals to develop tourism and agribusiness in Khatlon and GBAO and to involve citizens in designing and implementing these proposals, ultimately increasing citizens’ engagement and opportunities for productive employment. Proposals that involve vulnerable citizens—youth, women and returning migrants—will have priority. Grant enablers (“enablers”) will be hired under subcomponent 3.2 to help applicants prepare proposals and implement those that are selected. The Grant Management Company (GMC—financed under subcomponent 4.2) will administer the grants according to the principles and rules in the Grants Manual. The GMC will collect the proposal and prepare the submission to the Grant Committee, composed of public stakeholders and NGOs. Beneficiaries that submit winning proposals will receive the grant money to achieve the objectives in their proposals.

- **Subcomponent 1.3: Public investments in touristic signage (US$300,000).** This subcomponent will fund the preparation, purchase, and installation of tourist signs across the major travel routes and for key tourism sites in Khatlon and GBAO, including road signage and entrance and interpretative signage.

**Component 2—Matching Grants for MSMEs and entrepreneurs in the tourism, agribusiness, and related sectors (US$8, 200,000)**

- **This component will finance matching grants to private sector actors in agribusiness, tourism, and related sectors.** Matching grants and their selection criteria, size, percentage of matching contribution, number of calls, and results reporting processes will be customized for various categories of beneficiaries. Preferential treatment will be given to women, youth and returning migrants in accessing these grants. Any matching grant award will be accompanied by technical support to ensure quality of implementation of a business idea and its sustainability. While specific terms and criteria for matching grant support will be specified in the Grants Management Manual, ceteris paribus, the preference will be given to those proposals that either come from more vulnerable groups such as women and youth or provide inclusion or employment of such groups. The supported beneficiaries will also be informed of climate change, its impact on the agribusiness and relevant adaptation or mitigation measures. This component includes three subcomponents:

  - **Subcomponent 2.1: Matching grants to support post-harvest small and medium scale storage and processing (US$2,600,000).** Matching grants will be provided to individual farmers, groups, or associations for post-harvesting activities that will contribute to reducing the waste, create additional value, extend the product life and generate new jobs or increase the existing incomes, particularly for smallholder farmers, women and youth. This includes purchasing of
equipment for small- or medium-scale processing such as drying or packaging, or building (cold) storage facilities. Efforts will be made to link the agri-processing and tourism sector through promotion of small-size uniquely packaged products that can be bought by tourists as presents or to foster the production of food for accommodation establishments. Existing processors will be provided with opportunity to apply for matching grant to improve their processes toward obtainment of food safety and quality certifications such as HACCP and ISO 22000, which should enhance their competitive position, including in the export markets.

- **Subcomponent 2.2: Matching grants to strengthen selected agribusiness value chains (US$2,600,000).** Selected value chains will be supported with the aim of facilitating industrial processing of agricultural products. The first of these value chains will be in the dairy sector. In the dairy value chain, thanks to investments from IFC, a number of large processors (located mostly around Dushanbe), supported by potential investments from IFC are planning to expand their processing activities, but this would require a larger supply of milk. Currently, two issues prevent them from sourcing their milk from small farmers in Khatlon: (a) the poor quality of the milk produced by small farmers; and (b) the cost of sourcing to source milk from small and fragmented producers.

- **Subcomponent 2.3: Matching grants to MSMEs to improve tourism-related services and offerings (US$2,800,000).** Matching grants will be provided to MSMEs to upgrade the quality of their products and services to tourists as a way to attract more tourism spending and higher prices, and thereby increase jobs and income opportunities for the local populations. Homestays, restaurants, tour operators, activity and service providers, artists and crafters could apply for these grants for a diverse set of initiatives, such as improvement of access to basic sanitation services, upgrade their kitchens to meet basic health standards; equipment (i.e. mountain bikes) that tourists need. Businesses situated in strategic locations that could serve as rest areas could be incentivized by these matching grants to offer public services to tourists, such as basic sanitary services (public bathrooms), benches, first aid services, maps, and tourism information. Farmers willing to diversify their income-earning capacity through tourism will be supported through matching grants to develop and promote agritourism.

**Component 3—Capacity building and business development services (US$6,900,000)**

This component provides capacity building to the public and private sectors, as well as business development services to potential beneficiaries of the grant programs encompassed by the previous components. This component includes two subcomponents:

- **Subcomponent 3.1: Technical assistance to public agencies, service providers and operators in the tourism and agribusiness sectors (US$4,500,000).** This subcomponent will finance three specific activities, among others. The first is training and advisory on tourism and agribusiness development (e.g., global trends, market analysis, public-private partnership for development of the sectors). The training will be for stakeholders such as the Tourism Development Committee, the Ministry of Agriculture, the Ministry of Culture, Destination Management Organizations (DMOs), and other project participants. The second activity is promoting tourism and agribusiness by organizing and taking part in trade fairs, familiarization or learning tours (for tour operators and agribusinesses), and media and marketing activities. Targeted marketing activities include designing and disseminating online, in-print and visual materials. The third specific activity under this subcomponent is providing training, retraining, and certification programs for skilled professionals, semi-skilled workers, and relevant entrepreneurs.

- **Subcomponent 3.2: Technical assistance to help beneficiaries of grants and matching grants design, submit and implement grant proposals (US$2,400,000).** To maximize the outreach and the impact of all grant and matching grant programs offered under the project (including Component 2 and subcomponent 1.2), the project will competitively select enablers (“enablers”). The enablers could be local nongovernmental organizations, consulting companies, DMOs, or other providers of professional and knowledge services. The project will recruit three to

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1. A second value chain will be selected during project implementation. An initial hypothesis is to develop a supply chain for fruit and horticulture products for large supermarkets.
five enablers to: (i) identify and train beneficiaries, particularly vulnerable groups, (ii) help beneficiaries prepare grant and matching grant proposals, and (iii) provide implementation support. To encourage proposals with positive impacts on the environment, the enablers will also conduct climate change awareness raising and knowledge sharing among beneficiaries.

Component 4—Project coordination and implementation, and grant management (US$2,900,000)

This component will support overall project coordination, implementation, and hiring a grant management company that will administer all grants and matching grants financed under the project.

- **Project Coordination and Implementation (US$1,150,000).** The implementation costs will cover (i) staff and experts at the Project Implementation Unit (PIU) at the Ministry of Finance (MoF), which will implement the entire project, (2) tourism experts for the Project Implementation Group at the Tourism Development Committee will hire, and (3) regional coordinators in the governors’ offices in Khatlon and GBAO. Component 4 will also cover operational costs related to implementation.

- **Grant Management Company (US$1,750,000).** A dedicated company financed under this component will manage the grants and matching grants.

### 3- Overview of Country, Borrower and Marketplace

#### a. Operational Context

**Governance aspects**

**Risks related to fragility, conflict, and violence (FCV) constrain Tajikistan's development progress.** Most cross-national indicators of fragility and conflict categorize Tajikistan's risk as elevated.² Risk include the following: (i) **Economic risks**, including (a) high rates of un(der)employment, (b) the predominance of insecure, low-quality, low-wage jobs in the informal sector, and (c) numerous barriers to private-sector development; (ii) **Socio-economic exclusion of youth and women** (see para 6 and below; (iii) **Regional and cross-border challenges**, including (a) the existence of lagging regions, (b) heightened vulnerability in certain regions (reflecting the legacy of conflict and/or the proximity to zones of insecurity), and (c) the exposure to international, high-volume illicit drug-trafficking routes, and (iv) **Cross-cutting political and governance challenges**, including a centralized system of governance, with limited scope for citizens’ participation, reducing the effectiveness of service delivery and potentially reinforcing inequities in public-resource allocation. Youth radicalization as a phenomenon is gaining ground in parts of Central Asia, including in Tajikistan. Empirical evidence appears to indicate the co-existence of external and domestic drivers of radicalization, including (i) the presence of a large cohort of young men with limited socio-economic opportunities, rudimentary religious knowledge of Hanafi Central Asian Islam, and a lack of critical thinking skills; (ii) an increasing number of Tajik migrants deported and/or banned from (re)-entering Russia, leaving them without livelihood options; and (iii) the vulnerability of young women to radicalization and recruitment through male relatives, prospective spouses, and/or the desire to protect an existing marriage. Against this backdrop, Tajikistan is one of four beneficiary countries under the IDA18 Risk Mitigation Regime (RMR).

**Natural disasters and climate change threaten Tajikistan's economic and social development.³** The country’s varied geological, climatologic, and topographic features exacerbate its vulnerability and make it highly susceptible to many natural hazards, including earthquakes, floods,

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landsides, and avalanches. From 1992 to 2016, natural disasters affected 7 million people in Tajikistan—more than 80 percent of the total population—and caused economic losses worth US$1.8 billion. In response to these risks, the Government of Tajikistan (GoT) is gradually moving from disaster response to risk mitigation and has taken steps to mainstream disaster risk mitigation into development planning, including the adoption of the Sendai Framework for Disaster Risk Reduction in 2015.

The regulatory environment remains weak. A package of amendments to financial sector legislation was adopted in June 2018 and is expected to upgrade the regulatory and supervisory framework. However, despite some initiatives by the Tajik authorities to foster the overall investment climate and improve the business environment, structural reforms have fallen behind global trends, as evidenced by the 2019 Doing Business report. Tajikistan slid three positions and currently ranks 126th. As such, the economy continues to experience a high regulatory burden. In the context of broader public-sector reforms, the government has also stepped up efforts to improve the health sector, disaster risk management and public procurement systems. In areas where the law is strong, often, implementation weaknesses, corruption, and informal and non-transparent practices have created great uncertainty for firms and perceived risks of doing business in Tajikistan. A good example is tax administration practices that apply laws in an unpredictable and punitive manner, dampening firms to grow or go informal to avoid visibility.

The Procurement Law of 2006 established a public procurement system based on principles of economy efficiency, transparency and fairness. The legal and regulatory framework to be applicable to the key aspects of the Project is clear and well-defined. World Bank Procurement Regulations applicable to the project take precedence over any conflicting regulations from the national public procurement laws. This has been enabled in the Constitution of the Republic of Tajikistan. The current Law on Public Procurement of Goods, Works and Services adopted in March 2006, amended on April 16, 2012. The government is working on preparation of a new PPL based on the UNCITRAL Model Law 2011 and the principles of the WTO GPA, and, in parallel, on the development of secondary legislation and standard bidding documents to be in line with the new draft PPL.

Economic Aspects

Tajikistan is a low inflation economy. Annual consumer inflation dropped to 5% in September 2018, compared with 6.7% a year earlier. Prudent monetary policy, a relatively stable exchange rate, and a sudden jump in agriculture imports from neighbouring Uzbekistan after the reopening of the common border helped contain inflationary pressures.

Tajikistan has the highest proportion of youth population among all post-Soviet republics and a high percentage of female headed-households. Official 2018 figures show that the proportion of the population under 30 years old is 63% of the overall country population, with the age group 15-29 years constituting 29% of the total. Young men and women face limited economic opportunities with an estimated 4 percent of youth not being in employment, education or training (NEET) 4; it is noteworthy that 49 percent of young Tajik women are NEET, compared to 7 percent of young men.5 Approximately one in six young Tajik men and one in 10 young women aged 20–24 were found to be too discouraged to look for work.

Labour migration of young Tajik men, mostly to Russia, is an important coping strategy in a situation of limited domestic economic opportunities but entails also risks for the cohesion of families: As many as 1.5 million Tajik citizens, 90 percent of whom are young men, emigrate to find work opportunities abroad. Most of these migrants are married with children and support households that have on average 7.5 persons.6 Approximately one in three migrants’ wives, over 300,000 young women, find themselves left alone and impoverished, entirely dependent on help from family, relatives and friends. The high percentage of female-headed households (23 percent) in

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6 Most migrants have completed general secondary education, but are unskilled and not employed in Tajikistan prior to migrating abroad. Job Diagnostics Tajikistan, Series 1, World Bank, Washington, DC, 2017.
Tajikistan is to a significant part due to the emigration of young men. Seventy percent of abandoned wives have children and are left to provide for their households, despite limited access to finance, social protection, education, or possibilities for employment.

A lack of employment and the general absence of economic opportunities are key sources of fragility risks, in particular, along the border with Afghanistan. Lack of employment is often reported as an impetus in joining extremist organizations;⁷ in fact, a positive relationship can be identified between entrepreneurial activity and absence of terrorism.⁸ The Government of Tajikistan estimates that, in the last few years, more than 1,000 Tajik citizens have fled to join the Islamic State. A large and growing number of unemployed and idle youth—including a rising share of returning and, in particular, deported migrants—may be susceptible to recruitment to violent extremism in the absence of alternative opportunities. These risks are higher in Khatlon and GBAO due to their geographical proximity to Afghanistan.

Sustainability Aspects

There are serious social risks in Tajikistan and for this project due to the inherent fragile and conflict situation which could impact on the project's efforts at reaching and working, especially, with poor and vulnerable sections. This is compounded by weak integration of youth (and women) and their participation in the institutions and limited prospects for employment.

There are also substantial environmental risks that could affect this project not unrelated to the nature of proposed works and associated environmental risks. Some of the reasons for this risk include: 1) remote and potentially fragile areas where the project activities are planned; 2) the focus on tourism, which will require interaction with and protection of Tajikistan's rich cultural heritage; 3) the large number of expected small works; and 4) the limited capacity of the Ministry of Agriculture and the Ministry of Economic Development and Trade in the understanding and application of Bank's ESF, and relevant Standards.

b. Client capability and PIU Assessment

The existing Project Implementation Unit at the Ministry of Finance (MOF PIU) will be the Project Implementation Unit (PIU) for the REDP as a whole. Fiduciary responsibilities—including procurement, financial management, monitoring and evaluation, and social and environmental safeguards tasks—will be placed in the MoF PIU, leveraging existing staff in the MoU. A dedicated project manager and an agribusiness specialist will be hired in the PIU. Additional staff could be hired under the project to complement MoF staff to successfully implement/coordinate the REDP.

The PIU has built necessary capacity to implement projects financed by the International Financial Institutions as evidenced from their current portfolio which includes the following projects financed by the World Bank: Agriculture Commercialization Project and its Additional Financing, Strengthening Critical Infrastructure Against Natural Hazards Project and Climate Adaptation and Mitigation Program for Aral Sea Bassein.

A Project Implementation Group (PIG) will be established inside the Tourism Committee to implement tourism-related activities under the REDP and endorse the PIU's procurement selections for tourism work. The PIU will implement all technical work related to tourism activities under the REDP but delegate fiduciary, monitoring and evaluation, and safeguards responsibilities to the MoF PIU. The PIG will participate in the preparation of TORs and TSSs; participate in tender committees on the respective procurements; participate in contract negotiations and taking responsibility on the contract execution as they relate to tourism activities under the project. A tourism

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specialist and other staff with relevant capacities, as needed, will be hired to sit on the TDC PIG.

Given the scope and variety of matching grant schemes envisaged under the project, a consulting company will be hired to provide technical support to the MoF PIU on grant program management.

Lessons learned from the implementation of previous projects suggest that:

- To ensure readiness of bidding documents for the first 18 months of implementation by the project approval.
- To ensure contracts packaging attracts higher bidders’ participation.
- To pre-estimate duration and cost of contracts to avoid delays and omissions in technical documentation, leading to repeated revisions of terms by the PMU and contractors.
- To ensure quality results by regular monitoring of contract implementation.
- To proactively supervise field-level works to allow for early identification of design flaws and facilitating timely field adjustments.

Limited contract monitoring and management skills and tools to ensure efficient and timely contract implementation. This may lead to delays with processing of contract amendments, create additional issues during contract implementation, which could result in cost increases and implementation delays and potential for contractual disputes and claims.

To ensure regular updates of the Evaluation Committee members, who will be involved in project procurement through tender committees, on the Bank’s procurement procedures.

Due to the above identified risks and based on the lessons learned from the similar previous experience, additional measures and resources required to enhance PMU’s capacity to effectively manage the project are currently envisaged as follows:

- Careful procurement planning and optimization of the packages.
- Advance preparation of bidding documents, including the construction design.
- Training to the PIU and respective agency staff, including Tender committee members in appropriate areas related to procurement and contract management. In particular, PIU procurement staff shall receive training on a New Procurement Framework.
- Conducting workshops with potential bidders in the targeted area to make them aware of the proposed scope and procurement opportunities under the project.
- Support, with additional technical staff, the implementation of field level activities.
- Establish of a contract management system.
- Public oversight and citizen engagement programs
- Enforcement of public disclosure of contract awards and implementation progress information on publicly accessible websites and community information boards.
- Quality assurance of civil works;
- Close Bank’s implementation and field-visit supervision.

c. Market Analysis

A market analysis has been conducted for the key Consulting Services activities and packages namely:
(i) **Design and supervision the landscape beautification of three cultural heritage sites in Khatlon (Hulbuk Castle, Khoja Mashad Madrassa and Chiluchorchashma).**

The identification of potential providers for the design and supervision will take into account the following factors:

**The absence of landscape architecture skills in the local market:** Landscape architecture is a nascent discipline in the former Soviet Union and no specific expertise exist in Tajikistan. This calls for leveraging international expertise.

**Cost efficiency:** Architectural firms specialized in landscape architecture could provide high quality technical work. However, the costs connected to provide such services in Tajikistan could exceed the resources allocated by the project to this activity. In particular, such costs could be driven by the need to ensure adequate presence on the ground, given insufficient connectivity at the sites (including internet access).

**The provision of the design and supervision services will be procured through a competitive process among higher education and not-for-profit institutions specialized in landscape architecture.** Universities (alone or in partnership), non-profit institutions or NGO specialized in the field of landscape architecture could be interested in providing design and supervision services as part of their curriculum. This would ensure cost-efficiency in the delivery of the services. At the same time, by recruiting a high learning institution one could ensure knowledge transfer to (i) local communities, since they could apply a participatory approach to the design of the sites; (ii) local universities, since they could partner with a Tajik university in delivering their work.

**Once the design has been completed, the implementation of the actual beautification works could be (separately) procured in the local construction market, but strong supervision will be required.**

The local construction market is active, growing and able to provide good level of competition of firms adequately equipped, having the appropriate financial resources and offering prices quoted within the estimated costs. Experience from previous and current projects shows that the contracts of the proposed value are very attractive and generate a strong interest from local suppliers to participate in bids. However, given the highly specialized nature of these renovation pertaining potential UNESCO sites, high quality and frequency of supervision would be required.

The market analysis has revealed the availability of a competitive and highly specialized market at the local, regional and international level. Key players include SRL (https://slrconsulting.com/services/archaeology-heritage); ASI (http://asiheritage.ca/), Tajik Technical University, Academy of Architecture and Construction of the Republic of Tajikistan.

(ii) **The Grant Management Company.**

**GMC will be competitively selected in the international and domestic market.** An open competition will be held to select an experienced company to manage all the grants under the REDP. The grant manager will be responsible to implement the grants scheme and to ensure the supervision and good disbursement of the grants to targeted beneficiaries. The role of the grant manager will include (i) design, (ii) launch and (iii) monitoring of the calls for grants. Additionally, they would monitor program indicators, evaluate intermediary program results, and make recommendations for improvement in program implementation. They would develop annual work plans and progress reports and monitor the implementation of these plans. Ensure all deliverables are submitted to the Government of Tajikistan are of high quality and on time. Participate in regular field visits to the project areas to assure project progress towards activity objectives and goals.

**Currently a number of potential companies operate in Tajikistan.** A preliminary exploration identified a few potential candidates for carrying out this assignment, including Winrock International, Accellerate Prosperity, GIZ GmbH, Chemonics International, FundsforNGOs (https://www.fundsforgos.org/featured-articles/list-foundations-provide-small-grants-ngos/) and DAI.

It is anticipated that the firm would be awarded a contract for the first two-and-a-half years with possible extension for another two-and-a-half years subject to the satisfactory performance. This phased approach will be disclosed in the RFP that will invite proposals (technical and financial) for all five years.
with initial contract to be signed for the first two-and-a-half years with a trigger condition to extend the contract for another two-and-a-half years subject to satisfactory performance.

(iii) Construction works for the beautification of the 3 Khatlon sites.

Beautification works can be carried out by non-specialized companies: once the design of the beautification works has been carried out with detailed specifications, contracts can be awarded to construction companies familiar with the local market to implement them.

Three separate contracts are envisaged for the beautification of:

i. Hulbuk Castle: estimated value US$ 900,000

ii. Khoja Mashad Madrassa: estimated value US$400,000 and

iii. Chiluchorchashma: estimated value US$ 2,100,000

The local construction market is active, growing and able to provide good level of competition of firms adequately equipped, having the appropriate financial resources and offering prices quoted within the estimated costs. Experience from previous and current projects shows that the contracts of the proposed value are very attractive and generate a strong interest from local suppliers to participate in bids.

(iv) Restoration of the Yamchun Fortress (expected value ~US$4,800,000)

World class execution is critical to preserve the unique characteristics of the historical artifact and to support its potential inclusion into UNESCO WHS list. The project will finance interventions at the Yamchun Fort, a prime cultural heritage site included into the UNESCO tentative World Heritage List. These works include conservation/preservation and rehabilitation where possible. This would ensure enhancement of visitor experience while at the same time ensuring that the cultural heritage is preserved. As part of this process, the project will also finance the preparation of the inscription of the site on the UNESCO World Heritage List.

The market for rehabilitation of historical sites is very specialized and no commercial companies are currently operating in Tajikistan. Rehabilitation of ancient sites has (is being) been carried out in Tajikistan, to a large extent by foreign archeologists. Most recently, the Government has undertaken rehabilitation of selected sites. However, such works oftentimes lacked adherence to international best practices to ensure the preservation of the artifacts. For the rehabilitation of Yamchun, in order to ensure adherence to WB safeguards for the preservation of historical assets internationally recognized providers would need to be recruited. Consultations with UNESCO confirmed that no immediate candidates are available on the local market for the activities on Yamchun.

While a phased approach is envisaged for the rehabilitation works, a single tender is suggested to attract suitable providers. The pre-feasibility study identified two phases in the implementation of the rehabilitation works. An initial phase would include works on the ground to gain a full understanding of the infrastructure to be rehabilitate. The result of the first phase would be immediate works to ensure the consolidation of the artifact and a detailed plan of activity for the second phase, aimed at fully rehabilitating the asset. Upon the successful completion of Phase, a decision would be made regarding the continuation of the rehabilitation works. Final procurement approach will be decided upon finalization of the technical requirements to this package.

An internationally recognized consultant (approved by UNESCO) would confirm the quality of the works performed. Under the project, a specialized consultant, will be recruited to provide supervision of the works and in particular to ensure the adherence to UNESCO standards.

Key conclusion made based on the market assessment are the following:

Market analysis for the four key packages such as Design and supervision the landscape beautification of three cultural heritage sites in Khatlon; the Grant Management Company; Construction works for the beautification of the 3 Khatlon sites and Restoration of the Yamchun Fortress, has confirmed the availability of a very specialized and competitive market that can be approached at the local, regional and international level.

**Proposed Procurement Approach**
Based on the market analysis conducted for the key procurement packages, the following procurement arrangements are proposed:

- **Works:**
  - *For rehabilitation of the 3 Khatlon sites:* 3 separate contracts based on (i) Request for Bids (RFB), Post-qualification, National, Open;
  - *For rehabilitation of Yamchun:* on (i) Request for Bids (RFB), One envelope/Two envelopes, International/ National, Open. Final procurement approach will be decided upon finalization of the technical requirements.
- **Goods and non-consulting services:** (i) Request for Bids (RFB), Post-qualification, National, Open, (ii) Request for Quotations; and (iii) Direct Selection.
- **Consulting Services:**
  - *Design and supervision of the landscape beautification of three cultural heritage sites in Khatlon.* QCBS is proposed.
  - *Grant Management Company.* QCBS with international market approach is the best approach for this relatively large and critical assignment for which the international experience is important and beneficial to the success of the project implementation. It is anticipated that the firm would be awarded a contract for the first two-and-a-half years with possible extension for another two-and-a-half years subject to the satisfactory performance. This phased approach will be disclosed in the RFP that will invite proposals (technical and financial) for all five years with initial contract to be signed for the first two-and-a-half years with a trigger condition to extend the contract for another two-and-a-half years subject to satisfactory performance.

Based on the procurement risk analysis, the project shall be subject to Substantial risk and review threshold as per below:

<table>
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<tr>
<th>Type of procurement</th>
<th>Thresholds in USD</th>
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<tbody>
<tr>
<td>Works</td>
<td>&gt;=10,000,000</td>
</tr>
<tr>
<td>Goods, Information technology and non-consulting services</td>
<td>&gt;=2,000,000</td>
</tr>
<tr>
<td>Consulting firms</td>
<td>&gt;= 1,000,000; all TORs</td>
</tr>
<tr>
<td>Individual Consultants</td>
<td>&gt;= 300,000; all TORs</td>
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**Procurement Risk Analysis:**

<table>
<thead>
<tr>
<th>Risk Description</th>
<th>Likelihood</th>
<th>Impact</th>
<th>Overall risk</th>
<th>Description of Mitigation</th>
<th>Risk Owner</th>
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<tbody>
<tr>
<td>beneficiaries have no capacity to procure the goods under sub-projects in the grant schemes</td>
<td>3</td>
<td>4</td>
<td>12</td>
<td>Enablers will help beneficiaries to procure the goods that are being obtained by the matching grants. Developing of procurement guidelines for the matching grants and conduct information sharing when needed. Continuous monitoring of sub-projects to ensure they are timely completed and functional;</td>
<td>Grant Manager, enablers, beneficiaries</td>
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</table>
PIU and PIG has little experience with new World Bank procurement regulations as well as the new standard procurement documents

| PIU and PIG has limited contract monitoring and management skills | 3 | 3 | 9 | Procurement trainings for staff of participating agencies, including Tender committee members; In addition and when needed, the World Bank will provide guidance and support on development of Bidding Documents; Preparation of POM with a detailed procurement chapter |
|---|---|---|---|
| **PIU** | 4 | 4 | 16 | POM will include detailed section on contract management |
| **PIU** | 4 | 3 | 12 | Procurement and implementation delays due to: (i) multiple projects implemented in parallel; (ii) Need to coordinate between implementing agencies involved in project procurement through e.g. participation in Tender Committees, provision of technical expertise. |

4- **Procurement objective**

**Procurement Objective**

Key procurement objectives to be achieved:

- Advance preparation of technical design specifications to avoid delays with procurements;
- Provide timely advice to project beneficiaries increasing their procurement capacity;
- Developing contract management approach to each contract.

2. **Summary of PPSD to inform the Bank’s preparation of the PAD**

The PPSD has been developed by the MoF PIU, in close support by the Bank team, based on which the optimal procurement approaches have been determined. Procurement Plan for the first 18 months of project implementation has been prepared and will be agreed by negotiations.

Procurement under the project will be governed by the World Bank’s Procurement Regulations for IPF Borrowers (dated July 2016, revised November 2017 and August 2018) (Procurement Regulations), and will also be subject to the Bank’s Anti-Corruption Guidelines (dated July 2016). The PPSD includes detailed market, procurement approaches, and procurement risks analysis along with corresponding risk mitigation measures.

The MoF PIU has experience in the procurement and execution of contracts for goods, civil works and consulting services in different sectors over the past years, and a PIG to be established to
coordinate with the MoF PIU tourism-related activities. Both implementing agencies have no experience with new World Bank procurement procedures; have limited contract monitoring and management skills; and the existing capacity may not be sufficient to handle the increasing volume of procurement activities in the multiple projects implemented in parallel. This constitutes a capacity risk for the project implementation that will need to be timely and adequately addressed particularly through training of MoF PIU and PIG on the WB procurement Policy and Regulations as well as the Standard Procurement Documents. The World Bank would closely support the agencies in contract management capacity.

Initial analysis of the PPSD shows that procurement activities and packages envisaged under the project are generally of standard nature and small in value. The overall procurement risk under the project is currently assessed as Substantial. The procurement approach for the main package for works will use an open, national, single-stage, one-envelope RFB with post-qualification. Several key firm assignments will be procured using Quality- and Cost-based Selection, Least-cost-based Selection and Consultant’s qualifications based Selection methods. The analysis of key issues and risks concerning procurement and risk mitigation measures have been finalized during the appraisal.

**Use of National Procurement Procedures.** In accordance with paragraph 5.3. of the Procurement Regulations, when approaching the national market (as agreed in the Procurement Plan), the Tendering with Unlimited Participation procurement method and other national procurement arrangements such as tendering with limited participation, request for quotations, direct contracting set forth in the Law of the Republic of Tajikistan “On Public Procurement of Goods, Works and Services”, # 168 dated March 3, 2006 (as amended by Law #815, the “Law of the Republic of Tajikistan on Introduction of Amendments and Additions to the Law of the Republic of Tajikistan on ‘Public Procurement of Goods, Works and Services”’ dated April 16, 2012) (“the PPL”) may be used subject to the conditions referred to in the Procurement Plan.

**Procurement Plan**

**Preamble**

In accordance with paragraph 5.9 of the “World Bank Procurement Regulations for IPF Borrowers” (July 2016, revised November 2017 and August 2018) (“Procurement Regulations”), the Bank’s Systematic Tracking and Exchanges in Procurement (STEP) system will be used to prepare, clear and update Procurement Plans and conduct all procurement transactions for the Project. This textual part along with the Procurement Plan tables in STEP constitute the Procurement Plan for the Project. The following conditions apply to all procurement activities in the Procurement Plan. The other elements of the Procurement Plan as required under paragraph 4.4 of the Procurement Regulations are set forth in STEP.

**The Bank’s Standard Procurement Documents:** shall be used for all contracts subject to international competitive procurement and those contracts as specified in the Procurement Plan tables in STEP.

**National Procurement Arrangements:**

In accordance with paragraph 5.3 of the Procurement Regulations, when approaching the national market (as specified in the Procurement Plan tables in STEP), procurement under World Bank financed operations may be carried out in accordance with “Tendering with Unlimited Participation” method set forth in the Law of the Republic of Tajikistan “On Public Procurement of Goods, Works and Services”, # 168 dated March 3, 2006 (as amended by Law #815, the “Law of the Republic of Tajikistan on Introduction of Amendments and Additions to the Law of the Republic of Tajikistan on ‘Public Procurement of Goods,
Works and Services” dated April 16, 2012), provided that such arrangements continue to meet requirements of the paragraph 5.4 of the Procurement Regulations and the following conditions:

- The request for bids/request for proposals document shall require that bidders/proposers submitting bids/proposals present a signed acceptance at the time of bidding, to be incorporated in any resulting contracts, confirming application of, and compliance with, World Bank Anti-Corruption Guidelines, including without limitation the Bank’s right to sanction and the Bank’s inspection and audit rights;
- The request for bids/request for proposals document, including contract forms, acceptable to the Bank shall be used.
- The request for bids/request for proposals document and contract shall provide the right to the Bank to review procurement documentation and activities.
- Borrower shall put in place an effective complaints’ review mechanism with procurement related complaints and shall disclose the details in all the bidding documents. All complaints shall be recorded by the Borrower in the appropriate tracking and monitoring system, as agreed between the Bank and the Borrower.
- No preference shall be applied under competitive bidding following national market approach.

Other national procurement arrangements such as tendering with limited participation, request for quotations, direct contracting, may be used on the above stated conditions.

**Leased Assets** as specified under paragraph 5.10 of the Procurement Regulations: “Not Applicable”

**Procurement of Second Hand Goods** as specified under paragraph 5.11 of the Procurement Regulations “Not Applicable”

**Domestic preference** as specified under paragraph 5.51 of the Procurement Regulations (Goods and Works): “Not Applicable”

**Procurement Plan for the Project.** The recommended procurement plan for the first 18 months of the project is given in the Table below:

<table>
<thead>
<tr>
<th>Contract Description Category</th>
<th>title, and</th>
<th>Estimate (US$)</th>
<th>Bank oversight</th>
<th>Procurement approach / Competition:</th>
<th>Selection method:</th>
<th>Evaluation method:</th>
<th>Dates/Start or Completion</th>
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</thead>
<tbody>
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<td>Works. Beautification of Hulbuk</td>
<td></td>
<td>900,000</td>
<td>Post review</td>
<td>National / Open</td>
<td>RFB</td>
<td>Lowest evaluated cost</td>
<td>Start-4/10/2020 Completion - 5/15/2021</td>
</tr>
<tr>
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<td>525,000</td>
<td>Post review</td>
<td>International/National / Open</td>
<td>QCBS</td>
<td>Most advantages</td>
<td>Start-11/10/2019 Completion - 7/7/2020</td>
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<td>1,750,000</td>
<td>Prior review</td>
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<td>QCBS</td>
<td>Most advantages</td>
<td>Start-11/6/2019 Completion – 30/6/2024</td>
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<td>Works. Rehabilitation of</td>
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<td>4,800,000</td>
<td>Post</td>
<td>International</td>
<td>RFB</td>
<td>Lowest</td>
<td>Start-</td>
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<td>Work Session</td>
<td>Evaluation</td>
<td>Stage</td>
<td>Review Method</td>
<td>Lowest Evaluated Cost</td>
<td>Start Date</td>
<td>Completion Date</td>
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<tr>
<td>the Yamchun Fortress</td>
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<td>all/Open</td>
<td>(One envelope/Two envelopes)</td>
<td>evaluated cost</td>
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<td>National / Open</td>
<td>RFB</td>
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<td>of Chilichorchama</td>
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<td></td>
<td>2,100,000</td>
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<td>RFB</td>
<td>4/10/2020 Completion - 1/5/2023</td>
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<tr>
<td>**Works. **Beautification</td>
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### General Information

**Country:** Tajikistan  
**Project ID:** P068326  
**Project Name:** Rural Economy Development Project  
**Loan / Credit No:** IDA / 24880  
**Executing Agency:** State Institution "Project Implementation Unit for Access to Green and Rural Development Finances" on

### Works

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<td>Component 1: Improvement in public infrastructure for development of tourism, agribusiness and related sectors</td>
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<tr>
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<td>Component 1: Improvement in public infrastructure for development of tourism, agribusiness and related sectors</td>
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<td>2022-06-22</td>
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<tr>
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### Non Consulting Services

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<tbody>
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<td>YAMCHUN / Purchase of equipment for Yamchun</td>
<td>NA / D4880</td>
<td>Component 3: Equipment building and business development services in tourism, agribusiness and related sectors</td>
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### Activity Reference No. Descriptions

| Loan / Credit No. | Component | Review Type | Market Approach | Contract Type | Estimated Amount (US$) | Actual Amount (US$) | Present Status | Terms of Reference | Engagement Strategies of Action | Request for Quotations Type | Request for Proposals Type | Request for Proposals on Issued | Opening of Technical Proposals / Minutes | Evaluation of Technical Proposal / Negotiated Contract | Signed Contract Type | Contract Completion |
|------------------|-----------|-------------|----------------|---------------|------------------------|---------------------|----------------|-------------------|--------------------------|--------------------------|---------------------------|---------------------------------|---------------------------------|------------------------|------------------|
| D4980-01/02      | Component 1: Improve public administration for development of tourism, archeology and related action | Post | Quality and Cost Evaluation | International | 125,000.00 | 125,000.00 | Under Implementation | 2019-09-11 | 2020-01-18 | 2019-12-12 | 2020-12-12 | 2020-01-18 | 2020-01-18 | 2021-01-18 | 2022-01-18 |

### Consulting Firms

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### Individual Consultants

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<td>Component 3 - Capacity building and business development services in tourism, agribusiness and related sectors</td>
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