

# Government of Tajikistan

## Public Expenditure and Financial Accountability (PEFA) Assessment

Final Report

November 2017

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# Table of Contents

<b>Executive Summary</b>	<b>1</b>
<b>1. Introduction</b>	<b>8</b>
1.1. Rationale and purpose	8
1.2. Assessment management and quality assurance	8
1.3. Assessment methodology	10
<b>2. Tajikistan Background Information</b>	<b>12</b>
2.1. Country economic situation	12
2.2. Fiscal and budgetary trends	13
2.3. Legal and regulatory arrangements for PFM	17
2.4. Institutional arrangements for PFM	20
2.5. Other important features of PFM and its operating environment	23
<b>3. Assessment of PFM performance</b>	<b>25</b>
3.1. Budget reliability	25
3.2. Transparency of public finances	31
3.3. Management of assets and liabilities	50
3.4. Policy-based fiscal strategy and budgeting	67
3.5. Predictability and control in budget execution	85
3.6. Accounting and Reporting	120
3.7. External scrutiny and audit	128
<b>4. Conclusions on the analysis of PFM systems</b>	<b>139</b>
4.1. Integrated assessment of PFM performance	139
4.2. Effectiveness of the internal control framework	145
4.3. PFM strengths and weaknesses	146
4.4. Performance changes since a previous assessment	147
<b>5. Government PFM reform process</b>	<b>151</b>
5.1. Approach to PFM reform	151
5.2. Institutional considerations	160
Annex 1: Performance indicator summary	<b>162</b>
Annex 2: Summary of observations on the internal control framework	<b>180</b>
Annex 3: Sources of Information	<b>183</b>
Annex 4. Assessment Comparison 2012 and 2017	<b>202</b>
Annex 5. Calculation sheet templates for PI-1, PI-2 and PI-3	<b>237</b>
Annex 6. Organizational Structure of the Ministry of Finance	<b>241</b>

# Performance indicators

<b>Performance Indicator 1: Aggregate Expenditure Outturn</b>	26
<b>Performance Indicator 2: Expenditure Composition Outturn</b>	28
<b>Performance Indicator 3: Revenue outturn</b>	31
<b>Performance Indicator 4: Budget classification</b>	33
<b>Performance Indicator 5: Budget documentation</b>	35
<b>Performance Indicator 6: Central government operations outside financial reports</b>	38
<b>Performance Indicator 7: Transfers to subnational government</b>	43
<b>Performance Indicator 8: Performance information for service delivery</b>	47
<b>Performance Indicator 9: Public Access to fiscal information</b>	50
<b>Performance Indicator 10: Fiscal risk reporting</b>	54
<b>Performance Indicator 11: Public investment management</b>	59
<b>Performance Indicator 12: Public asset management</b>	63
<b>Performance Indicator 13: Debt management</b>	66
<b>Performance Indicator 14: Macroeconomic and fiscal forecasting</b>	69
<b>Performance Indicator 15: Fiscal strategy</b>	71
<b>Performance Indicator 16: Medium term perspective in expenditure budgeting</b>	74
<b>Performance Indicator 17: Budget preparation process</b>	79
<b>Performance Indicator 18: Legislative scrutiny of budgets</b>	84
<b>Performance Indicator 19: Revenue administration</b>	92
<b>Performance Indicator 20: Accounting for revenue</b>	95
<b>Performance Indicator 21: Predictability of in-year resource allocation</b>	97
<b>Performance Indicator 22: Expenditure arrears</b>	100
<b>Performance Indicator 23: Payroll controls</b>	103
<b>Performance Indicator 24: Procurement</b>	113
<b>Performance Indicator 25: Internal controls on non-salary expenditure</b>	116
<b>Performance Indicator 26: Internal audit</b>	119
<b>Performance Indicator 27: Financial data integrity</b>	122
<b>Performance Indicator 28: In-year budget reports</b>	124
<b>Performance Indicator 29: Annual financial reports</b>	127
<b>Performance Indicator 30: External audit</b>	133
<b>Performance Indicator 31: Legislative scrutiny of audit reports</b>	137

# List of Tables

<b>Table 1: Selected economic indicators for Tajikistan</b> .....	12
<b>Table 2: Government fiscal data</b> .....	13
<b>Table 3: Budgetary Allocation by Functional Classification</b> .....	14
<b>Table 4: Budgetary allocations by economic classification</b> .....	15
<b>Table 5: Budget allocation (% of total expenses)</b> .....	16
<b>Table 6: External debt (million US dollars)</b> .....	16
<b>Table 7: External budget support (in Somoni millions)</b> .....	17
<b>Table 8: Structure of the Public Sector (number of entities)</b> .....	20
<b>Table 9: Financial structure of budget expenditures of the central government according to the plan (Somoni millions)</b> .....	21
<b>Table 10: Financial structure of the Central government – actual expenditures (Somoni millions)</b> .....	21
<b>Table 11: Data on aggregate expenditures for 2013-2015. (Somoni thousand)</b> .....	25
<b>Table 12: Reserve funds (Somoni millions)</b> .....	27
<b>Table 13: Results Matrix</b> .....	27
<b>Table 14: Revenues, including grants in 2012 - 2016 (Somoni millions)</b> .....	29
<b>Table 15: Results matrix</b> .....	30
<b>Table 16: Description of classification structure</b> .....	32
<b>Table 17: Information provided in budget documentation</b> .....	34
<b>Table 18: The share of special funds of budget organizations in the total amount of public expenditure, 2013-2015, (Somoni millions)</b> .....	36
<b>Table 19: The share of special funds of budget organizations in the total amount of public revenues 2013-2016, (Somoni millions)</b> .....	36
<b>Table 20: Development Assistance Programs: PIP, 2013-2016, USD million</b> .....	37
<b>Table 21: Local budget revenues, 2013 - 2016 (Somoni million)</b> .....	40
<b>Table 22: Local budget revenues and expenditures (Somoni millions)</b> .....	42
<b>Table 23: Financial information available to the public</b> .....	48
<b>Table 24: Financial coefficients used for the assessment of SUEs and SOEs</b> .....	52
<b>Table 25: Budget Calendar for 2017</b> .....	75
<b>Table 26: Data on audit of economic entities to monitor the accuracy of tax calculation and payment for 2013-2016</b> .....	90
<b>Table 27: Data on the receipt of taxes for 2013 - 2016</b> .....	91

Table 28: Outstanding stock of expenditure arrears at the end of each year (Somoni millions)	99
<b>Table 29: Methods of public procurement in Tajikistan</b>	107
<b>Table 30: Key information on procurement available to the public</b>	110
<b>Table 31: Performance criteria of an independent mechanism for administrative complaints resolution</b>	112
<b>Table 32: Data on audits by the Chamber of Accounts of the Republic of Tajikistan for 2013 - 2016</b>	130
<b>Table 33: Dates of submission by the Chamber of Accounts of opinion on the Government's annual report on the state budget execution to the legislature</b>	131
<b>Table 34: Dates of review of audit reports by the legislature</b>	135
<b>Table 35: Performance changes since last assessment</b>	147
<b>Table 36: PFM Reform Strategy 2009</b>	152
<b>Table 37: PFM Action Plan 2015 - 2018</b>	153

## CURRENCY AND EXCHANGE RATES

Currency unit = **Somoni**

US\$1.00 = TJS 7.876 (NBT exchange rate as of 01 January 2017)

**Government Fiscal Year (FY): Calendar year**

# Abbreviations and Acronyms

BO	Budget Organization
COFOG	Classification of the Functions of Government
COTS	Commercial Off the Shelf
DFO	District Finance Office
EBC	Economic Budget Classification
FMIS	Financial Management Information System
GDP	Gross Domestic Product
GFS	Government Financial Statistics
GFSM	Government Financial Statistics Manual
GoRT	Government of the Republic of Tajikistan
HRM	Human Resources Management
ICT	Information & Communication Technology
IFOSC	Intergovernmental Financial Operations Support Centre
IMF	International Monetary Fund
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
IT	Information Technology
MABF	Main Administrator of Budget Funds
MDCT	Main Department of the Central Treasury
MoEDT	Ministry of Economic Development and Trade
MoF	Ministry of Finance
MTEF	Medium-Term Expenditure Framework
NBT	National Bank of Tajikistan
NDS	National Development Strategy
NGO	Non-Governmental Organization
PARS	Public Administration Reform Strategy
PEFA PMF	PEFA Performance Measurement Framework
PFM	Public Financial Management
PFMIS	Public Financial Management Information System
PFMRS	PFM Reform Strategy

PIFC	Public Internal Financial Control
PIP	Public Investment Program
PPA	Public Procurement Agency
PSFRST	Public Sector Financial Reporting Standards of Tajikistan
QPE	Qualifying Procurement Entities
SAI	Supreme Audit Institution
SOE	State Owned Enterprise
SUE	State Unitary Enterprise
TFMIS	Tajikistan Public Financial Management Information System
TIMS	Treasury Information Management System
TPSFRS	Tajikistan Public Sector Financial Reporting Standard
UCOA	Unified Chart of Accounts
UNCITRAL	United Nations Commission on International Trade Law
WB	World Bank

## EXECUTIVE SUMMARY

### Purpose and management of the assessment

1. In 2009 the Government of Tajikistan initiated a 10-year Public Financial Management (PFM) reform program (2009 - 2018). The 2012 Public Expenditure and Financial Accountability (PEFA) Assessment occurred early in this process. The 2017 PEFA Assessment assesses progress at a mid-point in the reforms and provides guidance for future PFM reforms.
2. This assessment is based on a self-assessment process conducted by a Working Group of the Ministry of Finance of Tajikistan with participation from across Government. The World Bank provided support and training to the Working Group. The Assessment was financed by a grant from the UK Foreign and Commonwealth Office.
3. The self-assessment was reviewed by an external team of consultants. This review led to various agreed amendments being incorporated in the final PEFA assessment.

### Coverage and timing

4. This PEFA Assessment covers the central Government of Tajikistan, including autonomous agencies that are part of the general government sector, and public corporations. It also includes transfers to subnational levels of government. Subnational government means any level of government below the national level (i.e. regional and rayon), provided these entities have the authority to own assets, incur liabilities, and/or engage in transactions in their own right. The right to borrow is not a requirement for treatment as a subnational government in the PEFA framework.
5. The self-assessment was conducted in mid-2017. When the assessment was conducted the most recent fiscal reports available were for the years 2013 – 2015. Where data was available for 2016 it was incorporated in the assessment narrative, but not in the scores.

### Integrated assessment of PFM performance

Table A. Summary of the 2017 assessment based on the 2016 PEFA Framework

PFM Performance Indicator		Scoring Method	Dimension Ratings				Overall Rating
			i.	ii.	iii.	iv.	
<b>Pillar I. Budget reliability</b>							
PI-1	Aggregate expenditure outturn	M1	A				A
PI-2	Expenditure composition outturn	M1	D	C	A		D+
PI-3	Revenue outturn	M1	B	B			B



PFM Performance Indicator	Scoring Method	Dimension Ratings				Overall Rating	
		i.	ii.	iii.	iv.		
<b>II. Transparency of public finances</b>							
PI-4	Budget classification	M1	B				B
PI-5	Budget documentation	M1	A				A
PI-6	Central government operations outside financial reports	M2	A	A	A		A
PI-7	Transfers to subnational governments	M2	C	A			B
PI-8	Performance information for service delivery	M2	D	D	C	D*	D
PI-9	Public access to fiscal information	M1	D				D
<b>III. Management of assets and liabilities</b>							
PI-10	Fiscal risk reporting.	M2	C	C	C		C
PI-11	Public investment management	M2	C	D	C	C	D+
PI-12	Public asset management	M2	C	C	B		C+
PI-13	Debt management	M2	B	A	A		A
<b>IV. Policy-based fiscal strategy and budgeting</b>							
PI-14	Macroeconomic and fiscal forecasting	M2	B	C	D		C
PI-15	Fiscal strategy	M2	C	B	C		C+
PI-16	Medium-term perspective in expenditure Budgeting	M2	D	C	C	D	D+
PI-17	Budget preparation process	M2	C	C	A		B
PI-18	Legislative scrutiny of budgets	M1	A	B	A	A	B+
<b>V. Predictability and control in budget execution</b>							
PI-19	Revenue administration	M2	B	B	D	C	C+
PI-20	Accounting for revenue	M1	A	A	A		A
PI-21	Predictability of in-year resource allocation	M2	C	C	B	C	C+
PI-22	Expenditure arrears	M1	A	C			C+
PI-23	Payroll controls	M1	B	A	C	B	C+
PI-24	Procurement management	M2	B	A	B	D	B
PI-25	Internal controls on non-salary expenditure	M2	B	A	B		B+
PI-26	Internal audit	M1	C	C	C	C	C

PFM Performance Indicator	Scoring Method	Dimension Ratings				Overall Rating	
		i.	ii.	iii.	iv.		
<b>VI. Accounting and reporting</b>							
PI-27	Financial data integrity	M2	A	NA	B	B	B+
PI-28	In-year budget reports	M1	B	B	A		B+
PI-29	Annual financial reports	M1	C	C	D		D+
<b>VII. External scrutiny and audit</b>							
PI-30	External audit	M1	C	A	B	C	C+
PI-31	Legislative scrutiny of audit reports	M2	A	C	B	D	C+

6. The results of the current assessment show non-uniform progress across seven pillars of PEFA, as illustrated in Table A above. Performance of 16 out of 31 indicators are ranked in the A and B range reflecting strong progress, while performance of the other 15 indicators are ranked in the C and D range reflecting weaker progress. Each pillar has its strength and weaknesses, which are summarized below:

7. *Budget reliability.* In summary, execution of revenue collection and expenditure is reasonably in line with the original budget each year, and there has been a significant reduction in contingency expenditures. However, large variance in the functional composition of expenditures undermines the credibility of the budgetary process. There is also a weakness in forecasting the composition of expenditures.

8. *Transparency of public finances.* The government performs well on several indicators under the fiscal transparency pillar, including budget classification, budget documentation, information on revenue and expenditure of extra-budgetary funds, and transfers to subnational governments. However, limited public access to fiscal information contributes to a lower overall score in this area.

9. *Management of assets and liabilities.* The government maintains a good functioning debt management system. Debt recording is adequate, while debt strategies, and the system for approval of debt and guarantees, are clear. Public investment management, in contrast, is a major challenge. Weaknesses in project selection and poor costing systems undermine the effectiveness and efficiency of public investment management decisions. While the government maintains basic records of financial and non-financial assets, lack of transparency and public access to financial information lowers the overall score on this PFM core dimension. Monitoring and reporting of fiscal risks of SOEs requires further improvement.

10. *Policy based fiscal strategy and budgeting.* Although the medium-term prospective is formally embedded in the processes for macro-fiscal planning and budgeting, budgeting is still treated as an annual funding exercise. The technical aspects of the budget preparation process

are well developed, however strategic focus of the budget is reduced by lack of sector strategies for several sectors and poor integration of capital budget and recurrent budget planning processes.

11. *Predictability and control in budget execution.* Although the government made significant efforts to implement reforms in all areas under this pillar, challenges remain. There is impressive progress in revenue administration, but tax audit and tax arrears control require further improvements. Lack of a complaint mechanism and low competition in public procurement affect efficiency of public resource management. While the stock of budget expenditure arrears was insignificant over the review period, there is no ongoing system for estimating arrears, which means that should a problem develop, it could get out of control quickly as was experienced in 2016. Although all cash balances are held at the treasury single account and are consolidated, cash management is in infancy stage and should be further evolved. There is also significant scope to improve payroll control and internal audit. An integrated database of human resource management and payroll in civil service should be implemented and risk-based and performance based internal audit principles should be introduced.

12. *Accounting and reporting.* While there is noticeable progress in accounts reconciliation and the integrity of financial data, the government should take further efforts to improve coverage and timing of the reports. Both in-year and annual financial reports could be further improved by bringing them closer to international financial reporting standards.

13. *External scrutiny and audit.* The operations of the Chamber of Accounts have improved, but the organization is not a truly independent external auditor. In recent years there has been significant improvement in the timing of Parliament's scrutiny of the audit report and follow-up from this. Parliament now holds in-depth hearings with representatives of a few ministries, departments and agencies and makes recommendations. However, the public are not yet able to access any of this information.

## Impact of PFM on fiscal and budgetary outcomes

14. Achieving strong PFM requires further improvements in (i) aggregate fiscal discipline, (ii) strategic allocation of resources, and (iii) efficient use of resources for service delivery.

15. *Aggregate fiscal discipline* was satisfactory for the period from 2013 to 2015. The government completed all three years with a surplus up to 1.7% of GDP. The negative impact of external factors began to emerge by the end of 2015. In early 2016 total revenue fell to the level of 2014; own revenue to the level of 2013 and the budget deficit was 1.2%. To lower dependence of the economy on foreign trade revenue and remittances, the government needs to develop and implement a long-term program of diversification of economic activities and extend the tax base for domestic taxes such as property tax and personal income tax. Also, modern methodologies on macroeconomic and fiscal forecasting should be applied. Over the assessed period there were substantial variations between budget and actual expenditure for

many functional and economic classification item lines (PI-2), especially the energy sector and purchasing of goods and services, as well as significant growth in expenditure arrears in 2016 (PI-22). This is an indication of existing weaknesses in budget approval and execution processes, which requires that all revenues and expenditures should be planned and discussed during the budget formulation process, restricting the use of supplementary budgets within-year to unexpected emergency requirements. Also, effective mechanisms for commitment control and expenditure arrears monitoring should be developed and implemented.

16. **Strategic resource allocation** has improved over the recent years. In particular, the organization and coordination of the annual budget preparation process has been strengthened with the early release to all budget organizations of clear budget preparation instructions and timetable. The Government Budget Commission and the parliamentary Committee of Majlisi Namoaydagon on Economy and Finance are actively involved in the budget formulation process, which contributes to a better link between policy and budget allocations. A medium-term perspective is evolving that is expected in time to strengthen the policy-based nature of the budget process. However, capital budgeting is fragmented, and needs to be further integrated with recurrent budgets. The high share of capital spending in total expenditures means that discretionary resources are a substantial share of the budget, and hence underlines the need for policy-based budgeting. Since a large part of capital spending is financed by development partners, it also underlines the need for a more effective approach to aid management on the side of the government, and to harmonization and alignment with national priorities on the side of donors. Some steps in this direction have been undertaken over the recent years, but institutionally capital budget planning remains weak (PI-11).

17. **Efficient use of resources for service delivery** can be further enhanced by improvements in public procurement processes, implementing performance budgeting and more efficient oversight mechanisms. Public procurement practices are improving but low competition affects the efficiency of service delivery and the achievement of best value for money of government purchases. Internal and external audits are still focused on compliance rather than addressing systemic or performance issues. Program budgeting is just in its infancy. The government should enhance the quality of ongoing reforms in public procurement, internal and external audits, and initiate reforms in performance budgeting.

## **A summary of main performance changes**

18. The Table below shows progress made over the last 10 years in four of six pillars of PEFA:

**Table B. Distribution of Ratings by Pillars (measured by 2011 PEFA Framework)**

Core Pillars of PFM Performance	2007 Ratings		2012 Ratings		2017 Ratings	
	A/B	C/D	A/B	C/D	A/B	C/D
Credibility of the budget	2	2	2	2	2	2
Comprehensiveness and transparency	2	4	4	2	5	1
Policy-based budgeting	1	1	1	1	1	1
Predictability and control in budget execution	0	9	1	8	4	5
Accounting, recording and reporting	1	3	1	3	2	2
External scrutiny and audit	0	3	1	2	1	2
<b>Total</b>	<b>6</b>	<b>22</b>	<b>10</b>	<b>18</b>	<b>15</b>	<b>13</b>

19. Table B shows that the PFM systems in 2007 did not perform well with most indicators being rated C and D. It also shows that progress has been made by 2012 and 2017.

20. The 2017 assessment indicates modest but steady improvement, with most indicators reflecting enhanced PFM since the last assessment. The main improvements were observed in areas of: (i) comprehensiveness and transparency of budget information; (ii) predictability and control in budget execution; (iii) accounting and reporting; and (iv) external scrutiny and audit. There have been no improvements in the areas of (i) credibility of the budget and (ii) policy based budgeting.

21. In summary, *aggregate fiscal discipline* has not changed due to significant variances in original and actual budget expenditure allocations.

22. There has been no change in *the strategic allocation of resources*, due to poor integration of capital budget and recurrent budget planning processes.

23. Some improvements are observed in *efficient use of resources for service delivery*, which are due to establishing and developing internal and external audit functions in the public sector. However, poor competition in public procurement as well as the lack of performance-based budgeting negatively impacted efficient use of public resources.

## **Ongoing and planned PFM reform agenda**

24. As indicated above, Tajikistan is approaching the end of the 10-year PFM reform program (2009 – 2018). Several areas of concern are being addressed, including public access to information, and internal and external audit. There are also ongoing reforms to implement the medium-term budget framework across government and to improve the management of public investments, particularly public corporations. The PFM Reform Action Plan provides a structured and time bound approach to reform through to 2018, after which future PFM reforms will need to be considered.

25. However, from the above analysis it is apparent that there are a number of areas of concern that will not be completely addressed under the current reform program. In order to sustain continuing improvements in PFM, based on the current PEFA Assessment there will need to be an action plan extending beyond 2018.

26. In summary, much has been achieved, but there is still some way to go to complete the PFM reform goals.

## **1. INTRODUCTION**

### **1.1. Rationale and purpose**

27. 2017 is the penultimate year of implementation of the Public Finance Management Strategy of the Republic of Tajikistan for 2009-2018. Approved in 2009, the plan anticipated a general assessment of achievements at the end of the 10 years.

28. This performance evaluation of the PFM system of the Government of Tajikistan is based on the PEFA assessment methodology with a major goal to assess the progress since the last PEFA assessment conducted in 2012. The Assessment will help the Government evaluate the outcome of the reforms in relation to major components of the PFM system and identify the most important and priority measures for the next stage of public finance management modernization in the country.

29. The purpose of the PEFA Assessment Report is to evaluate, at a given point of time, the status of the public financial management system. The assessment will serve as a comprehensive and holistic measure of current PFM system components identifying both areas of strength and weakness. It is important to underline that the objective of the assessment has not been to evaluate and score the performance of specific institutions or any PFM officials, but rather to assess the performance of the PFM systems themselves for the period under review. It also offers, by design, no assessment of policy but rather an assessment on the capacity of the PFM systems to deliver on policy, irrespective of its merits.

### **1.2. Assessment management and quality assurance**

30. The Government initiated the PFM performance evaluation by requesting assistance from the World Bank, which supervised and implemented the PEFA assessment.

31. The concept note was circulated to the peer reviewers during November 2016 for a virtual review. The peer reviewers included representatives of the World Bank and DfID. All peer reviewers submitted comments and the concept note was finalized and approved on December 5, 2016. The Draft Concept Note was also discussed at the Government PEFA Oversight Team Meeting and was formally approved.

32. The Ministry of Finance was the primary recipient, counterpart and coordinator of the assessment within the Government. The Ministry of Finance constituted a counterpart team to undertake the self-assessment and support the completion of the final document. The First Deputy Minister of Finance led the Working Group, which provided overall guidance to the PEFA process. World Bank staff and consultants provided guidance to the Government on self-assessment. Information was provided by the counterpart team, including the Committee on Budget and Economy of Parliament, Ministry of Finance, Ministry of Economic Development and Trade, State Committee on Investment and Management of State Property, Agency on State

Procurement of Goods, Services and Works, Tax Committee, State Committee on Land Management and Geodesy, Civil Service Agency, and Chamber of Accounts. The PEFA team consisting of World Bank staff and consultants prepared a Draft Performance Report in accordance to PEFA Framework guidance. Comments on the Draft Report were received from counterparts, the European Union, the IMF Country Office, World Bank staff, including Moses Wasike, Lead Financial Management Specialist, Dilshod Karimova, Public Procurement Specialist as well as peer-reviewers Donald Mphande, Lead Financial Management Specialist and Srinivas Gurazada, Senior Financial Management Specialist.

33. The Draft Performance Report was also submitted to the PEFA Secretariat for review and quality check. All commentaries received were properly addressed and revised report was re-submitted for final clearance.

### **Box 1. Assessment management and quality assurance arrangements**

#### **PEFA Assessment Management Organization**

##### **Oversight Team**

- Ministry of Finance, Jamshed Karimzoda, Head of Working Group (WG);
- Majlisi Namoyandagon (Parliament), Sharif Rahimzoda, member of WG;
- Chamber of Accounts, Zafar Azimi, member of WG;
- Tax Committee, Ayubjon Solehzoda, member of WG;
- State Agency on Public Procurement of Goods, Works and Services, Ravshan Karimzoda, member of WG;
- State Committee on Land Management and Geodesy, Nazar Mirzoev;
- DfID;
- World Bank.

##### **Review of Concept Note**

- Draft Concept Note circulated for review on November 8, 2016
- Invited reviewer: DfID
- Reviewers who provided comments: Leah April, Senior Public Sector Management Specialist, World Bank; Pierre Prosper Messali, Senior Public Sector Specialist, World Bank; Sobir Kurbanov, Country Officer, World Bank
- Final Concept Note was approved on December 5, 2016
- Draft Concept Note was also discussed at the Government PEFA Oversight Team Meeting and was formally approved.

##### **Review of Assessment Report**

- Draft assessment report was circulated on November 1, 2017. Comments were received from the Ministry of Finance, Chamber of Accounts, State Agency on Procurement of



- Goods, Works and Services and the State Committee on Land Management and Geodesy. Also, the European Union and IMF Country Office provided comments
- Invited reviewer: Moses Wasike, Lead Financial Management Specialist, World Bank; Dilshod Karimova, Public Procurement Specialist, World Bank
  - Reviewers who provided comments: Donald Mphande, Lead Financial Management Specialist; Srinivas Gurazada, Senior Financial Management Specialist
  - Draft PEFA report was also submitted to PEFA Secretariat and was reviewed by Holy Tiana Razafimahefa Rame, Senior Public Finance Specialist.

### **1.3. Assessment methodology**

34. The PEFA assessment focused primarily on the national level of the country's PFM system. It sought to cover the entire system, including cross-cutting and overall issues, the revenue side, the budget cycle from planning through execution to control, auditing, and legislative scrutiny. The assessment includes central government ministries, agencies and committees, including the social protection fund. A few of the indicators are specifically designed to probe into how the national level interacts with subnational governments and public sector service providers. The study team sought to include information on PFM practices at local levels. Public corporations also are part of the assessment and covered under Pillar III. Management of Assets and Liabilities. The team also sought information from the private sector and civil society.

35. Tajikistan is classified as a country with a transitional economy. Despite a number of significant economic and social changes over the last 20 years, decentralization has not yet been implemented. While preserving the historical arrangement of relations between different levels of state power, along with the central government budget, the Parliament of Tajikistan annually approves the revenues and expenditures indicators of the state budget, comprising the budget of central government, local government bodies and the Social Protection Fund. Accordingly, the key indicators for Performance Evaluation reflect general data of the state budget, for which the central government is responsible.

36. The assessment was conducted in mid-2017, before the completion of the annual financial report for 2016 and official submission of the reporting data for 2016 to the Government and Parliament of Tajikistan. Accordingly, the PEFA assessment covers 3 years - 2013, 2014 and 2015 - for which there were officially confirmed reports. The assessment narrative is supplemented with preliminary data for 2016.

37. The main source of information for the PEFA assessment was data provided by official representatives of ministries and departments responsible for the development and implementation of public policy on relevant components of the PFM system. They were members of the Working group for the PEFA assessment. In addition, a series of interviews were held between senior officials from various ministries and departments implementing individual components of the PFM system, and international consultants from the World Bank

and the European Commission, which provide assistance to the government agencies as part of technical assistance projects. NGO representatives were also consulted. The PEFA assessment extensively used the information posted on the official websites of the Government and ministries and departments, as well as information published in official newspapers and magazines, including publications of line ministries and departments. Some information was obtained from the Tajikistan PEFA assessment reports (January 2007, December 2012); Tajik Budget Law, Budget Execution reports; PFM progress reports; and IMF Fiscal Transparency ROSC report.

## 2. TAJIKISTAN BACKGROUND INFORMATION

### 2.1. Country economic situation

Table 1: Selected economic indicators for Tajikistan

Indicator	2013	2014	2015	2016
Total population (millions)	8.1	8.3	8.5	8.7
Annual population growth (%)	3.8	2.5	2.4	2.4
<i>National income and prices</i>				
GDP current prices (US\$ million)	8,506.05	9,241.36	7,851.67	6,951.75
GDP per capita (US\$)	1,050.1	1,113.4	923.7	799.1
GDP current prices (Somoni millions)	40,524.5	45,605.2	48,401.6	54,471.1
GDP annual real growth, %	7.4	6.7	6.0	6.9
Consumer Price Index (CPI)% change	3.7	7.4	5.1	6.1
<i>External sector (US \$ million)</i>				
Current account balance	-203.1	-739.8	-470.0	na
% of GDP	-2.4	-8.0	-6.0	
Import of goods & non-factor services (US million)	4,045.5	4,297.4	3,434.9	na
Net International Reserves (end-year) in millions of U.S. dollars	636.2	510.8	494.3	na
External public debt outstanding (US million)	2,188.5	2,095.9	2,194.5	2,274.1
% of GDP	25.7	22.7	27.9	32.7
Average currency exchange rate	4.6	4.93	6.16	7.84
Poverty level (% of total population)		32	31	31

Source: Ministry of Finance, Macroeconomic Forecasting Department  
National Bank of Tajikistan [www.nbt.tj](http://www.nbt.tj)

38. Tajikistan's economy is very vulnerable to the impact of global financial shocks transmitted through the growth rates of its main trade partners. Following a sharp decline to 4% in 2009, Tajikistan's real GDP growth recovered to 7.4% in 2011 and remained at that level in 2012 and 2013. However, a difficult economic situation in the Russian Federation since 2014 led to a decrease in the real GDP growth rate of Tajikistan to 6.7% in the same year and to 6% in 2015. In 2016, growth slightly recovered to 6.9%. The impact of labor migrants' remittances,

primarily from Russia, are significant in the Tajik economy. According to the National Bank of Tajikistan, the total remittances of labor migrants in 2013 amounted to US\$4.2 billion or more than 49% of annual GDP. In 2014, remittances decreased to \$3.83 billion amounting to 42.7% of GDP. In 2015, according to the Central Bank of the Russian Federation, the volume of labor migrants' remittances to Tajikistan was only \$1.28 billion. In 2016, according to data from the same source, the remittances from Russia to Tajikistan increased to \$1.9 billion. The inflation rate in 2013 was 3.7%, which increased in 2014, due to robust demand pressure, to 7.4%, falling to 5.1% in 2015. Inflation in 2016 was 6.1%.

39. The exchange rate of the national currency "Somoni" remained stable during 2011-2013, but under the pressure caused by the reduction of migrants' remittances began to depreciate in 2014 by 3.6%. In 2015 and 2016, the depreciation of national currency reached nearly 25% and 27% respectively.

40. Tajikistan has a high population growth of 2.4% per annum. Coupled with a sharp national currency depreciation, GDP per capita fell almost 24% in dollar terms between 2013 and 2016 despite annual steady real GDP growth of no less than 6% over the same period. The external debt of the central government, with minor changes in absolute values also due to the depreciation of the national currency, rose from 25.7% of GDP in 2013 to 27.9% in 2015. In 2016 it reached 32.7%.

## 2.2. Fiscal and budgetary trends

41. In general, the period from 2013 to 2015 for Tajikistan was satisfactory in budget terms. The level of total revenues, which in 2013 was at 30.3% of GDP, increased by an average of 2 percentage points in the next 2 years, reaching 34.3% in 2015. Domestic revenues increased to 22.7% of GDP in 2013, and to 25% in 2014 and 2015. At the same time, because of strict discipline during budget execution, the government completed all three years with a surplus equivalent to 1.7% of GDP in 2013, falling to 0.6% of GDP in 2015. The negative impact of external factors began to manifest only at the end of 2015. In early 2016, total revenues fell to the level of 2014, own revenues to the level of 2013, and the budget recorded a deficit equal to 1.2% of GDP.

**Table 2: Government fiscal data**

Central Government (as a percentage of GDP)				
	2013	2014	2015	2016
Total revenues	30.3	32.0	34.3	32.1
-Own revenues	22.7	25.0	25.0	23.4
-Grants	0.5	0.1	0.8	0.0
Total expenditures	28.6	28.9	33.6	33.3

<b>Central Government (as a percentage of GDP)</b>				
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
-Expenditures, except for interest expenses	27.7	27.9	32.5	n/a
-Interest expenses	0.9	1.0	1.1	n/a
Cumulative deficit (including grants)	5.4	3.8	7.8	9.9
Primary deficit	-1.7	-3.0	-0.6	1.2
Net financing				
-external	3.7	2.6	6.7	5.8
-internal	1.7	1.2	1.1	4.1

*Source: Ministry of Finance, Macroeconomic Forecasting Department*

42. The expenditures composition of Tajikistan's budget for 2013 and 2014, broken down by functions, reflects its social focus. Budget expenditures to provide basic social services in these 2 years accounted for 47.4% of the total. In 2015, large-scale works were resumed on the Rogun dam, the largest hydroelectric power plant in Central Asia. This required the government to dramatically increase spending on capital investments. The share of spending in the fuel and energy sector in 2015, compared with the previous year, grew by 6.8 percentage points and in 2016 by another 1.2 percentage points, accompanied by a reduction in the share of expenditures in other sectors. The share of budget expenditures for provision of basic social services to people in 2015 and 2016 accounted fell to 42% of total budget expenditures.

**Table 3: Budgetary Allocation by Functional Classification**

<b>Actual budget allocation by sectors (in % of total expenditures)</b>				
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
1. Public Administration	8.2	8.2	9.4	6.6
2. Defense and Law Enforcement	9.4	8.8	7.9	7.7
4. Education	18.2	17.9	15.7	17.3
5. Health	7.2	7.4	6.4	6.4
6. Social insurance and social security	18.1	18.5	16.3	15.2
7. Communal services, environment and forestry	9.3	10.1	7.3	7.1
8. Culture and sport	3.9	3.6	3.5	3.3
9. Fuel and Energy Sector	9.9	11.3	18.1	19.3
10. Agriculture, fishing and hunting	2.1	2.1	2.2	2.5
11. Industry	0.9	1.1	2.6	3.2

Actual budget allocation by sectors (in % of total expenditures)				
	2013	2014	2015	2016
12. Transport and communication	7.4	5.7	6.1	5.3
13. Other economic activities and services	0.3	0.3	0.2	0.1
14. Other services	5.1	5.0	4.3	6.0
Total	100.0	100.0	100.0	100.0

*Source: Ministry of Finance, Macroeconomic Forecasting Department*

**Table 4: Budgetary allocations by economic classification**

Actual budgetary allocations by economic classification				
(as % of total expenditures)	2013	2014	2015	2016
Current expenditure	73.3	72.5	74.2	73.6
- Wages and Salaries	23.4	24.3	20.6	n/a
- Goods and services	28.4	25.2	34.0	n/a
- Interests payment	1.7	1.9	1.6	n/a
- Transfers	17.4	0.8	0.6	n/a
Other	2.5	20.3	17.3	n/a
Capital expenditure	26.7	27.5	25.8	26.4
- Externally financed	11.2	8.8	17.3	17.4
- Domestically financed	15.5	18.8	8.5	9.0

*Source: Ministry of Finance, Macroeconomic Forecasting Department*

43. The focus on efforts to implement large-scale infrastructure projects of national importance also led to significant changes in the ratio between the expenditures of national and local budgets. For the period from 2013 to 2015, the share of the republican (national) budget grew by 6.3 percentage points, while the reduction in the share of local budgets and the Social Security Fund for the same period was 4.4% and 1.8% respectively. In 2016, the share of republican budget increased by an additional 3.2%, mainly due to a decrease in the share of local budgets by 2.9%.

**Table 5: Budget allocation (% of total expenses)**

Allocation	2013	2014	2015	2016
Republic budget	54.2	51.2	60.5	63.7
Local budget	31.8	33.5	27.4	24.5
Social Security Fund	14.0	15.3	12.2	11.8
Total	100.0	100.0	100.0	100.0

*Source: Ministry of Finance, Macroeconomic Forecasting Department*

44. Tajikistan's external debt as of January 1, 2016, amounted to US\$ 2.2 billion or 27.9% of GDP. In 2016, Tajikistan's external debt increased by \$79.6 million, or by 3.6%. Due to national currency depreciation, the level of external debt at the end of 2016 amounted to 32.7% of GDP.

45. Tajikistan's main creditors include the Asian Development Bank, the Islamic Development Bank, the World Bank and the Export-Import Bank of the People's Republic of China.

46. In the short term, the government will continue external borrowing to finance infrastructure projects to address the energy shortage and lack of connectivity. To ensure debt sustainability, the government regularly revises the terms for attracting external borrowings and updates the specially developed Strategy for Public Debt Management every three years. At the same time, the main provisions of the Strategy that have been effective for the past 10 years remain unchanged: limiting the total public debt to no more than 40% of GDP; the ban on attracting non-concessional loans with a grant element less than 35%; limiting the use of external loans exclusively for projects included in the list of national priorities.

**Table 6: External debt (million US dollars)**

	2010	2011	2012	2013	2014	2015	2016
External debt	1942.8	2124.3	2168.8	2188.5	2095.9	2194.5	2274.1
In % to GDP	34.37	32.5	28.5	25.7	22.7	27.9	32.7

*Source: Ministry of Finance, Department of Public Debt and Assets*

47. During 2013-2015, the World Bank, the Asian Development Bank and the European Union provided direct budgetary support to the Government to facilitate institutional reforms implemented through international development institutions.

48. In 2014, the IMF and the World Bank revised the status of Tajikistan as a recipient of international assistance, by transferring it from the poorest countries category (red zone) to a more prosperous category (yellow zone) and, a year later, Tajikistan gained the status of a

country that does not need donor assistance (green zone). Accordingly, this decision impacted on the budget support in 2016, including the previously adopted assistance programs.

**Table 7: External budget support (in Somoni millions)**

	Plan	Actual	% of Plan
<b>2013</b>	180	195	109%
<b>2014</b>	130	31	24%
<b>2015</b>	100	410	410%
<b>2016</b>	348	n/a	

*Source: Ministry of Finance, Macroeconomic Forecasting Department*

### 2.3. Legal and regulatory arrangements for PFM

49. The Constitution of the Republic of Tajikistan, adopted in 1994, as amended in 1999, 2003 and 2016, is a key document that establishes the framework of Tajikistan's political, legal and economic systems. It establishes the procedures for the establishment and operation of higher public authorities and their mutual relations and competence, which in turn is the basis for building relations in the PFM system.

50. Beginning shortly after independence in 1991, civil and political conflict persisted until mid-1997, causing widespread loss of life and physical damage. In addition, there was an exodus of human resources, mainly from industry and public administration and a serious deterioration in the quality of human capital. Uniquely among post-Soviet states, Tajikistan's transition from plan to market was in effect delayed by a decade until the turn of the century. Political and administrative centralization unified the country and concentrated authority in the executive branch.

51. Tajikistan's parliament – the Majlisi Oli – consists of two chambers, the Majlisi Milli and the Majlisi Namoyandagon. The Majlisi Milli (Upper House) is based on indirect elections by regional councils (3/4) and presidential appointments (1/4). The Majlisi Namoyandagon (Lower House) is directly elected by popular vote. Only the Lower House is directly involved in the scrutiny of the budget.

52. The current Parliament was elected in February 2015 for five years. Resolutions of the Lower House are passed by a majority vote of the total number of deputies, if no other procedure is provided by the Constitution. Execution of resolutions adopted by lower house is obligatory in the territory of the Republic of Tajikistan.

53. Parliament reviews the proposed budget once it has been finalized and adopted by the government. The deadline for forwarding the proposed budget to Parliament is November 1. Following its internal procedures Parliament has until December 31 to review and approve the



budget. In practice the budget is always reviewed and approved well in time to issue the budget to government for the start of the new fiscal year.

54. Formally the subnational government (SNG) structure in Tajikistan includes 3 layers: a) *oblasts' administrations* as the regional first tier level of SNGs; b) *rayons' and cities* as the second tier; and c) *jamoats* as the third / lowest SNG tier.

55. The system is complicated by the fact that most of the *rayons* and cities nest within *oblast* administrations as the hierarchically higher SNGs, but some *rayons / cities* – so called *rayons of Republican subordination* – are subordinate directly to the central government. The two first tiers of SNGs (*oblasts* and *rayons*) come from the Soviet rule and this type of SNG structure could be found in many ex-USSR countries. *Jamoat* is a relatively new formation - and although its legal framework exists – it is not fully set up yet. There are 3 *oblasts* in Tajikistan, containing 45 *rayons* and more than 400 *jamoats*. There are 13 *rayons* of Republican subordination.

56. Tajikistan's SNG setup and arrangements are quite complex including mechanisms of SNGs accountability to the Central Government. SNGs are not fully self-autonomous to the traditional extent. Firstly, heads of *oblasts* and *rayons* of Republican subordination are appointed by the President – although *oblasts* and *rayons* also have formally elected representative bodies - Local *Majlis* - that take strategic decisions such as approval of the budget. Although by law *rayons* are not formally subordinated to *oblasts*, there is quite a strong vertical integration in budget planning and execution between the two types of entities. Moreover, the Government executes another line of accountability / control via the Ministry of Finance (MoF) and sector ministries (such, as ministries of education and health). Heads of the financial departments in *oblasts* and *rayons* are directly appointed by the MoF, although they are primarily subordinated to the SNGs.

57. The powers and responsibilities of public authorities in public finance management are determined by various legal acts including the Constitutional Law “On the Government of the Republic of Tajikistan” (2001), the provisions of ministries and departments that are part of the structure of public administration, as well as the Constitutional Law “On local government bodies” (2004), and the Law “On self-governance bodies of towns and townships”, (as amended in 2009).

58. The main legal documents specific to PFM include the following laws:

- “On Public Finances of the Republic of Tajikistan” (2011);
- “On Treasury” (2008);
- “On State and State Guaranteed Borrowing and Debt” (1999);
- “On Internal Audit of the Public Sector” (2010);
- “On Financial Management and Internal Financial Control in the Public Sector” (2010);

- “On Accounting and Financial Reporting” (2011);
- "On the Chamber of Accounts of the Republic of Tajikistan” (2011);
- The Law “On the National Bank of Tajikistan” (1996 with changes in 2007);
- Law “On Banking Activities” (2009);
- The Law “On the State Financial Control in the Republic of Tajikistan” (2002 with changes in 2007);
- Law “On Investments” (2007);
- Law “On State Registration of Legal Entities and Individual Entrepreneurs” (2009);
- Law “On Licensing of Separate Types of Activities” (as amended in 2006);
- The Tax Code (2012);
- Customs Code (2004);
- Law on the State Budget for 2013 (2012);
- The Law on the State Budget for 2014 (2013)
- The Law on the State Budget for 2015 (2014);
- The Law on the State Budget for 2016 (2015);
- The Law “On Public Procurement of Goods, Works and Services”, of 24 February 2006, No. 184, (as amended by the Act of 16 April 2012, No. 815);
- Guidelines for Public Procurement Procedures - approved by Order of the Ministry of Economic Development and Trade of the Republic of Tajikistan on January 17, registered with the Ministry of Justice of the Republic of Tajikistan on February 11, 2008, No. 357.
- Decree of the Government dated 1 July 2007 No. 319 “On the establishment of a Qualification Commission in defining and award status of “qualified procuring entity”.
- Decree of the Government No. 500 dated October 2, 2010 “On approval of the Rules for opening of bid proposal for procurement of goods, works and services in state investment projects in the Republic of Tajikistan.

59. According to the Law on Treasury, the Ministry of Finance and its field treasury offices implement control over revenues, expenditures and state budget performance. Local treasury branches directly report to the MoF Central Treasury Office. The working procedures of Central and local treasuries, financing, receipt of the documents, costs estimate of expenditures, types of reports on central and local budget performance are defined on the basis of instructions approved by the Ministry of Finance. The Law also defines the roles and duties of the Central Treasury and its local branches, relationships with the banking servicing system, management of the Treasury Single Account, responsibility of budget organization, accounting and reporting procedures.

60. The Law on Internal Audit, adopted in June 2010, established the basis for developing an internal audit function. The Finance Ministry is in charge of developing internal audit policy,

coordination and supervision of internal audit activities in budget organizations. It is mandatory for budget organizations with budgets above a specified threshold and a staff number exceeding 800 to establish an internal audit unit. Budget organizations submit their annual internal audit reports to the MoF before April 1 and it presents a consolidated annual internal audit report to the government by May 1.

61. According to the Internal Financial Control Law of June 2010, all public sector organizations financed from the state budget should establish an internal control system. That system includes a control environment, risk management, information and communication, and monitoring. The MoF oversees developing financial management and internal control policy, coordination and supervision of internal control activities in budget organizations. Public sector organizations submit their annual financial management and internal control reports to the MoF before April 1. The Ministry presents a consolidated annual financial management and internal control report to the government by May 1.

62. In March 2009, by presidential decree, the government approved the Strategy for Reforming the PFM system over 2009-2018. The Advisory Council for PFM, established by the same Decree and chaired by the Minister of Finance, approved three Action Plans for the PFM Modernization:

- Action Plan for the PFM Modernization for 2009-2011(2009);
- Action Plan for the PFM Modernization for 2012-2014 (2011);
- Action Plan for the PFM Modernization for 2015-2018 (2015).

## 2.4. Institutional arrangements for PFM

Table 8: Structure of the Public Sector (number of entities)

2015	Public Sector				
	Government sub-sector		Social Insurance Funds	State corporations sub-sector	
	Budgetary organizations	Extra-budgetary organizations		Non-financial public corporations	Financial public corporations
Central	1,608		1		
1 <sup>st</sup> tier, subnational (state)					
Local level	5,628				
The lower tier(s) of the subnational				192	

Source: Ministry of Finance, Central Treasury

**Table 9: Financial structure of budget expenditures of the central government according to the plan (Somoni millions)**

2015	Central government			
	Budgetary organizations	Extra-budgetary organizations	Social Insurance Funds	Grand total:
Revenues	15,724.3		2,314.10	18,038.4
Expenditures	17,054.2		2,381.00	19,435.2
Transfers to (-) and from (+) other units of the general government	822		66.20	888.2

*Source: Ministry of Finance, Central Treasury*

*Note: Information on government financial and non-financial liabilities is not publicly available*

**Table 10: Financial structure of the Central government – actual expenditures (Somoni millions)**

2015	Central government budget organizations	Extra budgetary organizations	Social Insurance Funds	Grand total:
Revenues	16,586.5		2,136.2	18,722.6
Expenditures	16,277.4		1,981.2	18,258.6
Transfers to (-) and from (+) other units of the general government	815.7		66.2	881.9

*Source: Ministry of Finance, Central Treasury*

*Note: Information on government financial and non-financial liabilities is not publicly available*

63. The primary responsibility for PFM lies with the MoF. It is responsible for the development and implementation of financial policies, which include strategic planning, budget preparation and execution, internal audit, as well as accounting and reporting. As part of strategic planning, the Ministry works together with the Ministry of Economic Development and Trade and the National Bank of Tajikistan. The Government Budget Commission sets budget priorities, approves the draft budget and submits it to the Parliament for consideration.

64. The organizational structure of the MoF is a mix of functional and divisional principles of management. It includes the Minister, First Deputy and two deputy ministers. Each Deputy Minister leads several specific departments and reports to the Minister. There are 33 units which

directly report to the Minister/ Deputy Ministers. A detailed organizational chart is presented in Annex 5.

65. The Ministry (including territorial bodies) directly interacts with all budget organizations (BOs), as well as with 17 major subnational governments (3 oblasts, the city of Dushanbe and 13 cities and districts of republican subordination) and is engaged in their budgeting. The role of line ministries in the formulation of budgets for relevant sectors of the economy has been relatively limited. Financial departments of line ministries deal with executing their own and subordinate institutions' budgets. A significant part of services, especially social services, are provided locally and are financed from local budgets. Line ministries have general information about their line institutions at the local level but do not yet fully use financial data from these institutions for analytical purposes.

66. Other PFM responsibilities are entrusted to:

<b>PFM function</b>	<b>Responsible agency</b>
Budget planning and monitoring	Executive Office of the President,
Financial control	Agency for financial control and fighting corruption
Macroeconomic forecasting, capital expenditure planning	Ministry of Economic Development and Trade
Public investment coordination and monitoring, public assets management	State Committee on Investment and Management of State Property
PFM statistics	State Statistics Committee
Public procurement	State Agency for public Procurement of Goods, Works and Services
Revenue administration	Tax Committee
Customs duties collection, taxes on international trade	Customs Service
External audit	Chamber of Accounts, Agency on Combating Corruption and Financial Control

## **2.5. Other important features of PFM and its operating environment**

67. The PFM system in Tajikistan is centralized, as evidenced by the inclusion of revenues and expenditures indicators of the state budget in the annual budget law, which consists of the budget of central government, local government bodies and the Social Protection Fund. Two types of taxes are assigned to local governments in the Tax Code of Tajikistan, which do not represent significant sources of revenues. At the same time, for all other types of tax revenues, the government has the opportunity to adjust its annual tax sharing arrangements. Local authorities have the right to use, at their discretion, the revenues received in excess of the approved amounts, but the excess amounts are not significant. In practice they help to address only tactical objectives and restrict the motivation of SNGs to develop their own strategic plans.

68. The use of conservative budget estimates and limitation of demands on the budget are the main principles in the context of the limited resources and economic vulnerability of the country. After introducing a Treasury Single Account (TSA), all budget entities keep their accounts in TSA. However, there is no sole centralized data base on public servants, and no single automated payroll system for public servants. Payroll accounting is decentralized, which weakens the function of central financial control and creates conditions for manipulation of salary spending at the local level.

69. Open and policy-based competition for resources is not yet well developed in the PFM system. The fragmentation of the government at the central level and the evolving system of intergovernmental relations pose challenges for the policy based allocation of resources. Transparency and public discussion of spending priorities in the legislature, civil society, and the media are still in their infancy. There is also an urgent need for enhancing the leadership of the Government in conducting policy debates on management and allocation of aid resources.

70. Another problematic area includes the multi-year perspective in fiscal planning (MTEF) and budgeting. Although the budget is formally planned on a three-year basis and a proper participatory process is in place, the quality of that budgeting seems poor. First, capital expenditures are budgeted without proper regard for their future recurrent expenditures. Second, there are 58 budget organizations directly reporting to MoF, which causes fragmentation and affects sector-based allocation and management of expenditures. As a result, there is a poor linkage between policy and allocation of budget resources.

71. External control over the budget organizations' financial operations is exercised by the Chamber of Accounts and the Agency for State Financial Control and Combating Corruption, most commonly every two years. In the last 3 years, the Chamber of Accounts began to audit the report on state budget execution.

72. Article 25 of the Law on Public Finance (2011) provides a list of participants in the budget process which includes the legislature and the executive, budget organizations, and

public corporations. However, the public at large is not among the participants in the budget process.

### 3. ASSESSMENT OF PFM PERFORMANCE

73. This section provides the detailed assessment of the PFM indicators contained in the Public Finance Management-Performance Measurement Framework. The scoring methodology only takes into account the existing situation and does not cover on-going and planned activities that may result in higher scores under future assessments. However, these are summarized at the end of the discussion on each section.

74. Each indicator contains one or more dimensions in order to assess the key elements of the PFM process. Two methods of scoring are used. Method 1 (M1) is used for all single dimensional indicators and for multi-dimensional indicators where bad performance on one dimension of the indicator is likely to undermine the impact of good performance on other dimensions of the same indicator (in other words, the weakest link in the connected dimensions of the indicator prevails). A plus sign is given where any of the other dimensions are scoring higher.

75. Method 2 (M2) is based on averaging the scores of individual dimensions of an indicator. It is prescribed for multi-dimensional indicators, where a low score on one dimension of the indicator does not necessarily undermine the impact of a high score on another dimension of the same indicator. A conversion table for 2, 3 and 4 dimensional indicators is used to calculate the overall score. The PEFA handbook (“PFM Performance Measurement Framework”, [www.pefa.org](http://www.pefa.org)) provides detailed information on the scoring methodology.

#### 3.1. Budget reliability

##### PI-1. Aggregate expenditure outturn

76. In the last 3-years the budget has deviated by more than 5% of the original budget in 2013 but by less than 5% in two of the years (2014 and 2015). In 2013 the financial crisis is cited as the reason for a deviation of more than 5% from the original budget. The resultant score is then A for less than 5% deviation in two out of three assessment years.

77. The minimum deviation of total actual expenditures from planned in 2015 was achieved at a time of failure to fully execute the revenue budget, while in 2013 the target of revenue plan was met, and in 2014 it was above the target.

**Table 11: Data on aggregate expenditures for 2013-2015. (Somon thousand)**

Year	Original budget	Actual execution	Percent
2013	12,261,925.5	11,551,425.2	94.2
2014	14,198,719.4	13,484,959.5	95.0
2015	15,877,869.1	16,185,071.6	101.9

*Source: Ministry of Finance, Macroeconomic Forecasting Department;*



**PI-1 summary evaluation**

78. The evaluation of indicator PI-1 is “A” as set out below.

**Performance Indicator 1: Aggregate Expenditure Outturn**

PI	Score 2017 PEFA	Brief justification of score
PI-1 Aggregate expenditure outturn	A	Aggregate expenditure outturn was between 95% and 105 % of the approved aggregate budget expenditure in 2014 and 2015 and 94.2% in 2013.

**PI-2. Expenditure composition outturn****2.1. Expenditure composition by function**

79. During the three assessment years, the expenditure composition variance did not exceed 15% only in 2014. In 2013 and 2015 the expenditure composition variance was 15.4% and 18%, respectively, which was caused by the resumed construction of the Rogun hydropower plant (HPP). This led to a sharp increase in the financing of fuel and energy complex expenditures by transferring funding of all other sectors. Please see Annex 5 for detailed information. Since variance in expenditure composition by function was less than 15% only for one out of three assessed years, this dimension is rated "D", which has deteriorated compared to a “C” score in the 2012 assessment.

**2.2. Expenditure composition outturn by economic type**

80. Variances in expenditures composition by economic classification in 2013-2015 were less than 15% in 2014 and 2015. In fiscal year 2013 the variance in expenditure composition by economic classification was 15%. As already mentioned above, this was associated with the beginning of full-scale works for the construction of Rogun HPP. Please see Annex 5 for detailed information.

81. Since variance in expenditure composition by economic classification was less than 15% in at least two of the three last years, this dimension is rated "C".

**2.3. Expenditure from contingency reserves**

82. Disbursement of contingency reserve funds during the budget year may influence the change in the composition of budget expenditures, both in terms of functional and economic classifications. Currently, the size of the reserved funds in Tajikistan is small, and generally they cannot radically change the overall allocation of budget funds approved by the Parliament. The Reserve Fund of the President is up to 2% of the state budget expenditure; the Contingency Fund of the Government is up to 0.5% of the state budget expenditure; reserve funds of the chairmen of local governments are up to 0.5% of the corresponding local budgets expenditure.

83. During 2013-2015, the total amount of all legally approved reserves should not exceed 2.3% of total expenditure of approved budgets for these years. During the same period, the actual use of reserve funds ranged between 1.9% and 2.2% of total budget expenditures.

84. In the 2012 assessment, the share of contingencies for 2009-2011 was at 5.9% of the total budget expenditure, which was due to the lack of legal limitation of the size of the Contingency Fund.

85. Since the total amount of expenditure charged to contingency funds over the assessment period was less than 3%, this dimension is scored "A".

**Table 12: Reserve funds (Somoni millions)**

	2013		2014		2015	
	App- proved	Actual execution	App- proved	Actual execution	App- proved	Actual execution
Reserve fund of the President	185.4	182.8	221.1	217.7	250.1	249.7
Contingency fund of the Government	46.3	17.9	55.3	54.6	63.3	63.1
Reserve funds of local authorities	19.0	18.4	23.2	22.1	23.9	22.3
Total contingency reserves	250.7	219.1	299.6	294.4	337.3	335.1
Total budget expenditure	12,261.9	11,551.4	14,198.7	13,484.0	15,877.9	16,185.1
Contingency reserves in % of all expenditures	2.0	1.9	2.1	2.2	2.1	2.1

*Source: Ministry of Finance, Macroeconomic Forecasting Department + estimates of PEFA consultants*

**Table 13: Results Matrix**

Year	for PI-1 Total exp. Outturn	for PI-2.1 Composition variance	for PI-2.3 Contingency share
2013	94.6%	15.4%	2.0%
2014	95.0%	14.7%	
2015	101.9%	18.6%	

## 2.4 PI-2 summary evaluation

86. The evaluation of indicator PI-2 is “D+” as set out below.

### Performance Indicator 2: Expenditure Composition Outturn

PI-2 M1	Score 2017 PEFA	Assessment
PI-2. Expenditure composition outturn	D+	Analysis of the expenditures composition by functional and economic classification, conducted on the basis of the PEFA assessment methodology showed that there are still significant differences between the original plan and the actual allocation of funds. At the same time, the establishment of a legislative framework for the size of the Government's Contingency Fund led to a sharp reduction in the overall level of contingency expenditures.
2.1. <i>Expenditure composition outturn by function</i>	D	Analysis of the expenditure composition conducted on the basis of the PEFA evaluation methodology showed that, as in the 2012 assessment, significant differences between the initial plan and the actual allocation of funds by sector continue to exist, and this situation requires more attention to achieve a higher score.
2.2. <i>Expenditure composition outturn by economic type</i>	C	The assessment of 2012 was conducted based on the previous methodology, which does not provide for the analysis of these parameters; however, the variance in expenditure composition by economic classification over the last three years also demonstrates the presence of significant differences between the initial plan and the actual allocation.
2.3. <i>Expenditure from contingency reserves</i>	A	The average actual expenditures of reserved funds, which include the President's Reserve Fund, chairmen of local authorities and the Government's contingency fund, averaged 2.1% over the last 3 years, compared to 5.9% of the 2012 estimate.

## PI-3. Revenue Outturn

### 3.1. Aggregate revenue outturn

87. The MoF is in charge of revenue forecasting. Other institutions, including ministries and agencies, are also involved in the process by providing information on their future tax and non-tax revenue. The MoF uses subjective assessments and simple extrapolation techniques as the main method for deriving budget revenue forecasts. Revenue targets by type of taxes are issued to the Tax Committee for execution.

88. To assess dimension 3.1. domestic taxes and collections plus special funds of budget organizations were included in aggregate revenue. In contrast to previous PEFA assessments, grants for budget support, as well as uncommitted balances at the end of the completed fiscal year, were included to assess aggregate revenue outturn for the assessment period.

89. In 2013 and 2014 revenues were in excess of the approved budgets, primarily, due to special funds received from budgetary institutions. Domestic taxes and collections in 2013 were in compliance with the approved targets and, in 2014, exceeded the target by 3.8%. In 2015, all taxes and collections were equal to 96.6% of the target, but, due to additional revenues, special funds from the budget institutions and grants to support the budget, the aggregate revenues exceeded the approved target by 2.4%.

90. Since actual budget revenue was between 94% and 112% in at least of two of the last three years, the score for this dimension is “B”. But a deeper analysis shows that the tax revenue estimates set out in the budget become tax targets. The generally on-target performance revenue outturn reflects a system driven to meet the targets rather than a fair application of the tax law.

91. In 2016 the extra-budgetary receipt of special funds from budgetary institutions, due to lack of direct grant budget support, could not compensate for the reduction of domestic taxes and fees. The level of aggregate revenue in 2016 amounted to 95.5% of that budgeted.

**Table 14: Revenues, including grants in 2012 - 2016 (Somoni millions)**

	2013		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual
Domestic taxes and charges	9 272.0	9 237.7	11 065.6	11 482.7	12 534.2	12 105.8
Special funds of budget institutions	612.9	1 178.5	726.1	1 469.4	781.5	918.2
Grants for budget support	180.0	195.4	130.0	31.5	100.0	410.0
Free balances of previous year		325.0		458.9		299.1
Total revenues	10 064.9	10 936.6	11 921.7	13 442.5	13 415.7	13 733.1
% performance		108.7		112.7		102.4

*Source: Ministry of Finance, Macroeconomic Forecasting Department + Estimates of PEFA consultants*

### 3.2 Revenue composition outturn

92. The most significant actual revenue composition outturn from the targets in 2013-2015 were observed on social tax, external value added tax, excises, and other revenues from foreign trade and operations. However, as mentioned above, the low level of receipt of these types of revenues was compensated by additional proceeds from other taxes. Targets were achieved for overall tax revenues in 2013 and 2014. However, already in the second half of 2015, the decline in international trade influenced by external factors heavily affected receipts from external value added tax and excises, as well as other receipts from foreign trade and transactions, which resulted in 94.4% execution of the annual tax revenue target.

93. In 2016, the targets for various types of taxes were approved based on relatively satisfactory data for 2013 and 2014. Some adjustments were made on the basis of 2015, with a view to reducing the external VAT revenue target in favor of domestic VAT without reducing the overall targeted amount for VAT receipts and the total annual amount of tax revenue. As a result, in addition to failure to achieve the targets on social tax, external VAT, excises and other revenues from foreign trade and operations, significant reduction of receipts was also observed on income and profit taxes, and domestic VAT in 2016. Consequently the aggregate tax revenue in 2016 was 91.7% against the target.

94. The revenue composition variance in 2013 and 2014 did not exceed 10%. In 2015, the composition variance was 11.4%, which was primarily caused by external factors affecting Tajikistan's economy. Revenue variance composition in 2016 was 15.4%. For more detailed information, please see Annex 5.

95. Since the revenue composition variance was less than 10% in two of the three years, the score for this dimension is “B”.

**Table 15: Results matrix**

year	total revenue deviation	composition variance
2013	108.7%	6.2%
2014	112.8%	6.6%
2015	102.4%	11.4%

### PI-3 summary evaluation

96. The evaluation of indicator PI-3 is “B” as set out below.

**Performance Indicator 3: Revenue outturn**

<b>PI-3 M2</b>	<b>Score 2017 PEFA</b>	<b>Assessment</b>
PI-3. Revenue outturn	B	The indicators of domestic taxes and fees correspond to the “A” rating, but the overall rating was reduced by the data on the receipt of special funds. The variance in the composition of actual revenue against the approved plan did not exceed 10%, in two out of three evaluated years.
3.1. Aggregate revenue outturn	B	The grants for direct budget support were added to the aggregate revenues which did not, in general, lead to significant changes in the overall picture. The domestic tax and fee proceeds indicators are in line with the “A” rating; the general rating was reduced by the data on the receipt of special funds.
3.2. Revenue composition outturn	B	The variance in the composition of actual revenue from the approved plan, of the three estimated years, in 2013 and 2014 did not exceed 10%. In 2015, the variance was 11.4%, which was caused by external factors affecting the Tajik economy.

**3.2. Transparency of public finances****PI-4 Budget classification**

97. The Law on Public Finance of 2011 (Article 9) established 6 classification categories for budget expenditures:

- functional;
- economic;
- administrative;
- program;
- by sources of financing; and
- territorial.

98. At the time of PEFA Assessments of 2007 and 2012, the PFM system of Tajikistan used functional and economic classifications only. The administrative classification was implemented in 2011. Currently, budget formulation, execution and reporting are based on administrative, economic and functional classifications using GFS/COFOG standards.

99. The functional classification used in budget preparation and execution is broadly in accordance with the main functions listed in Government Financial Statistics (GFS)/Classification of the Functions of Government (COFOG). The Public Investment Program (PIP) was integrated into the functional classification in 2007.

100. Up to 2014, the Treasury used different codes for economic budget classification on national and local levels, which caused difficulties with consolidation of financial reporting as classification differed from the Treasury Chart of Accounts codes. In 2014 the Unified Chart of Accounts was introduced, which unified codes of economic classification throughout the country.

101. The Public Sector Accounting Reform Strategy for 2011-2018 was approved in January 2015. Later, an updated classification of revenues and expenditures; a functional budget classification; an economic budget classification; a Unified Chart of Accounts in general government sector institutions, organizations and treasury; and instruction on their application used in the treasury system in budget execution were adopted.

102. The Treasury is able to report actuals against budget using the administrative classification. The main problem with the use of the administrative classification is in the practical delegation of budget management authority. Although the classification shows a hierarchy of main budget organizations and subsidiary budget organizations, the MoF deals directly with nearly all subsidiary budget organizations, both when assigning the original approved budget to administrative units and when making revisions to these allocations by functional classification. Currently, the Government is working on optimization of a list of main administrators of budget funds.

**Table 16: Description of classification structure**

Classification	Description
Functional classification	10 main headings of the Classification of the Functions of Government (COFOG) with sub-functions are included within the functional budget classification
Economic classification	The economic budget classification/Chart of Accounts is able to produce reports consistent with the Government Finance Statistics (GFS) standards with 3 digits
Administrative classification	Sections of administrative budgetary classification are available and have been used since 2011
Program classification	Not yet operating in Tajikistan. Preparatory work has been carried out over the past few years as part of the EU Technical Assistance Project in the pilot ministries
Funding Classification	The Central Treasury uses the classification by sources of financing in accordance with the Order of the Ministry of Finance of the Republic of Tajikistan of 2011

Classification	Description
Geographic classification	Partially used until 2014, full use became possible with the introduction of the new PFM information system TFMIS (SGB.net) since 2014

*Source: The Law on Public Finance of the Republic of Tajikistan of 2011 (Article 9)*

#### PI-4 summary evaluation

103. Given that administrative, functional, economic, funding and territorial classifications are currently used, but the program classification has yet to be implemented, the overall score is "B" as set out below.

#### Performance Indicator 4: Budget classification

PI-4 M1	Score 2017 PEFA	Assessment
PI-4. Budget Classification	B	During 2013-2015 significant work on enhancing quality of budget classifications was undertaken. Unified Chart of Accounts in budget institutions, and instructions on their use, were updated, and were used in the treasury system in the process of budget execution. At the same time, the program classification is yet to be implemented, which corresponds to score B for this indicator.

#### Recent or outgoing reform activities

104. A new Chart of Accounts was implemented in 2014. A new program classification is being developed, which is expected to be implemented in 2020.

### PI-5. Budget documentation

#### 5.1. Budget documentation

105. The documentation on the draft budget for the forthcoming year, submitted to the legislative authority for approval, should contain full information on the central government's budget forecasts, budget drafts, and budget performance indicators for previous years. The composition of the budget documentation to the draft law on the state budget for the next fiscal year for submission to Parliament is determined in Article 44 of the Law "On Public Finances".

106. The table below provides information on the main and additional elements of the budget documentation included in the general package of information provided by the Government to Parliament for its consideration of the budget proposal. The list below of supporting documents was also attached when submitting the budget for 2017.



**Table 17: Information provided in budget documentation**

№	Budget documentation benchmarks	Availability
<b>Key elements</b>		
1.	Forecast of a fiscal deficit or an operational result with a positive or negative balance.	Yes
2.	The previous year budget presented in the same format as the budget proposal.	Yes
3.	The budget of the current fiscal year is presented in the same format as the budget proposal. This can be either a revised budget or an account period.	Yes
4.	Consolidated budget data for both revenues and expenditures in accordance with the main classifications managers, including data for the current and previous year, with a detailed breakdown of revenue and expenditure estimates.	Yes
<b>Additional elements</b>		
5.	Deficit financing, describing anticipated composition.	Yes
6.	Macro-economic assumptions, including estimates of GDP growth, inflation, interest rates and the exchange rate.	Yes
7.	Debt stock, including details at least for the beginning of the current fiscal year, submitted in accordance with GFS or other comparable standard.	Yes
8.	Financial assets, including details, at least for the beginning of the current fiscal year, submitted in accordance with GFS or other comparable standard.	Yes
9.	A summary of fiscal risks, including contingent liabilities, such as guarantees, and contingent liabilities embedded in structural financing instruments, such as public-private partnership contracts (PPP), etc.	Yes
10.	Explanation of budget implications of new policy initiatives and major new public investment, with estimates of the budgetary impact of all major revenue policy changes and/or some major changes to expenditure programs.	Yes
11.	Documentation of medium-term fiscal forecasts.	Yes
12.	Quantitative assessment of tax expenditures	Yes

*Source: Ministry of Finance, Main Department of the State Budget*

107. Since all required documents are attached to draft budget, the dimension is rated "A".

#### **PI-5 summary evaluation**

108. The annual budget documentation submitted by the Government to the Parliament meets all 12 requirements specified in the PEFA 2016 Performance Assessment Framework, including all key elements. Its score is "A".

**Performance Indicator 5: Budget documentation**

<b>PI-5 M1</b>	<b>PEFA Assessment 2017</b>	<b>Assessment</b>
PI-5. Budget documentation	A	<p><b>Performance unchanged.</b></p> <p>To obtain “A” score on 2012 methodology, it was required to fulfil 8 out of 9 benchmarks on information submitted to the Parliament. The 2016 methodology for “A” score established availability of not less than 10 out of 12 benchmarks. In fact, compliance with 12 benchmarks was achieved. The dimension is rated ”A”.</p>

**PI-6. Central government operations outside financial reports****6.1. Expenditure outside financial reports**

109. Most government organizations, departments and agencies in Tajikistan provide additional paid services with financial transactions performed through a “special funds of budget organizations” system, which is legalized by the Government. Accordingly, the difference between budget funds and special funds of budget organizations is that the procedure for the formation and use of budgetary funds is regulated on a legislative basis, while the rules for special funds are set by the Government.

110. The following government departments and agencies at the central and local levels are major sources of revenue and expenditure of the special funds: the Ministry of Education and higher education institutions; the Ministry of Foreign Affairs; the Ministry of Culture; the Ministry of Health; the State Agency for Television and Radio Broadcasting; the Ministry of Justice; the Ministry of Agriculture; the Ministry of Industry and New Technologies; Committee for Environmental Protection; the Ministry of Transport and Communications; the Ministry of Finance; Academy of Sciences; the Agency for Standardization, Metrology, Certification and Trade Inspection; vocational and technical institutions, as well as educational institutions and housing and communal services institutions at the local level.

111. Since 2009, all financial operations related to special funds of budget organizations of Tajikistan are reflected in the state budget and included in the financial reports submitted to the Government and the Parliament. General data on special funds of budget organizations are also part of the documentation submitted by the Government to the Parliament for consideration and approval of the Law on the budget for the next financial year. Parliament approves the aggregated indicators for revenues and expenditures of special funds, but their breakdown and subsequent use is carried out in the manner established by the Government.

112. As shown in the table below, the actual share of expenditures of special funds of budget organizations in the overall composition of expenditures, including external financing of the Public Investment Program, ranged from 6.2% to 8.3% during 2013-2015.

113. In 2016, the budgetary organizations' actual expenditure of special funds reached 9.2% of the total amount of expenditures. All funds disbursed through the Social Protection Fund are reflected in the state budget.

**Table 18: The share of special funds of budget organizations in the total amount of public expenditure, 2013-2015, (Somoni millions)**

Year		Total expenditures	Financed from the budget	Financed from the special funds	External grants and credits for PIP	% of special funds out of total expenditures
2013	Plan	15532.8	11919.5	1620.6	1 992.7	10.4
	Actual	12931.6	10518.2	1073.4	1 340.1	8.3
2014	Plan	17328.7	13872.4	1476.9	1 979.4	8.5
	Actual	14328.5	12308.5	882.1	1 137.9	6.2
2015	Plan	18916.8	14849.7	2204.5	1 862.7	11.7
	Actual	19130.7	14894.6	1382.8	2 853.3	7.2

*Source: Ministry of Finance, Macroeconomic Forecasting Department = estimates of PEFA consultants*

114. Since there is no evidence of extra-budgetary funds existing outside government financial reporting, the score for this dimension is "A".

## 6.2. Revenue outside financial reports

115. The data in Table 19 shows that in 2013 and 2014 the share of special funds of budget organizations in the total amount of budget revenues, including external grants and loans for financing the Public Investment Program, was 10.0% and 10.4%, respectively. In 2015, the share of special funds of budget organizations in total revenue declined to 5.8%, and in 2016 increased to 7.9%.

**Table 19: The share of special funds of budget organizations in the total amount of public revenues 2013-2016, (Somoni millions)**

Year		Total	Tax revenues	Non-tax revenues	Special funds	External grants and credits for PIP	% of special funds in total revenues
2013	Planned	11 877.6	8 472.2	799.8	612.9	1 992.7	5.2
	Actual	11 756.3	8 432.4	805.3	1 178.5	1 340.1	10.0
2014	Planned	13 771.1	10 191.4	874.2	726.1	1 979.4	5.3
	Actual	14 090.0	10 341.1	1 141.6	1 469.4	1 137.9	10.4
2015	Planned	15 178.4	11 510.7	1 023.5	781.5	1 862.7	5.1

Year		Total	Tax revenues	Non-tax revenues	Special funds	External grants and credits for PIP	% of special funds in total revenues
2016	Actual	15 877.4	10 613.4	1 492.5	918.2	2 853.3	5.8
	Planned	17 957.8	12 135.7	1 454.4	938.2	3 429.5	5.2
	Actual	17 284.4	11 244.4	1 512.8	1 365.4	3 161.8	7.9

*Source: Ministry of Finance, Macroeconomic Forecasting Department  
Estimates of PEFA consultants*

116. Starting in 2007 all grants provided to the Government as part of international donor assistance and loans secured for the implementation of investment projects are included in the state budget. According to the data of the Ministry of Finance, financial statements contain information on revenues and expenditures related to all projects financed by the above grants and loans.

**Table 20: Development Assistance Programs: PIP, 2013-2016, USD million**

	2013	2014	2015	2016
Credits	118.1	103.7	252.4	241.1
Grants	140.5	143.7	203.3	189.6
Contribution of the Government of the Republic of Tajikistan	9.0	6.6	16.0	12.9
Total	267.6	254.0	471.7	443.6

*Source: Ministry of Finance, Department of Public Debt and Assets*

117. In general, all government revenues are well captured which corresponds to the “A” rating.

### 6.3. Financial reports of extra-budgetary units

118. The concept of “special funds of budget institutions” as funds earned by budget institutions by providing paid works and services, in addition to the funds allocated from the budget, was introduced by the Law on Treasury in 2008. By the same Law, the Treasury was tasked to monitor the special funds of budget institutions and draft periodic reports. It was decided that the operations of all budget organizations that have special funds, both on revenues and expenditures, must be carried out through the Treasury, for which a single treasury account was opened for special funds of the republican budget and a single treasury account for special funds of local budgets. Article 15 of this Law obliged all budget institutions to submit periodic reports to central and local treasury authorities. In case of late delivery, the treasury is granted the right to suspend funding for organizations that have delayed the submission of reports.

119. In 2010, the Ministry of Finance issued a new instruction on accounting and reporting of special funds of budget institutions and organizations, which established that all organizations and budget institutions that have special funds should submit reports to the

Treasury (quarterly and annually) on the disbursement of special funds in the form established by the Ministry.

120. Based on the above regulations, the Central Treasury quarterly compiles reports on the special funds of all budget organizations of the country, which are an integral part of general reports on budget execution submitted to the government.

121. As already noted in the description to dimension 6.2, all grants provided to the Government within the framework of international donor assistance and loans secured for the implementation of investment projects are included in the state budget. Financial reports of the Ministry of Finance contain information on revenues and expenditures related to all projects financed by the above grants and loans.

122. Since there are no government operations outside financial reports, the dimension is rated “A”.

#### PI-6 summary evaluation

123. The overall evaluation is “A” as indicated below.

#### Performance Indicator 6: Central government operations outside financial reports

PI-6 M2	Score 2017 PEFA	Assessment
PI-6. Central government operations outside financial reports	A	Ex-post financial reports available to the government cover <i>all</i> budgetary and extrabudgetary activities of central government and provide a complete picture of revenue and expenditures across every category. Detailed financial reports of <i>all</i> extrabudgetary units are submitted to government annually within three months of the end of the fiscal year.
6.1. Expenditure outside financial reports	A	No expenditure outside the government financial reports.
6.2. Revenue outside financial reports	A	No revenue outside the government financial reports.

PI-6 M2	Score 2017 PEFA	Assessment
6.3. <i>Financial reports of extra-budgetary units</i>	A	Financial reporting includes special funds, loans, and grants. Full information on revenues/expenditures for donor-funded projects is included in the financial statements, with the exception of in kind contributions. The Social Protection Fund's disbursements are included in the state budget.

## PI-7. Transfers to subnational governments

### 7.1 System for allocating transfers

124. In accordance with the current system of administrative-territorial division of Tajikistan, the Ministry of Finance interacts with 17 subnational budgets (three regions, the city of Dushanbe and 13 districts of republican subordination) in the process of the budget preparation and execution.

125. Pursuant to the Law “On Public Finances” (2011), local taxes are fully transferred to local budgets (Article 23). At the national level, the distribution of taxes between the national and local budgets is the prerogative of the Government and is determined annually by the Annual Budget Law for the next fiscal year.

126. Responsibility for service provision (central, local, and joint) is set out in the Law on Public Finance (2011), article 18 (with substantial responsibilities allocated to local levels). Furthermore, Article 23 of the law specifies the principles of intergovernmental fiscal relations and Article 24 specifies what forms of financial assistance can be provided from the central to local budgets. The key principle is that the central government seeks to guarantee a minimum level of budget security to local governments and to ensure financing of at least some minimal state social standards in all localities.

127. Thus, local authorities have three sources of income: own revenues, based on local taxes assigned to them and revenue-sharing arrangement between the local and the central government specified in the annual budget law, plus own special funds; subventions from the republican budget to meet minimum funding levels in regions when there is not sufficient own revenue; and subsidies which are provided to finance specific sectors. Transfers from the republican budget to finance specific investment projects included into the Centralized Capital Investment Program are treated separately. In aggregate terms, more than two thirds of local revenues are own revenues retained at local levels (Table 21), and this has been a stable figure for more than 10 years. Table 21 also shows the actual numbers for subventions and additional funds from republican budget.

**Table 21: Local budget revenues, 2013 - 2016 (Somoni million)**

	2013				2014			
	Budget	Actual	% plan/ actual	Share in %	Budget	Actual	% plan/ actual	Share in %
Own revenues	2778.0	2871.2	103.4	74.1	3 395.1	3 516.1	103.6	74.2
Balance of funds from the previous year	286.8	284.5	99.2	7.3	415.1	414.5	99.9	8.7
Targeted funds (subvention)	629.2	622.5	98.9	16.1	802.8	797.4	99.3	16.8
Additional funds from republican budget	88.2	88.2	100.0	2.3	1.6	1.6	99.5	0
Contributions								
Maintaining capital city function of Dushanbe	10.8	10.8	100.0	0.3	11.0	11.0	100.0	0.2
Total revenues	3793.1	3877.2	102.2	100.0	4 625.7	4 740.7	102.5	100.0

	2015				2016			
	Budget	Actual	% plan/ actual	Share in %	Budget	Actual	% plan/ actual	Share in %
Own revenues	3 714.3	3 863.7	104.0	78.8	4152.6	4112.9	99.0	77.8
Balance of funds from the previous year	227.4	226.8	99.7	4.6	349.3	348.8	99.9	6.6
Targeted funds (subvention)	808.7	800.6	99.0	16.3	854.8	809.3	94.7	15.3
Additional funds from republican budget	2.3	2.2	96.9	0	1.6	1.6	99.2	0
Contributions								
Maintaining capital city function of Dushanbe	11.0	11.0	100.0	0.2	11.0	11.0	100.0	0.2

Total revenues	4 763.7	4 904.3	103.0	100.0	5369.4	5283.6	98.4	100.0
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**Source:** Ministry of Finance, Macroeconomic Forecasting Department plus estimates of PEFA consultants

128. The allocation of financing (including the share of tax revenues that must remain at the disposal of the local budget as own revenues) is discussed annually between the chairmen of the regions (or districts of the republican subordination) and the Ministry of Finance. In addition, during the year, local government bodies (also other budget recipients) can request additional funding from the Government and the Reserve Fund of the President. The allocation of these additional presidential funds is carried out for specific purposes. However, the allocation of these additional presidential funds appears to be largely on an *ad hoc* basis.

129. A key problem with the current intergovernmental transfer system is that it is not based on transparent and systemic rules – the best practice would be to base the transfers on clear rules and formulae. Another shortcoming is that the dominant part of transfers could be viewed in fact as unconditional grants to compensate for revenue shortfalls / fiscal gaps in a particular local budget. Very rarely are governmental transfers earmarked conditional transfers – although in most cases intergovernmental transfers are recorded as subventions, which according to the existing budget legislation should be for a specific expenditure purpose.

130. In accordance with Article 41 (Law on State Finance, 2011), sectoral budget priorities and strategic sectoral plans are taken into account for the formulation of both central government and local budget drafts, as well as minimum requirements to meet the standards of social budget guarantees on newly launched and already implemented initiatives. Local government authorities, based on the methodological instructions issued by the Ministry of Finance and relevant line ministries and departments, formulate local budgets that are based on legal requirements. In recent years, using top down and bottom up approaches sector specific instructions are also developed and adopted by the Ministry of Finance.

131. An example of such innovations to improve the quality of the financial relations is the introduction nationwide in 2010 of per capita financing in the education sector. Since 2011, the development and then the introduction of a targeted social assistance program for low-income groups has started, which currently covers 40 out of 65 districts of the country. In 2015, the phased introduction of per capita planning for primary health-care facilities assistance was initiated. All the above have contributed to enhanced quality of service delivery at the local level.

132. The implementation of per capita planning also ensures expansion of relations between local government bodies and line ministries and departments that previously played a very limited role in the formation and execution of the budget or control at the local level.

133. The data presented in Table 22 shows a fairly stable execution of local budget revenues and expenditures.



**Table 22: Local budget revenues and expenditures (Somoni millions)**

Year		Budget	Actual	% of execution
2013	Total revenues	3 793.1	3 877.2	102
	Total expenditures	3 798.0	3 687.4	97
2014	Total revenues	4 625.7	4 740.7	102
	Total expenditures	4 630.6	4 415.3	95
2015	Total revenues	4 763.7	4 904.3	103
	Total expenditures	4 771.5	4 452.5	93
2016	Total revenues	5 369.4	5 283.6	98
	Total expenditures	5 360.3	5 012.5	94

*Source: Ministry of Finance, Macroeconomic Forecasting Department estimates of PEFA consultants*

134. Since the horizontal allocation of only some transfers to subnational governments from central government is determined by transparent and rule-based system, the rating for this dimension is “C”.

## 7.2. Timeliness of information on transfers

135. The budget calendar, annually developed by the Ministry of Finance, is common for all participants in the budget process, including local governments, which, along with line ministries and departments, act as the main administrators of budgetary funds.

136. In addition, the Ministry of Finance annually develops instructions on the preparation of the draft budget, which outlines the methodology, principles and features of work on drafting the budget for the next financial year. These apply to all participants in the budget preparation process, including local authorities.

137. Thus, local authorities participate at all stages of the preparatory process of the draft budget and receive timely information on the planned annual transfers.

138. Since 2007, including 2016, the annual laws on the state budget have been adopted in a timely manner in November. Local governments also approved their budgets before the beginning of the new fiscal year. In general, subnational governments receive information on their annual transfers early in the budget preparation process, usually in August, and have 3 to 4 months to prepare their budgets.

139. Thus, the process by which subnational governments receive information on their annual transfers is managed through the regular budget calendar, which is generally adhered to and

provides clear and sufficiently detailed information for subnational governments to allow at least six weeks to complete the budget planning on time. This corresponds to the score "A".

### PI-7 summary evaluation

140. The overall evaluation is B as indicated below.

### Performance Indicator 7: Transfers to subnational government

PI-7 M2	Score 2017 PEFA	Assessment
PI-7. Transfers to subnational governments	B	During the period under assessment, local authorities received timely information on the planned annual transfers, and the budgets of local public authorities were approved in a timely manner. Simultaneously, the practice of applying the per capita financing for basic social services is gradually expanding.
<i>7.1 System for allocating transfers</i>	C	In recent years, new practices based on the method of per capita financing have been consistently added to the set of policies of intergovernmental fiscal relations existing in Tajikistan. However, given the incompleteness of a number of initiatives, the dimension is rated "B".
<i>7.2. Timeliness of information on transfers</i>	A	The budget calendar is common to all participants in the budget process, including local government authorities, and accordingly, local authorities participate at all stages of the draft budget process and receive timely information about the planned annual transfers. Laws on the state budget are adopted in a timely manner before the beginning of a new financial year. Budgets of local public authorities are also approved in a timely manner.

### Recent or ongoing reforms

141. Significant efforts have been undertaken over recent years to develop capacities of local governments in developing their budgets, decentralization and enhancing transparency of intergovernmental fiscal relations. Nevertheless, progress has been limited. The National Development Strategy for the period until 2030 identified local government development as a priority. All the above issues could be included in future program of reform of local government.

### PI-8. Performance information for service delivery

#### 8.1. Performance plans for service delivery

142. All ministries and departments of Tajikistan, as state bodies responsible for the development and implementation of public policies in their sectors, periodically develop

medium-term and long-term sector concepts and strategies. The format of such documents requires the establishment of key indicators and specific activities to achieve goals, with the establishment of time frames and identification of responsible executors.

143. The following programs can be used as examples:

- A comprehensive program for the broad use of renewable energy sources, such as the energy of small rivers, the sun, wind, biomass, groundwater energy for 2007-2015, approved by Government Decree on February 2, 2007 No. 41;
- Public Finance Management Strategy of the Republic of Tajikistan for 2009-2018, approved by the Decree of the President of the Republic of Tajikistan on March 20, 2009 No. 639;
- The National Health Strategy for 2010-2020, approved by the Resolution of the Government on August 2, 2010 No. 368;
- The Strategy of the Republic of Tajikistan on Science and Technology for 2011-2015, approved by Government Decree on March 3, 2011 No. 114;
- The State Strategy for the Development of the Labor Market until 2020, approved by Government Decree on June 2, 2011 No. 277;
- Program for the Effective Use of Hydropower Resources and Energy Saving for 2012-2016, approved by Government Decree on November 2, 2011 No. 551;
- The National Strategy for the Development of Education until 2020 approved by Government Decree on June 30, 2012 No. 334.

144. All these programs cover all areas of activities in their sectors and include indicators to measure performance. In the case of the Public Finance Management Strategy progress was monitored by developing and implementing medium-term action plans.

145. All government approved strategies and concepts of sector ministries and departments are published in the media and posted on the websites of the relevant ministries. Some ministries publish draft program documents on their websites at the stage of their discussion. The above documents are updated as they are amended.

146. However, Tajikistan has not formally adopted a results-based budget system. Although some ministries included performance information in their strategic programs, it is not part of an annual budget discussion process and has indicative rather than practical meaning. Progress on indicators is not measured or discussed and published. Only social ministries working with donors have, to some extent, advanced in performance budgeting.

147. Since the budget is not based formally on performance, the dimension is rated “D”. Operational efficiency is not a priority in public finance management.

## **8.2. Performance achieved for service delivery**

148. Monitoring and evaluation of implementation of sectoral concepts, strategies and programs approved by the Government of Tajikistan is performed on an ongoing basis. In some cases, given that the implementation of the sectoral program's objectives is dependent on other ministries and departments, the Government establishes coordination or steering councils, which include representatives of other government executive authorities. Reports on the implementation of each sectoral program are reviewed annually in the Government, with the involvement of the respective coordination council members. However, performance results for outputs and outcomes are not presented either in the executive's budget proposals or in an annual report or other public document, since result-based budgeting has not been formalized. Only ministries in social sectors implementing donor-financed projects publish some performance information.

149. In general, based on the results of each completed year, including 2016, most ministries and departments publish in the media brief general information about their activities.

150. At the same time, mandatory publication of the programs' implementation outcomes is not practiced in Tajikistan. At the time of this evaluation, out of seven programs and strategies listed above, progress reports were posted only on the websites of the Ministry of Health and Social Protection of the Population and the Ministry of Finance.

151. In 2005, ministries and departments began to hold quarterly press conferences. Since 2011 the situation somehow deteriorated with ministers holding semi-annual press conferences where they present general information on their activities and respond to questions from the media. This format of communication is a good opportunity to obtain a wide variety of information on the work of entities but does not provide a stable and sustained flow of information that would allow outside assessment of program implementation results.

152. Since the budget is not based formally on performance, and only a limited number of ministries publish performance information, the dimension is rated "D".

## **8.3. Resources received by service delivery units**

153. It should be noted that implementation of per capita financing for schools, as indicated in the description of PI-7 indicator, dimension 7.1, was completed nationwide in 2010. Accordingly, since that time the standards for per capita financing of schools have been established in every government decree to enforce implementation of the law on the state budget for the next fiscal year. The Ministry of Education submits a proposal on the standard ratios of per capita financing for the next financial year to the Ministry of Finance. The Ministry of Education drafts its application on the basis of collection and analysis of financial data for the country's schools.

154. The standard for medical institutions of primary health care was approved in 2016. This was developed by the Ministry of Health and Social Protection of Population based on the collection and analysis of financial data on medical institutions for the previous two years.

155. Per capita financing for primary health care institutions at the time of this assessment remains a pilot. But the Ministry of Education regularly assesses performance of one of the main types of services - school education. Overall, there is no consistent and regular upward flow of complete information on the utilization of resources to accountable ministries.

156. The information above makes clear that at least one large ministry – Ministry of Education, has information on all resources received by its service delivery units, which corresponds to the score “C”.

#### **8.4. Performance evaluation for service delivery**

157. While there is a developed control and audit system, the external evaluation practice in Tajikistan, as a whole, is at an early stage. The introduction of an internal audit system in the public sector began in 2007 (and the Law on Internal Audit was adopted in 2010), and the Chamber of Accounts was established in 2012 (the Law on the Chamber of Accounts was adopted in 2011). To date, the main activity of the Chamber of Accounts’ auditors and internal auditors of the sectoral ministries and departments is aimed at assessing compliance with the rules and procedures governing financial and economic activities, although their mandate includes assessing the efficiency and effectiveness of service delivery. In addition, it should be noted that the practice of publishing audit reports on executive agencies of the Government is yet to be introduced in Tajikistan.

158. Despite regular audit inspections by the Chamber of Accounts of the central executive entities of the Government and subordinate agencies, the lack of publicly available audit opinions does not allow this dimension to be rated A or B. For the same reason, it is not possible to determine whether the audits covered the efficiency and effectiveness of service delivery, or were limited only by the assessment of compliance with rules and procedures governing financial and economic activities.

159. Taking into account the above, the dimension is rated "D\*".

#### **PI-8 summary evaluation**

160. The overall evaluation is D as indicated below. Improvements in performance plans for service delivery as well as information on resources received by service delivery units have contributed to a higher score on this indicator compared to the 2012 assessment.

**Performance Indicator 8: Performance information for service delivery**

<b>PI-8 M2</b>	<b>Score 2017 PEFA</b>	<b>Assessment</b>
PI-8. Performance information for service delivery	D	Public authorities, through websites and magazines, have increased the volume of information about their activities, especially in terms of plans and forecasts. At the same time, information on the activity results is published in a limited way, with insufficient details to assess effectiveness. Audit reports are not published.
<i>8.1. Performance plans for service delivery</i>	D	Since the budget system, formally, is not based on performance, the dimension is rated "D". Operational efficiency is not a priority in managing public resources.
<i>8.2. Performance achieved for service delivery</i>	D	Since the budget system, formally, is not based on performance and only a limited number of ministries publish performance information, the dimension is rated "D".
<i>8.3. Resources received by service delivery units</i>	C	Regular assessment of resources is held by the Ministry of Education in relation to one of the main types of services - school education, which allows this dimension to score "C".
<i>8.4. Performance evaluation for service delivery</i>	D*	Lack of publicly available audit reports does not allow determining whether audits covered the effectiveness and efficiency of service delivery, and this dimension is rated "D*".

**Recent or ongoing reforms**

161. No progress in performance based budgeting. Currently program classification is being developed which could be a basis for development of performance based budgeting.

**PI-9. Public Access to fiscal information****9.1. Public Access to fiscal information**

162. The Law "On Public Finances" of 2011, as one of the basic laws of the budgetary system, requires publicity "which implies mandatory publication of approved budgets and reports on their execution in the mass media, completeness of information on the budgets execution, the availability of other information on budgets, except for the information that is a state and other secret protected by law, as well as the mandatory openness of the budgetary process for the public and mass media" (Chapter 2. Article 8 of the Law "On Public Finances").

163. According to Article 25 of the Constitution of the Republic of Tajikistan, government organs are under obligation to provide information and documents to civil society or individuals

whose interests or rights are affected. Furthermore, Tajikistan has the Laws “On Information” (2002) and “On State Secrets” (2003), which also regulate public access to information.

164. **Table 23** below summarizes government financial information available to the public.

**Table 23: Financial information available to the public**

Elements of information for public access	Availability	Assessment
<i>Essential elements</i>		
1. Annual documentation on the draft budget. A full set of documents on the draft budget of the executive power (submitted by the country in PI-5) is available to the public within one week after their submission by the executive power to the legislature.	No	Financial information is available only upon approval by the Lower House of Parliament.
2. Approved budget. The law on the annual budget, approved by the legislature, is published within two weeks after the adoption of the law. Law on Annual Budget for 2016 was published on November 25, 2015, more than a month before the beginning of next fiscal year.	Yes	In accordance with the Law on the Procedure for the Publication of Laws, December 11, 1999, No. 900, as amended by Law No. 17 of May 3, 2002, the laws on the annual budget are published in the mass media no later than fifteen days from the date of their adoption.
3. In-year budget execution reports. Reports are regularly published for the public within one month after their release, as estimated in PI-27. Execution report for quarter I 2016 was published on April 20, 2016; for quarter II on July 22, 2016; for quarter III on October 19, 2016, and for quarter IV on January 21, 2017.	Yes	Quarterly budget execution reports are published in the government newspaper “Jumhuriyat”, in the magazine “Molia” and are posted on the website of the Ministry of Finance. However, these editions publish selective reports and not all government consolidated reports.
4. Annual report on budget execution. The report is available to the public within six months after the end of the fiscal year.	No	Financial reports on the execution of the annual budget are not available.

Elements of information for public access	Availability	Assessment
<p>5. Audited annual financial report, which includes or is accompanied by the opinion of an external auditor. Reports are made available to the public within twelve months after the end of fiscal year.</p>	No	<p>Financial reports on the execution of the annual budget are not available, and audit reports on annual reports are also not available.</p>
<i>Additional elements</i>		
<p>6. Preliminary budget program. The broad parameters of the budget of executive power for expenditures, planned revenues and debt are provided to the public not later than four months before the beginning of the fiscal year. Parameters for FY2016 were issued on July 1, 2015.</p>	Yes	<p>The preliminary budget program of the Government, after its approval by the Budget Commission chaired by the Prime Minister, is posted on the website of the Ministry of Finance before the beginning of fiscal year.</p>
<p>7. Other external audit reports. All non-confidential reports on consolidated transactions of the central government are made available to the public within six months from the date of submission.</p>	No	<p>Article 31 of the Law “On the Chamber of Accounts”, dated June 28, 2011, No. 749, provides for the publication of audit reports in the media, but for the period under review, audit opinions were not available to the public.</p>
<p>8. Summary of the draft budget. A clear and simple summary of the draft budget of the executive power or approved budget is available for independent experts, often called the “civil budget” and, when appropriate, translated into the most common local languages, publicly available within two weeks after the submission of the draft budget to the legislature and within one month after its approval. The civil budget for 2016 was published on December 20, 2016.</p>	Yes	<p>“Civil Budget” is developed and posted on the website of the Ministry of Finance. But there is no specific timeline for publication.</p>
<p>9. Macroeconomic Forecasts. Forecasts assessed in PI-14.1 are available within one week after their approval. Macroeconomic data for budget 2016 was issued in March 1, 2015.</p>	Yes	<p>Macroeconomic forecasts as part of the preliminary budget program of the Government, after approval by the Budget Commission chaired by the Prime Minister, are posted on the website of the Ministry of Finance.</p>



*Source: Ministry of Finance, Main Department of the State Budget*

165. Given that there is an access for only two out of five basic elements of information, this dimension is rated “D”.

### PI-9 summary evaluation

166. The overall evaluation is D as indicated below.

#### Performance Indicator 9: Public Access to fiscal information

PI-9 M1	Score 2017 PEFA	Assessment
PI-9. Public Access to fiscal information	D	The methodology of 2016 established 9 elements, broken down into 5 main (with mandatory publication 4) and 4 additional. In fact, access is provided to 2 main and 3 additional, in total to 5 elements. The dimension is rated “D”.

## 3.3. Management of assets and liabilities

### PI-10. Fiscal Risk Reporting

#### 10.1. Monitoring of public corporations

167. Although many state companies have been privatized since the start of transition to a market economy, Tajikistan still has numerous state-owned enterprises (SOEs) and their number is growing. SOEs have a major presence in many sectors ranging from infrastructure and utilities to energy (Open Stock Holding Company Barqi Tojik), communications (Tajiktelecom), transport (TajikAir, Tajik Railways, airports), banking (Amonatbank and Agroinvestbank), insurance (Tojiksughurta), and metal processing (TALCO). SOEs provide one-third of employment opportunities and are responsible for more than 40% of total value added and 50% of total investment in fixed capital. It is hard for the private sector to enter a market dominated by SOEs due to either forbiddance by law (operational requirements) or impracticality under existing institutional and political arrangements geared to protect the monopolistic positions of SOEs.

168. Within the structure of the Ministry of Finance is a Department for Monitoring Large State Enterprises. At the time of assessment, the department staff, with the support of EU consultants, compiled a full list of state-owned enterprises as of January 1, 2015. The list is drafted in accordance with the administrative subordination, designating the place of the state enterprise within the structure of the relevant ministry and department. The list of state-owned enterprises is heterogeneous. State Unitary Enterprises (SUE) are the dominant form of state-owned enterprises and they number 797. The second largest group consists of 104 open joint-stock companies, where the state owns more than 50% of the authorized capital. In addition,

there are a small number of closed joint-stock companies and limited liability companies that are state-owned. In total 716 state-owned enterprises are owned by the central government and 192 entities belong to various local government authorities. By adding to this the number of enterprises that are at the stage of re-registration and liquidation, as well as enterprises with a share of state ownership of less than 50% of the authorized capital, the total number is 1016 enterprises.

169. Following the confirmation by the Agency on Statistics, the full list of state-owned enterprises as of January 1, 2015, was posted on the Ministry of Finance website.

170. The Department for Monitoring of Fiscal Risks of State Owned Enterprises (DMFRSOE) of the Ministry of Finance monitors the enterprises with an authorized capital of more than 100,000 Somoni. At the time of the 2012 assessment, the number of such enterprises was 16 State Owned Enterprises, and at the time of this assessment, 24 SOEs. The last SOEs Fiscal Risks Monitoring Report was published in July 2016.

171. The DMFRSOE is entrusted to monitor and evaluate the performance of 24 nonfinancial and financial SOEs (mostly SUEs and a few JSCs) under its present portfolio. While it receives financial data from these SOEs and analyzes them in its quarterly and yearly reports, it has not yet fully managed to get all 24 SOEs to publish their audited financial statements on an annual basis in a timely manner. The State Committee on Investment and Management of State Property, as the owner of all SOEs (SUEs, JSCs, and LLCs), has the mandate to exert the State's ownership function. It monitors the performance of major JSCs and SUEs but does not publish any public reports similar to those prepared quarterly or annually by the DMFRSOE. In general, the Ministry of Finance receives unaudited financial reports that have information on revenue, expenditure, financial and non-financial assets, liabilities, guarantees and long-term obligations as audited financial statements.

172. Reports of other state enterprises are submitted to the relevant line ministries and departments, as well as local self-government bodies, depending on departmental affiliation.

173. Thus, the Government receives financial reports from all state-owned enterprises, but the practice of placing annual financial statements for state-owned enterprises, including large ones, in the media has not yet become mandatory. Therefore, this dimension is rated "C".

## **10.2. Monitoring of subnational governments**

174. The NGO "Center for Social and Economic Education and Development", which at the time of this assessment was funded by the Soros Foundation, prepared a report on openness of local budgets of Tajikistan for 2015. It indicated that the majority of local public authorities publish annual unaudited reports on their budgets execution in the mass media within nine months from the end of fiscal year. At the same time, the practice of publishing annual reports after their audit by the audit commissions is still very limited. Subnational governments in Tajikistan cannot generate additional fiscal liabilities by borrowing since in accordance with the Art. 5 of the Law on State and State Guaranteed Borrowing subnational governments are

not authorized to borrow. That is why in assessing fiscal risks the Ministry of Finance focuses only on the performance of public enterprises.

175. Since only unaudited reports on the financial position and performance of the majority of subnational governments are published within nine month of the end of the fiscal year, the score for this dimension is “C”.

### 10.3. Contingent Liabilities and Other Fiscal Risks

176. Reports on fiscal risks, where the information on all significant contingent liabilities and other fiscal risks of the central government are analyzed and summarized, are prepared annually by the Department of Monitoring Fiscal Risks of State Owned Enterprises of the Ministry of Finance. The reports are in accordance with Government Decree No.454 of September 19, 2008 and “On the introduction of changes and additions to the Decree of the Government of December 28, 2006, No. 588”. In line with the Law on Public Finances (2011), this report is submitted to the Government and then to the Parliament as part of the documentation attached to the draft budget for the next financial year, and is also published on the website of the Ministry of Finance.

177. The report contains 40 key performance indicators (see Table 24).

**Table 24: Financial coefficients used for the assessment of SUEs and SOEs**

#	Name of Indicator	Type of Indicator
1	Total revenues	Turnover
2	Including: from main activities	Turnover
3	Total expenditures	Expenditures
4	Including: from main activities	Expenditures
5	Profit and loss	Profit
6	Profit on revenue ratio	Profit
7	Tax on profit	Profit
8	Number of employees/staff	Personnel management ratio
9	Salary expenses	Personnel management ratio
10	Average salary per employee	Personnel management ratio
11	Total share of profit per employee	Personnel management ratio
12	Equity capital	Solvency/Credit worthiness
13	Working capital	Liquidity
14	Including: accounts receivable	Liquidity
15	Total liability	Liquidity

#	Name of Indicator	Type of Indicator
16	Including: long-term liabilities	Liquidity
17	Short-term liabilities	Liquidity
18	Including: salary	Liquidity
19	Social Protection Fund	Liquidity
20	Budget	Liquidity
21	Current liquidity ratio	Liquidity
22	Quick (urgent, critical) liquidity ratio	Liquidity
23	Working capital turnover	Liquidity
24	Ratio of accounts receivable to accounts payable	Liquidity
25	Margin (net revenue to service)	Profitability
26	Net profit from activities	Profitability
27	Profit from current assets	Profitability
28	Net profit from current assets	Profitability
29	Maturity of receivables	Solvency
30	Current assets to profit from activities	Solvency
31	Working capital turnover ratio	Solvency
32	Accounts payable to profit from activities	Solvency
33	Current liabilities to equity ratio	Solvency
34	Total liabilities to equity ratio	Solvency
35	Assets to equity ratio	Solvency
36	Current liabilities to tangible assets	Solvency
37	Total revenues to profit from all activities	Solvency
38	Total revenue to current liabilities	Solvency
39	Total revenues to net profit	Solvency
40	Coefficient likelihood of bankruptcy	Solvency

*Source: Department for Monitoring Large State Enterprises of the Ministry of Finance*

178. During 2013-2015, the methodology for analyzing the financial and economic performance of enterprises was supplemented by the ratios associated with the company's cash flow, as well as the Z-formula (the Altman model) with support of the IMF and EU. These ratios assess the degree of proximity to bankruptcy. In addition, the fiscal risk report format was improved with information added on borrowings of state-owned enterprises, payment of dividends to the state, and budget subsidies received. A draft financial risk management strategy

was also developed. The package was approved on September 15, 2016 by the Decree of the President of Tajikistan No. 755. According to the legislation, the Social Protection Fund is obligated to submit to the Ministry of Finance a report on short-term and long-term needs for funding to finance pensions and social allowances. Based on information from reports, the Ministry of Finance analyzes potential risks. Since central government entities and agencies quantify *some* significant contingent liabilities in their financial reports, the score for this dimension is rated “C”.

### PI-10 summary evaluation

179. The overall evaluation is “C” as indicated below.

#### Performance Indicator 10: Fiscal risk reporting

PI-10 M2	Score 2017 PEFA	Assessment
PI-10. Fiscal Risk Reporting	C	Reports on fiscal risks, with an analysis of information on all significant contingent liabilities and fiscal risks of the central government are submitted to the Government and the Parliament and are published. All state enterprises submit financial reports to the government, and the majority of local authorities publish annual reports on the budgets execution in mass media, but publishing annual financial statements for state enterprises and audited annual reports of local authorities in mass media is limited and not mandatory.
<i>10.1. Monitoring of public corporation</i>	C	The government receives financial reports from all state enterprises within nine months of the end of fiscal year, but publishing annual financial statements for state enterprises in mass media has not yet become mandatory.
<i>10.2. Monitoring of subnational government s</i>	C	Most local government authorities publish annual reports on the budget execution in mass media within nine months of the end of fiscal year, but publishing verified annual reports is limited.
<i>10.3. Contingent liabilities and other fiscal risks</i>	C	Central government entities and agencies quantify some significant contingent liabilities in their financial reports.

#### Recent or ongoing activities

180. There is an ongoing project to strengthen capacities of the Department on Monitoring of Fiscal Risks of State Owned Enterprises of the Ministry of Finance.

## PI-11. Public Investment Management

### Background

181. For this indicator, major investment projects are defined as projects meeting the following criteria:

- The total cost of the project amounts to 1 percent or more of total annual budget expenditure;
- The project is among the largest 10 projects (by investment cost) for each of the 5 largest central government units, measured by the units' investment project expenditure.

182. Projects meeting both PEFA criteria belong to the Ministry of Energy and Industry and Ministry of Transport. There are around 30 major investment projects (both domestically and externally funded investment projects) for which the total investment cost of the project amounts to 1 percent or more of total annual budget expenditure. The largest 10 major investment projects target construction of hydro-power stations and electric transmission lines as well as construction, rehabilitation and maintenance of the national road network. Ministry of Energy and Industry and Ministry of Transport are the line ministries with the largest public investment programs, with about 60 percent of the state investment budget. Below is a list of investment projects reviewed under this assessment:

- Development of Local Infrastructure (2006 – 2016, USD 15 million);
- Second Dushanbe Water Supply Project (2011 – 2018, USD 16 million);
- Reducing Energy Losses (2005 – 2016, USD 18 million);
- Improving Medical Services (2014 – 2019, USD 15 million);
- Commercialization of Agriculture (2015 – 2020), USD 22 million; and
- Enhancing Private Sector Competitiveness (2012 – 2017, USD 10 million).

### 11.1. Economic analysis of investment proposals

183. Procedures and rules for investment plans development in Tajikistan are regulated as follows:

- “Rules for attraction, use, coordination and monitoring of foreign aid in the Republic of Tajikistan” approved by Government Decree No. 389 dated August 2, 2010
- “Rules for preparation of investment projects and implementation of mid-term programs of public investments, grants and capital development in the Republic of Tajikistan”, approved by the Government on August 1, 2011 No. 370
- “Rules for drafting and the approval of facilities under construction using the state budget”, approved by Government Decree on October 4, 2011, No. 483, as well as the
- “Procedure for selection of investment projects to provide state guarantees, use, repayment, accounting and registration of foreign borrowings (loans), as well as sovereign loans forming the sovereign external debt of the Republic of Tajikistan”, approved by Government Decree on September 21, 2000, No. 385.

184. Investment includes domestically and externally financed public investment. The main guiding principle for selection of investment projects is their compliance with national priorities established in strategic program documents approved by the Parliament and the Government. During the period considered by this PEFA assessment, the National Development Strategy of the Republic of Tajikistan for the period until 2015 approved by the Resolution of the Lower House of Parliament dated June 28, 2007 No. 704 was the main document that determined the national priorities.

185. National medium-term investment programs are developed by the Ministry of Economic Development and Trade with other stakeholders from ministries and departments. The State Program of Investments, Grants and Capital Construction for 2013-2015, approved by Government Decree No. 608 of November 2, 2012, was in force during the period considered by this assessment.

186. A significantly weak project appraisal (ex-ante evaluation) phase is one of the major bottlenecks that hampers effective investment programming and project prioritization. The central focus in the project appraisal phase now is put mostly on the policy and strategy analyses: assessing whether there is a “legal” basis for the investment project, and is it reflected in a sector investment program or regional development program. However, the appraisal provides little added value by not comparing different investment projects and performing project prioritization. Investment project proposals are rarely refused by the Ministry of Economic Development and Trade, indicating that the ministry mostly performs a coordinating function rather than an appraisal and screening function. Fragmentation and lack of prioritization of projects have been characteristic both at the sector as well as the central level. Economic analyses are conducted to assess some major investment projects only.

187. At the same time, the appraisal/evaluation results of the investment projects, included both in investment plans for the next financial year, and in medium-term investment plans for three years, are not published. The only exception is construction of the Rogun Hydropower Plant. Taking into account the regional importance of this project, extensive studies were conducted in 2011-2013 with the support of the World Bank. This included assessments of the technical, economic, social and environmental viability of Rogun, with findings widely discussed in 2014 with neighboring countries and covered in the media.

188. Thus, economic analysis is conducted to assess some projects only, which corresponds to the score "C".

## **11.2. Investment project selection**

189. The existing normative instruments that regulate the development of national investment plans is shown in the description of the previous dimension 11.1. The “Rules for preparation of investment projects and the implementation of mid-term programs of public investments, grants and capital construction in the Republic of Tajikistan”, No. 370, was approved by the Government on August 1, 2011. It documents the major guidelines for selection of investment

projects; format requirements for investment projects; investment projects review procedures; and powers of executive agencies involved in the selection and development of investment projects. In general, prior to their inclusion in the budget, *all* major investment projects are prioritized by a central entity for project selection. However, the criteria for selecting investment projects in these documents that are publicly available are neither specified nor standardized.

190. Performance under this dimension corresponds to the score “D”.

### 11.3. Investment projects costing

191. Detailed instructions are provided in the Instruction on the Formation of Main Direction of the Financial Policy and the State Budget of the Republic of Tajikistan for 2015-2017 (Phase I) approved by the Minister of Finance on January 31, 2014 and the Instruction on the Draft State Budget for 2015 and the Forecast of the State Budget for 2016- 2017 (Phase 2), approved by the Minister of Finance on July 1, 2014. A list of information necessary for the formulation of a medium-term investment plan is also developed. The format for data submission on the investment projects established by the Ministry of Finance provides for the following: development of a mid-term forecast of capital expenditures financed from the budget (centralized capital investments - CCI); development of the mid-term forecast of expenditures on investment projects implemented with external assistance (Public Investment Program - PIP); development of mid-term expenditure plans for new investment projects, taking into account their prioritization in terms of the CCI and the PIP; as well as the collection and updating of detailed information for each project included in the CCI and PIP.

192. At the same time, the developed forecasts do not contain information on the total value of the life cycle of large investment projects, including both capital and current expenditures. Medium term forward recurrent (for operational and maintenance) costs for the on-going and new investment projects are not properly accounted and budgeted in the budget preparation process. Government should be informed on the associated recurrent costs when taking decisions on new projects (e.g. to assess if such projects in the future are financially viable for the State budget).

193. At the sector level, recurrent and capital budgets are prepared separately, in most cases by two different Departments (Budget department and Construction department) with low degrees of coordination and integration between them.

194. At the stage of draft budget preparation and submission to the Parliament, forecasts of total capital expenditures for investment projects are developed for the next financial year and the following two years, which do not have a quarterly breakdown. That is done following the budget law adoption.

195. In general, projections of the total capital cost of major investment projects, together with the capital costs for the forthcoming budget year, are included in the budget documents, which corresponds to the score “C” for this dimension.



#### **11.4. Investment project monitoring**

196. “Rules for preparation of investment projects and implementation of mid-term programs of public investments, grants and capital development in the Republic of Tajikistan”, approved by the Government on August 1, 2011 No. 370 provide for formal guidelines that are used in implementing every project within and across central government units. In accordance with the current system of public administration in Tajikistan, the Ministry of Economic Development and Trade is responsible for planning and monitoring the investment projects implemented through centralized capital investments (CCI). The State Committee for Investments and State Property Management is responsible for monitoring of investment projects implemented with external assistance (PIP). The total cost of CCI and the PIP projects’ financing is controlled by the Ministry of Finance. Information on the implementation of investment projects is submitted by all executing agencies to the Government on a quarterly basis and is reviewed by the Government at least once a year, but only information on projects implementation with external assistance is regularly published.

197. For projects financed from the republican budget, the construction departments of the sector ministries monitor implementation. The Ministry of Finance receives both monitoring information from the Treasury and from the accounting sections of the construction departments in sector ministries. The construction departments submit completion forms together with the invoices to the Treasury. The Treasury reports quarterly to the Ministry of Finance Investment Policy Department on the implementation of construction projects. Reporting on investment projects is also part of the Budget Execution Report that has to be produced by the Ministry of Finance / Treasury on quarterly, semi-annual and annual bases.

198. All externally financed projects report to the Investment Policy Department of the Ministry of Finance (Division for Public Investment Program) and to the State Committee on Investment and Management of State Property on a quarterly basis.

199. Local Treasuries manage expenditures of locally financed investment projects. The local Treasuries report also quarterly to the Investment Policy Department of the Ministry of Finance. This information in aggregated format is also included in the Budget Execution Report produced by the Ministry of Finance.

200. Based on the above information, performance under this dimension corresponds to score “C”.

#### **PI-11 summary evaluation**

201. The overall evaluation is “D+” as indicated below.

**Performance Indicator 11: Public investment management**

<b>PI-11 M2</b>	<b>Score 2017 PEFA</b>	<b>Assessment</b>
PI-11. Public Investment Managem ent	D+	The forecasts of total capital expenditures for investment projects are developed for the next financial year and the following two years at the stage of drafting the budget and submission to the Parliament, but the criteria for selecting investment projects are neither specified, nor standardized; economic analysis is performed only for individual large investment projects; information is published only on the implementation of projects with external assistance; and medium term forward recurrent (for operational and maintenance) costs for the on-going and new investment projects are not properly accounted and budgeted in the budget preparation process. Information on the implementation of investment projects is submitted by all executing agencies to the Government on a quarterly basis and is reviewed by the Government at least once a year, but only information on projects implementation with external assistance is regularly published.
<i>11.1. Economic analysis of investment proposals</i>	C	The economic analysis is performed for the assessment of some large investment projects.
<i>11.2. Investment project selection</i>	D	Some large investment projects have government priority for inclusion within the budget. Criteria for selection of investment projects are neither specified, nor standardized.
<i>11.3. Investment projects costing</i>	C	The forecasts of total capital expenditures for investment projects are developed for the next financial year and the following two years at the stages of drafting the budget and submission to the Parliament and they do not have a quarterly breakdown. Medium term forward recurrent (for operational and maintenance) costs and for the ongoing and new investment projects are not properly accounted and budgeted in the budget preparation process.  At the sector level, recurrent and capital budgets are prepared separately, in most cases by two separate Departments (Budget

PI-11 M2	Score 2017 PEFA	Assessment
		<p>department and Construction department) with a low degree of coordination and integration between them.</p> <p>Projections of the total capital cost of major investment projects, together with the capital costs for the forthcoming budget year, are included in the budget documents</p>
11.4. <i>Investment project monitoring</i>	C	Information on investment project implementation is considered by the Government at least once a year, but information is regularly published only on the projects implemented with external assistance.

### Recent or ongoing reforms

202. A new methodology on public investment management, which is based on best international practice, has been developed. However, the methodology has not been approved.

## PI-12. Public Assets Management

### 12.1. Financial assets monitoring

203. The Financial Reporting Department on International Financial Reporting Standards of the Public Sector of the Main Department of the Central Treasury is in charge of accounting for all categories of financial assets. This is pursuant to Article 10 of the Law “On Treasury” and the provisions of the Instruction “On the Procedure for Compilation and Submission of Annual and Periodic Financial Reporting by budget organizations, in accordance with Financial Reporting Standards of the Public Sector of Tajikistan (FRSPST)”, No. 204, dated April 9, 2009.

204. In accordance with the frequency of financial statements’ compilation (6 months, 9 months and 12 months) established by the above Instruction and departmental affiliation, the budget organizations and institutions submit their reports to higher-level ministries and departments, which in turn compile consolidated financial statements to be submitted subsequently to the Ministry of Finance. Following the consideration of consolidated financial reports of ministries and departments, the Ministry of Finance generates a general consolidated report on the public sector of Tajikistan.

205. The compliance of the financial statements with international financial reporting standards is discussed further in the description to Performance Indicator 29.3.

206. The Government maintains a record of its holdings in major categories for more than 50% of financial assets. However, information on the status of the main categories of financial assets is not published. Therefore, the dimension is rated "C".

## **12.2. Non-financial assets monitoring**

207. According to the Law “On State Registration of Immovable Property” dated March 20, 2008 No. 375, the “Unified State Register of Immovable Property and Rights to it” was established in Tajikistan, which is functioning and provides information on immovable property. To maintain the register, the State Unitary Enterprise Registry of Immovable Property was established under the State Committee for Land Management and Geodesy, which has been functioning since 2013.

208. In terms of land use, the Government Decree dated October 3, 2006, No. 447 approved the “Rules for Maintaining the State Land Cadaster”.

209. The current functioning state land cadaster is maintained by the State Committee for Land Management and Geodesy.

210. The land cadastral process includes the following components:

- State registration of land use;
- Accounting for the quantity and quality of land;
- Soil assessment; and
- Economic evaluation of land.

211. For the purpose of land monitoring, systematic observation (mapping, surveys and prospecting) is performed over the condition of land to identify changes that occur and their assessment.

212. The State Committee for Land Management and Geodesy annually compiles a report on the availability of land, its distribution by categories, types of land and users for the past year, which is submitted to the Government. This information is provided at the request of ministries, departments, organizations and institutions, but is not published in the media.

213. The State Committee for Investments and State Property Management also accounts for state property. The Committee is in charge of implementing the state policy and regulatory framework in the field of investment, management of state property, management and implementation of the processes of denationalization and privatization of state property and also represents the government interest as the owner. According to the legislation, state property includes means and products owned by the state in full or as a share of joint property, fixed assets and non-produced assets, including natural resources. The state may own stocks, or any other property needed for its functioning. However, there is no comprehensive registry of state fixed assets. Each budget organization maintains its own registry of fixed assets.

214. Thus, monitoring of non-financial assets in Tajikistan is implemented by the relevant authorized bodies that perform accounting and monitoring in their own areas using specialized information systems, but without publication in the media. Information on assets’ age and usage is collected partially, which corresponds to score “C” for this dimension.

### **12.3. Transparency of asset disposal**

215. The process and procedures for the transfer or disposal of non-financial assets in Tajikistan are governed by the following regulations:

- The Law “On Joint Stock Companies” dated March 5, 2007, No. 237;
- The Law of the Republic of Tajikistan “On State Registration of Immovable Property and Rights to it” dated March 20, 2008, No. 375;
- The Law “On privatization of state property in the Republic of Tajikistan” dated May 16, 1997, No. 464;
- The Law “On Land Assessment” dated May 12, 2001, No. 18;
- Instruction on the procedure and methods for assessing the value of state property and privatized facilities approved by the Government dated August 1, 2012, No. 387;
- The procedure for placing for sale the state property as an independent privatization facility, approved by the Government dated August 2, 2010, No. 391;
- The procedure for reorganization of a state-owned enterprise and its structural units into an open joint-stock company approved by the Government dated August 2, 2010, No. 392;
- The procedure for leasing state property approved by the Government dated November 2, 2011, No. 537;
- Regulations on the sale of state property at auctions and tenders approved by Government Decree dated March 1, 2004, No. 98;
- The procedure for transferring property of state enterprises, organizations, institutions, buildings and structures, approved by Government Decree dated April 17, 1998, No. 129;
- Regulations on the sale of unfinished construction facilities and the Regulations on the Commission on Issues of Construction in Progress approved by Government Decree dated August 12, 1997, No. 366;
- The procedure of transfer of facilities of the national and municipal property, approved by Government Decree dated March 2, 2013, No. 392;
- The procedure for writing off publicly owned fixed assets, approved by Government Decree dated April 30, 2012, No. 184;
- Rules for land allocation for legal entities and individuals, approved by the Government dated September 1, 2005, No. 342;
- Rules for the transfer of land from one category to another, approved by Government Decree dated November 30, 2007, No. 570.

216. All necessary legislative and regulatory documents that regulate the process and procedures for competitive and transparent transfer or disposal of non-financial assets have been developed. Information on transfers and disposals are included in budget and financial reports. However, legislation requires further improvements with regard to transparency and competitiveness procedures. Performance on this dimension is rated ‘B’.

**PI-12 summary evaluation**

217. The overall evaluation is “C+” as indicated below.

**Performance Indicator 12: Public asset management**

<b>PI-12 M2</b>	<b>Score 2017 PEFA</b>	<b>Assessment</b>
<b>PI-12.</b> Public asset management	C+	Accounting for all categories of financial assets is performed in accordance with financial reporting standards of the public sector, but information is not published. Monitoring of non-financial assets is implemented by authorized bodies that perform accounting and monitoring in their own areas using specialized information systems, also without publication in the media. The required regulations governing the process and procedures for the transfer or disposal of non-financial assets are developed and in place. However, presently applied financial reporting standards are not broadly consistent with IPSAS standards, including those relating to presentation, valuation, recognition, measurement and disclosure of various categories of financial and non-financial assets.
<i>12.1. Financial assets monitoring</i>	C	Accounting for all categories of public financial assets is carried out by the Treasury, in accordance with the standards of financial reporting of the public sector of Tajikistan, but information on the status of the main categories of financial assets is not published.
<i>12.2. Non-financial assets monitoring</i>	C	Monitoring of non-financial assets is carried out by the relevant authorized bodies that perform accounting and monitoring in their own areas using specialized information systems, without publication in the media.
<i>12.3. Transparency of asset disposal</i>	B	All the necessary legislative and regulatory documents that regulate the process and procedures for the transfer or disposal of non-financial assets are developed and are functioning. However, application of regulation should be further improved, especially, with regard to transparency and competitiveness of procedures.

**Recent or ongoing reforms**

218. An activity on developing a methodology for public assets management has been initiated. Based on a new methodology a comprehensive registry of public assets will be established at the Ministry of Finance.

## 13. Debt Management

### 13.1. Recording and reporting on debt and guarantees

219. Accounting for external and internal debts of Tajikistan is performed by the Main Department of the State Debt and State Financial Assets of the Ministry of Finance in accordance with the “Government Finance Statistics Manual” of the IMF 1986 (GFSM). Data on external debt covers direct government obligations and sovereign loans, including loans and guarantees for state-owned and privatized enterprises which, at the time of borrowing or obtaining guarantees, were public.

220. Data is collected on a quarterly basis broken down by term (short-term: up to 1 year and long-term: over 1 year) and by creditors. Data on the external government debt includes information on credit lines and financial terms of the borrowing, and on the sources and uses of loans. Debt data is collected on the basis of information in each loan agreement, including the debt’s principal payment schedule and the Treasury’s records on external debt. In accordance with paragraph 4 of the Government Decree No. 215 of May 10, 2000, “Issues of Public and Publicly Guaranteed Borrowing and Debt”, the ministries, state committees, departments, enterprises, organizations and business entities, and project coordination units are required quarterly to submit to the Ministry of Finance information on their debt status.

221. Statistics are compiled on a quarterly basis. Since 2004, the Ministry of Finance prepares a detailed analytical report at the end of each financial year that provides: (i) an overview of the debt status; (ii) presents consolidated data on the debt and the categories of creditors and classification of borrowers; (iii) data on the structure of currencies and on debt service; and (iv) information on internal debt and transactions with government debt securities.

222. Quarterly (within 20 days after the end of each quarter) consolidated annual reports on external debt are submitted to the Government and Parliament. Consolidated quarterly reports and a detailed analytical annual report are posted on the website of the Ministry of Finance and are published in the periodic publication "Moliya".

223. Thus, domestic and foreign debt and guaranteed debt records are complete, accurate, and updated quarterly. **Most** information is reconciled quarterly. Comprehensive management and statistical reports covering debt service, stock, and operations are produced at least annually.

224. Performance on this dimension is rated "B".

### 13.2. Approval of debt and guarantees

225. The Law “On Public and Publicly Guaranteed Borrowing and Debt” (1999), in Article 5, established the exclusive right to state borrowings only for the Ministry of Finance and the National Bank of Tajikistan. The authority to raise borrowings by the National Bank in

accordance with the Law “On the National Bank of Tajikistan” (2011) is limited by execution of monetary policy. Therefore, legally only the Ministry of Finance is authorized to borrow, issue new debts and issue guarantees on loans on behalf of the Government of Tajikistan.

226. To implement the provisions of the Law “On Public and Publicly Guaranteed Borrowing and Debt”, the Government of Tajikistan issued Decree No. 385 of September 21, 2000, which established a number of strict rules that limit granting state guarantees.

227. The laws on the state budget annually set the total amount of planned external borrowings for joint investment projects with international financial institutions. Detailed information on investment projects which are planned to be implemented with the use of external lending, including their full names, cost, and amounts of loans broken down by years and creditors, is contained in the Program for External Borrowing. This document is developed by the Ministry of Finance within the framework of the established general restrictions on external borrowing and, after approval by the Government, is submitted annually to the Parliament for approval, in parallel with the draft budget. The Parliament reviews and makes a separate decision on this program.

228. In addition, in some instances (under the Law “On the State Budget of the Republic of Tajikistan for 2014”, the Law “On the State Budget of the Republic of Tajikistan for 2015”), external loans can serve as one of the sources of financing the budget deficit. The Law “On Public Finance” (Article 27) authorizes the Ministry of Finance on behalf of the Government to independently obtain grants and loans from domestic and external sources to finance the budget deficit. Information on an annual borrowing to finance a budget deficit are included in the Annual Budget Law, which is approved by the Parliament.

229. In general, primary legislation grants authorization to borrow, issue new debt, and issue loan guarantees on behalf of the central government to a single responsible debt management entity. Documented policies and procedures provide guidance to borrow, issue new debt and undertake debt-related transactions, issue loan guarantees, and monitor debt management transactions by a single debt management entity. Annual borrowing must be approved by the government or legislature. The score for this dimension is “A”.

### **13.3. Debt management strategy**

230. The Medium-Term Debt Strategy of the Republic of Tajikistan has been existent since 2008. The time horizon of strategies is three years. The period from 2013 to 2015 covers the operation of two strategies: Public Debt Management Strategy of the Republic of Tajikistan for 2012-2014, approved by Government Decree dated April 30, 2012 No.199; and Public Debt Management Strategy of the Republic of Tajikistan for 2015 - 2017, approved by Government Decree dated March 31, 2014 No.214.

231. Both the above strategies determined the target ranges for such indicators as interest rates, refinancing, and cost and risk features of the existing debt portfolio of the Republic of Tajikistan, including the domestic debt market.



232. Both strategies adhered strictly to the basic rule that establishes the acceptable limit of the external nominal debt to 40% of GDP and restricted loans only to those with concessionary terms, with a grant element of at least 35%.

233. The programs of state external borrowings specified in the description to dimension 13.2 are developed strictly in accordance with the approved strategy.

234. Annual reports on the debt management objectives are submitted to the Government and then to the Parliament in the form of consolidated annual reports on external debt and in-depth analytical annual reports, which are then posted on the website of the Ministry of Finance and are published in the magazine “Moliya”.

235. Based on the above information, performance on this dimension is rated “A”.

### PI-13 summary evaluation

236. The overall evaluation is A as indicated below.

#### Performance Indicator 13: Debt management

PI-13 M2	Score 2017 PEFA	Assessment
<b>PI-13. Debt management</b>	A	Debt management is implemented within the framework of the Medium-Term Strategy, which sets targets for interest rates, refinancing and currency risks. Annual reports on the debt management objectives are submitted to the Government, Parliament and are publicly available. On behalf of the Government, authorizations for borrowing, issuing new debt and issuing guarantees on loans are provided only by the Ministry of Finance.
<i>13.1. Recording and reporting on debts and guarantees</i>	B	The reason for not allowing an A rating to this performance dimension is that the data recording system on public debt is on a quarterly basis rather than on a monthly basis.
<i>13.2. Approval of debt and guarantees</i>	A	On behalf of the Government, authorizations for borrowing, issuing new debts and issuing guarantees on loans are provided only by the Ministry of Finance. The projected volumes of borrowing are considered and approved by the Parliament.

PI-13 M2	Score 2017 PEFA	Assessment
<i>13.3. Debt management strategy</i>	A	Medium-term strategies for public debt management determine the targets for interest rates, refinancing, and currency risks. Annual reports on the debt management objectives are submitted to the Government, Parliament and are available in the public domain.

### Recent and ongoing reforms

237. A Debt Management Information System was implemented in the past. Today the system is outdated and requires replacement as the system lacks functionalities for managing internal debt as well as investment projects. In addition, the system cannot be integrated with TFMIS to provide for automation of processing external debt payments.

## 3.4. Policy-based fiscal strategy and budgeting

### PI-14. Macroeconomic and fiscal forecasting

#### 14.1. Macroeconomic Forecasts

238. In accordance with the current structure of Tajikistan's public administration, the Ministry of Economic Development and Trade is responsible for the development of forecasts for key macroeconomic indicators. By March 1, these forecasts are submitted to the Ministry of Finance with updated forecasts of key macroeconomic indicators for a three-year period. Forecasts for inflation and the average annual exchange rate of the national currency for the next three years are developed and submitted to the Ministry of Finance by the same deadline by the National Bank of Tajikistan. Forecasts are updated at least once a year.

239. The list of budget documents attached to the Draft Annual Budget Law, as established by Article 44 of the Law on Public Finances, includes the following documents in terms of macroeconomic forecasts:

- Forecast of socio-economic development of the Republic of Tajikistan for the current year, the next financial year and the following two years with underlying assumptions;
- Specified key directions of the fiscal and tax policy of the Republic of Tajikistan for the next financial year and the following two years;
- The draft state budget with aggregated indicators of budget classification for the next fiscal year and the following two years;
- Strategic budget plans for sectors;

- Draft program of state external borrowings and lending to other states for the current year, the next financial year and the following two years; and
- A draft program of domestic borrowings to cover the budget deficit for the current year, the next financial year and the following two years.

240. The Government prepares forecasts of the main macroeconomic indicators for budget year and two following fiscal years. These forecasts, together with the underlying assumptions, are included in budget documentation submitted to the legislature.

241. Based on the above information, score “B” is assigned for this dimension.

## **14.2. Fiscal Forecasts**

242. When submitting the Draft Annual Budget Law for the next financial year to the Parliament, the Government includes information on the key directions of spending and tax policies for next fiscal year and the following two years including:

- Medium term forecast of fiscal indicators;
- Key budget parameters, including:
  - Forecast of budget revenues for the medium term, broken down by source of income;
  - Forecast of budget expenditures for the medium-term based on forecasted revenues and fiscal policy objectives, including the total cost for implementing new directions of public policy; and
  - Budget deficit/surplus and sources of its financing.

243. Explanatory notes attached to the draft budget in the period of 2014-2016 do not provide explanations of main deviations from the forecasts made under the previous draft budget. Forward budget planning is not applied.

244. Performance on this dimension is rated “C”.

## **14.3. Macro-fiscal sensitivity analysis**

245. The development of forecasts for key macroeconomic indicators includes an analysis of alternative macroeconomic assumptions. Various scenarios of fiscal forecasts are developed only for limited government stake-holders and are not widely discussed or published. Different scenarios are reviewed while developing medium-term and long-term framework national development strategies, but the budget document does not include such scenarios. An exception is the analysis of an acceptable level of debt, which is a component of the descriptive part of public debt management strategy developed and approved by the Government every three years and which is publicly available.

246. Based on the above information, performance on this dimension is rated “D”.

**PI-14 summary evaluation**

247. The overall evaluation is C as indicated below.

**Performance Indicator 14: Macroeconomic and fiscal forecasting**

<b>PI-14 M2</b>	<b>Score 2017 PEFA</b>	<b>Assessment</b>
<b>PI-14.</b> Macroeconomic and fiscal forecasting	C	The budget documentation submitted by the Government to the Parliament together with the draft Law on Budget includes annually updated key directions of the fiscal and tax policy for three years with underlying assumptions, but without explanation of the main differences from the forecasts made under the previous draft budget.
<i>14.1. Macroeconomic forecasts</i>	B	The government prepares forecasts of the main macroeconomic indicators for three years, which are included in the budget documentation for the draft budget submitted to Parliament. These forecasts are updated annually.
<i>14.2. Fiscal forecasts</i>	C	The budget documentation attached to the Draft Annual Budget Law includes the clarified key directions of the fiscal and tax policy for three years, but without explanation of the main deviations from the forecasts made under the previous draft budget. No underlying assumptions exist.
<i>14.3. Macro-fiscal sensitivity analysis</i>	D	Different scenarios are reviewed while developing medium-term and long-term framework national development strategies, but the budget document does not include such scenarios.

**PI-15. Fiscal strategy****15.1. Fiscal impact of the policy proposals**

248. The Ministry of Finance annually compiles assessments of fiscal impact of all proposed changes in the revenues and expenditures policy for the budget year and the next two fiscal years. This explanatory note on key directions of fiscal and tax policy for the budget planning period is submitted to the Budget Committee as discussed above in the description of dimension 14.1. For example, the Annual Budget Law for 2017 includes 10 proposed changes in revenue and expenditure, but assessment of their impact is not publicly available. The proposed changes include the whole central government, including SOEs. However, information for the next two years includes only aggregate data. Information on recurrent costs associated with investment

projects is absent. Significant fiscal implications of actions taken outside the budget process are not estimated.

249. The explanatory notes for the Budget Committee are internal documents and are not publicly available.

250. Performance on this dimension is rated “C”.

## **15.2. Fiscal strategy adoption**

251. The most significant strategic document in Tajikistan in effect during the assessment period was the National Development Strategy for the period until 2015, which was approved by the Parliament in 2007. In 2004, the Government approved the Program of Economic Development of the Republic of Tajikistan for the period until 2015, which identified the highest priority areas of monetary and fiscal policy in a separate section “Financial system development of the Republic of Tajikistan”. The Government's current fiscal strategies for the assessment period were developed on the basis of the above-mentioned documents and submitted to the Parliament as part of budget documentation for the draft budget, with fixed quantitative financial targets and three-year coverage. They were not published. Fiscal Strategy for 2016 sets the targets to be achieved by the whole central government in terms of primary and overall balance and public debt. The medium term fiscal framework sets out the targets on the above indicators to be achieved during the budget year and the following two years. Consistent with the macro-fiscal framework, the annual budget law formalizes this deficit target and sets the path for the two forthcoming years. The MTFE has been submitted to the legislature and it contains specific numerical targets for all three years.

252. Based on the above evidence, performance on this dimension is rated “B”.

## **15.3. Reporting on fiscal outcomes**

253. The Government of Tajikistan annually prepares and reviews an internal report on the progress achieved in fiscal strategy implementation for the past year, which includes budget organizations and state-owned enterprises.

254. The currently used format of the annual report to be submitted to the Parliament does not include a policy brief describing the progress achieved in relation to the fiscal strategy and explaining the reasons for any deviation from the set goals and objectives. Neither are corrective actions proposed.

255. Performance on this dimension is rated “C”.

## **PI-15 summary evaluation**

256. The overall evaluation is C+ as indicated below.

**Performance Indicator 15: Fiscal strategy**

<b>PI-15 M2</b>	<b>Score 2017 PEFA</b>	<b>Assessment</b>
<b>PI-15.</b> Fiscal Strategy	C+	When submitting the next financial year draft budget to the Parliament, an explanatory note is presented that contains a financial impact assessment of all proposed changes in the revenue and expenditure policy for the budget year and the next two fiscal years. However, this information is not publicly available.
<i>15.1. Fiscal impact of policy proposals</i>	C	When submitting the next financial year draft budget to the Parliament, an explanatory note is provided as part of the budget documents, which is not publicly available.
<i>15.2. Fiscal strategy adoption</i>	B	The current financial strategies of the Government were submitted to the Parliament as part of the budget documentation for the draft budget, with indication of quantitative financial goals and a three-year time frame, but they were not published.
<i>15.3. Reporting on fiscal outcomes</i>	C	An internal analytical report on the progress achieved in financial strategy implementation for the past year is prepared and reviewed by the Government annually, but it is not part of the annual report submitted to Parliament.

**PI-16. Medium-term perspective in expenditure budgeting****16.1. Medium-term expenditure estimates**

257. The development of a medium-term budget in Tajikistan began in 2007, and the first Medium-Term Public Expenditure Framework (MTEF) was adopted in 2008. In 2009, due to the negative impact of the global financial crisis on the country's economy, an MTEF was not developed, but in 2010 the second MTEF was adopted. In both cases, medium-term budget plans were based on the strategic plans of the pilot ministries, which included the following: education, health, and labor and social protection of the population. In both cases, the MTEF was formed as a separate document, on the basis of which the draft budget was then developed for the next financial year.

258. In 2011, the Law on Public Finances was adopted, which laid down all major principles of medium-term budgeting, with procedures specified and the participants' powers identified for the budget preparation process. At the same time, the Law on Public Finances also introduced certain changes in the procedure that was applied in the development of the MTEF

in 2008 and 2010. Thus, the processes for MTEF and draft budget preparation were combined into a single process. This made it possible to ensure more qualitative refinement of the established budget documentation and to avoid discrepancies in the numerical values of the MTEF budget parameters and the draft budget, which inevitably would arise when data was updated, given that both processes were now completely identical. In addition, according to the new Law on Public Finances, the budget is developed and prepared for the next financial year and for the next two years (Article 7), but is adopted as an Annual Law on the State Budget for one fiscal year (article 6). The budget indicators for the aggregated line items of the budget classification for the next two years are approved separately by the decree of the Lower House of Parliament (article 49).

259. Thus, the budget of Tajikistan is an estimate of expenditures by administrative, economic and functional classifications for one budget year. Budget indicators for the next two fiscal years for the same types of budget classification are approved separately by the Parliament.

260. Given the discrepancy between the methodology adopted to assess the PEFA on this issue and the norms established by the legislation of the Republic of Tajikistan, and the fact that the program classification in Tajikistan is only at the implementation stage, the dimension is rated "D".

## **16.2. Medium-Term Expenditures Ceilings**

261. The Law on Public Finance (Article 38) established a two-stage process for drafting the state budget. The Ministry of Finance, together with the line ministries, departments and local governments, develops key directions of fiscal and tax policy for the budget planning period subject to a review by the Budget Commission. This work is done on the basis of an Instruction on Drafting the State Budget for the Next Period of Budget Planning (Phase I), which is annually developed by the Ministry of Finance.

262. As soon as the Budget Commission approves fiscal and tax policy key directions, including the distribution of budgetary expenditure ceilings by sector, the annually approved budget calendar instructs the Ministry of Finance to inform the line ministries, departments and local government authorities of the expenditure ceilings of the main administrators of budgetary funds for the budget year and the next two fiscal years.

263. The Ministry of Finance finalizes the main budget circular with detailed instructions on budget drafting - the Instruction on Drafting the State Budget for the Next Financial Year and the Forecast Indicators for the Next Two Years (Phase II), after which it is disseminated among all participants of the draft budget preparation.

264. In this way, the government approves only key parameters of the budget and expenditure ceilings by sectors for the budget year and the next two fiscal years before the release of the main budget circular. The practice of informing the ministries and departments about the

ceilings is different from formal procedures. The above process was effective while developing the draft budget for 2017.

265. Based on the above evidence, performance on this dimension is rated "C".

### **16.3. Alignment of strategic plans and medium-term budgets**

266. The description of dimension 16.1 makes a reference to the 2007 PEFA assessment, when the medium-term budgeting in 4 pilot ministries was introduced. The 2012 assessment recorded the development of medium-term budget programs beyond the education, health and social protection sectors to include also agriculture, energy, transport and communications, land management, water supply, culture and other sectors.

267. Following the adoption of the new Law on Public Finances in 2011, the Ministry of Finance received significant technical assistance from the European Union and the World Bank aimed at improving medium-term budget planning practices. As a result, general requirements for all participants of the budget preparation process were specified in the instructions for draft budget preparation for 2013 and 2014. This included a single format for budget requests consistent with the rules for medium-term budget planning, including the requirement to develop medium-term strategic plans, established by Article 32 of the Law on Public Finances: - "Main administrators of the budget funds, responsible for the development and implementation of public policy in the corresponding sector prepare strategic plans of the relevant sectors".

268. The Ministry of Finance oversees the completion of budget forms in the draft budget preparation process. Implementation of medium-term budgeting is considered completed once all ministries and agencies have filled the relevant forms for medium-term strategic plans in tandem with the expenditure policy. In fact, this work was performed in 2015 by only a limited number of ministries. Around 25% of ministries and about 25% of total budget funds are aligned with costed strategic plans.

269. Based on the above evidence, performance on this dimension is rated "C".

### **16.4. Consistency of budgets with previous year's estimates**

270. Budget documentation for the draft medium-term budget at the ministries level is focused on the budget estimates included in the draft budget for the next financial year, which are assessed against the past year actual performance and the current year expenditure estimates. The budget document does not provide an explanation of the changes to expenditure estimates between the second year of the last medium-term budget and the first year of the current medium-term budget even at aggregate level.

271. Performance on this dimension is rated "D".



**PI-16 summary evaluation**

272. The overall evaluation is D+ as indicated below.

**Performance Indicator 16: Medium term perspective in expenditure budgeting**

<b>PI-16 M2</b>	<b>Score 2017 PEFA</b>	<b>Assessment</b>
<b>PI-16.</b> Medium-term perspective in expenditure budgeting	D+	The budget of Tajikistan is formed by administrative, economic and functional classifications for one budget year. Budget estimates for the next two fiscal years are approved by the Parliament. The coordination of strategic plans and medium-term budgets is performed by some ministries.
<i>16.1. Medium-term expenditure estimates</i>	D	The annual budget of Tajikistan is an estimate of expenditures by administrative, economic and functional classifications for one budget year. Budget estimates for the next two fiscal years for the same types of budget classification are approved by the Parliament.
<i>16.2. Medium-term expenditure ceilings</i>	C	Expenditure ceilings by sectors for the budget year and the next two fiscal years are approved by the government before the release of the main budget circular.
<i>16.3. Alignment of strategic plans and medium-term budgets</i>	C	The coordination of strategic plans and medium-term budgets is performed by some ministries.
<i>16.4. Consistency of budgets with previous year's estimates</i>	D	The budget document does not provide an explanation of the changes to expenditure estimates between the second year of the last medium-term budget and the first year of the current medium-term budget even at aggregate level.

## Recent and ongoing reforms

273. Medium-term expenditure planning has been piloted in some ministries. However, forward planning has not been formalized. Some ministries do not have sectoral strategies. A new project on strengthening strategic planning has been initiated to develop methodologies for sectoral strategies and mechanisms to provide for a linkage between sectoral strategies and budget allocations.

## PI-17. Budget Preparation Process

### 17.1 Budget Calendar

274. The budget calendar developed annually by the Ministry of Finance is generally the same. The budget calendar for 2017 is shown below as an example.

**Table 25: Budget Calendar for 2017**

Activity	Completion date	Responsible government authority
Government Order of the Republic of Tajikistan on the development of the Budget Calendar	19.02.2016 No. 1-p	Ministry of Finance
Budget instruction Phase 1 (MTEF)	by 19.02.2016	Ministry of Finance
Definition of macroeconomic indicators	by 01.03.2016	Ministry of Economic Development and Trade
Forecast of state revenues in the medium term	by 01.03.2016	Responsible ministries and agencies
Medium Term Investment Plan	by 01.03.2016	Ministry of Economic Development and Trade
Forecast of public expenditure in the medium term	by 15.03.2016	Responsible ministries and agencies
Index of changes of cost parameters reflected in budget economic classification for sectoral Main Budget Administrators	by 01.04. 2016	Ministry of Finance

Activity	Completion date	Responsible government authority
Develop basis budget of capital expenditure and disseminate to Main Budget Administrators	by 15.04.2016	Ministry of Finance
Submit basis budget of current expenditure	by 29.04.2016	Ministry of Finance
Submit request on new initiatives	by 29.04.2016	Sectoral ministries
Draft strategic plan of sectors	by 29.04.2016	Sectoral ministries
Determine preliminary expenditure ceilings by sectors	by 10.05.2016	Ministry of Finance
Budget hearings on expenditure ceilings by sectors	16-20.05.2016	Responsible ministries and agencies coordinated by the Ministry of Finance
Submit Draft main directions of fiscal policy for 2017-2019 to the Budget Commission of the Government of Tajikistan	by 01.06.2016	Ministry of Finance
Approve the Medium-Term Expenditure Framework for 2017-2019	by 24.06.2016	Ministry of Finance
Approve Budget Instruction on Preparation of Phase II of budget process	29.06.2016 – 05.07.2016	Ministry of Finance
Preliminary budget sub-ceilings for subordinated administrators of budget funds and users of budget funds	by 18.07.2016	Main Administrators of Budget Funds
Budget requests of administrators of budget funds	by 20.07.2016	Administrators of Budget funds

<b>Activity</b>	<b>Completion date</b>	<b>Responsible government authority</b>
Submit an updated investment plan	by 15.07.2016	Ministry of Economic Development and Trade
Submit adjusted macroeconomic forecasts for 2017-2019	by 15.07.2016	Ministry of Economic Development and Trade
Submit draft local budgets for 2017 and forecasts for 2018-2019	by July 20, 2016	Local governments
Submit revised budget ceilings by sectors and Main Administrators of Budget Funds	by 30.07.2016	Ministry of Finance
Submit consolidated budget requests of Main Administrators of Budget Funds	by 05.08.2016	Main Administrators of Budget Funds
Submit strategic budget plans by sectors	by 05.08.2016	Sectoral ministries
Submit comments to budget requests	by 10.08.2016	Sectoral ministries
Publish Draft State Budget for 2017 in the website of the Ministry of Finance	by 20.08.2016	Ministry of Finance
Budget hearings	According to schedule	Ministry of Finance and Main Administrators of Budget Funds
Review of the Draft Annual Budget Law for 2017 in the Ministry of Finance Collegium	over 08.2016	Ministry of Finance
Submit the Draft Annual Budget Law 2017 and estimations of state budget for 2018-2019 to the Government	by 20.09.2016	Ministry of Finance
Submit Draft Annual Budget Law for 2017 to the Parliament	by 25.10.2016	Ministry of Finance

275. In the PEFA 2012 assessment, a “paradoxical anecdotal situation” was noted, because “some line ministries do not have sufficient time to prepare a detailed budget, which does not allow many of these ministries to make accurate calculations in a timely manner and so to form their budgets based on their priorities”, since ministries and agencies were given only 20 days in the budget calendar for 2011 for drafting their budgets after receiving a detailed budget circular.

276. Unfortunately, by 2017 the situation has worsened and only 15 days were given to ministries and departments in the budget calendar presented above to complete their draft budgets. This requirement of the Ministry of Finance affects the quality of budget proposals and makes it hard for budget entities to comply with the deadlines set by this budget calendar.

277. Since budget calendar allows budgetary entities only two weeks from receipt of budget calendar, performance on this dimension is rated “C”.

## **17.2. Guidance on budget preparation**

278. Over the assessed period, including the budget for FY2017, the Ministry of Finance issued budget circulars for stage 1 and stage 2 of the budget preparation process, which provide clear guidance for budget organizations on the budget process and cover total budget expenditure for the upcoming year. Budget circulars do not set budget ceilings, which are set by the Ministry of Finance at a later stage by administrative areas. This sometimes causes last-minute changes to budget proposals. The budget estimates are reviewed and approved by the Ministry of Finance after they have been completed in every detail by budgetary units.

279. Based on the above evidence, performance on this dimension is rated “C”.

## **17.3. Budget submission to the legislature**

280. Article 43 of the Law “On Public Finances” establishes the following: “The Government of the Republic of Tajikistan annually submits a draft Annual Law on the State Budget of the Republic of Tajikistan for the Next Financial Year for consideration by the Lower House of Parliament by November 1 of the current year”.

281. Since the adoption of the above-mentioned law, and to date, the Government has submitted the draft budget to the Parliament by the established deadline.

282. Performance on this dimension is rated “A”.

## **PI-17 summary evaluation**

283. The overall evaluation is B as indicated below.

**Performance Indicator 17: Budget preparation process**

<b>PI-17 M2</b>	<b>Score 2017 PEFA</b>	<b>Assessment</b>
<b>PI-17.</b> Budget Preparation Process	B	Budget ceilings and budget circulars cover total budget expenditures for the entire fiscal year. The draft budget reflects the ceilings of ministries, within the framework of government-approved sectoral ceilings. However, the budget calendar does not ensure the high-quality development of budget proposals and meeting the established deadlines. Budget circular provides clear guidance on budget process, but it does not set budget ceilings.
<i>17.1. Budget calendar</i>	C	The budget calendar does not ensure the high-quality development of budget proposals and meeting the established deadlines.
<i>17.2. Guidance on budget preparation</i>	C	The Ministry of Finance issues budget circulars for stage 1 and stage 2 of the budget preparation process, which provide a clear guidance for budget organizations on budget process and cover total budget expenditure for upcoming year. However, budget circulars do not set budget ceilings, which are set by the Ministry of Finance at a later stage by sectors and line ministries. This, sometimes, causes last-minute changes to budget proposals.
<i>17.3. Budget submission to the legislature</i>	A	For the period under assessment, there were no violations of the deadline requirements for the draft budget submission by the Government to the Parliament.

**PI-18. Legislative scrutiny of the budgets**

284. The Parliament of Tajikistan - Majlisi Oli, consists of two chambers, Majlisi Milli and Majlisi Namoyandagon. Majlisi Milli (Upper House) is formed on the basis of indirect elections by regional councils (3/4) and presidential appointments (1/4). Majlisi Namoyandagon (Lower House) is elected directly by popular vote. Twenty-two deputies were elected in general-mandate constituencies and 41 deputies were elected in single-mandate constituencies.

285. The current parliament was elected in February 2015 for a period of five years. Lower House consists of 9 committees and 3 commissions.

286. Only the Lower House of the Parliament directly participates in the process of budget review, where the Committee for Economics and Finance plays a key role. It is one of the nine parliamentary committees and consists of 7 deputies (Committee Chair, Deputy Chair of the Committee and 5 members of the Committee).

287. The remaining parliamentary committees participate in the draft budget review in accordance with their competencies.

288. In line with Article 43 of the Law of the Republic of Tajikistan "On Public Finance", the Parliament begins reviewing the draft budget for the next financial year upon its approval by the Government. November 1 is the deadline for the draft budget submission to the Parliament.

### **18.1 Scope of budget scrutiny**

289. The list of budget documents submitted by the Government with the draft Annual Budget Law for the Next Fiscal Year to the Parliament is set forth in Article 44 of the Law on Public Finance as follows:

- Draft Law on the State Budget for the next financial year;
- Preliminary results of the social and economic developments for the current year;
- Forecast of socio-economic developments for the current year, the next financial year and the following two years;
- Report on the fiscal risk assessment;
- Specified key directions of the fiscal and tax policy for the next financial year and the following two years;
- Draft state budget on aggregated indicators of budgetary classification for the next fiscal year and the following two years;
- Strategic budget plans for spheres (sectors);
- Draft program of state external borrowings and lending to other states for the current year, the next financial year and the following two years;
- Draft program of domestic borrowings to cover the budget deficit for the current year, the next financial year and the following two years;
- Draft laws on suspension or cancellation of laws that provide for the funds expenditure from the state budget;
- Other documents, necessary for the review of the draft Law on the State Budget of the Republic of Tajikistan for the Next Financial Year.

290. In general, the volume and quality of information submitted to Parliament in the period of assessment, including the budget for 2017, has improved in comparison with 2012 (see PI-5).

291. The Parliament considers the proposals of the Government on fiscal policy for the next year, the medium-term fiscal estimates, and medium-term priorities, detailed estimates of expenditures and budget revenues and related issues.

292. The Parliament reviews the draft budget for the next financial year only at the final stage, during November, which in some cases may not be sufficient for ensuring a thorough and comprehensive review of all submitted documents.

293. Performance on this dimension in comparison with the 2012 assessment has improved due to the introduction of medium-term budget planning and corresponds to score “A”.

## **18.2. Legislative procedures for budget scrutiny**

294. The procedure for consideration of the draft budget by the Parliament is regulated by legislative and regulatory documents that are duly respected.

295. The participation mechanism for the Parliament in the state budget review process is established by the Regulations of the Lower House of Parliament of November 7, 2001, No. 437 (Articles 126-131) and the Law “On Public Finance”.

296. In particular, Articles 127 and 128 of the above-mentioned Regulation prescribe the following:

- The Council of Lower House sends the draft budget law submitted by the Government to the responsible committee, the committees of the Lower House and the legal department of the Lower House to draft an opinion;
- The responsible committee prepares an opinion on the draft budget in a timely manner and submits it together with the draft law to the Council of Lower House;
- When considering draft law on the state budget in the first reading, the report of the Prime Minister or other member of the Government is heard first, followed by the co-report of the representative of the responsible committee, and the committee’s representatives;
- Based on the results of draft law discussion in the first reading, taking into account the recommendations of the responsible committee, the Lower House may propose to the Government to create a joint conciliation commission to overcome any disagreements that have arisen on the budget;
- The conciliation commission of the Lower House is composed of deputies of the responsible committee and other committees, and authorized representatives from the Government.
- The conciliation commission shall, within the established time limits, review the objections of the responsible committee, the committees of the Lower House, and/or deputies in relation to the budget specific features, and take a decision;
- The responsible committee, together with other committees, incorporates changes to the draft law agreed with the Government representatives. Also, in accordance with the rules for draft laws preparation in the second reading, as defined in these Regulations, it makes up a table of changes rejected by the committee;



- In the case where the conciliation commission is not created, the responsible committee prepares the draft for the second reading according to procedure established by this Regulation.

297. The regulations also detail the mechanisms for consultations with the committees and commissions of the Parliament, as well as the Government, ministries and agencies on the prospects for socio-economic development and the draft budget, which is drafted on the basis of the forecast of socio-economic development.

298. The official procedures are established for legislative hearings on the draft budget in the Parliament following its submission by the Government. These hearings and previous discussions cover all aspects of fiscal policy, including debt financing, as well as a detailed review of budget revenues and expenditures. When considering the draft budget in the Parliament, attention is paid both to the revenues and expenditures of the republican budget, as well as to the regional, city and district budgets.

299. Parliament also reviews the budgets of extra-budgetary funds, in particular, the Social Protection Fund.

300. Ministry of Finance representatives and other interested ministries and departments take part in the sessions when considering the macroeconomic forecast and the draft budget. In addition to these mechanisms, consultations are held with individual members of the parliamentary committees and officials from the relevant executive bodies of state power in the budget preparation process.

301. In the process of the draft budget review, the Committee on Economics and Finance consults with academic economists and financiers, and also takes into account the instructions and wishes of voters received during meetings of deputies with voters.

302. According to the approved plan, up to 4-6 parliamentary hearings on the budget execution are held in Parliament. In addition, separate hearings are held in the committees. No public consultations are conducted.

303. In 2012, this dimension was rated “A”, and for the review period a number of procedures of the above-described system have been improved with the support of international development institutions. In particular, a DfID financed Voice and Accountability Project is providing help to the Economic and Budget Committee in developing its analytical capacities and conducting public hearings. Nevertheless, due to the change in the methodology, which included an additional requirement - public consultation, the performance on this dimension according to the PEFA methodology of 2016 corresponds to score “B”.

### **18.3. Timing for budget approval**

304. In accordance with article 43 of the Law on Public Finance, the Government of the Republic of Tajikistan submits a draft budget to the Parliament for consideration by November 1 each year.

305. By legislation, the Parliament has two months until December 31 to review the budget. In practice, the budget is always reviewed and approved by the Parliament in a timely manner before the beginning of a new fiscal year, usually before December 1.

306. For the period under review, the Parliament considered the draft budgets for one month on average, and approved annual budgets and estimates for the next two years before the beginning of a new fiscal year:

- The Law “On the State Budget of the Republic of Tajikistan for 2014”, dated October 31, 2013, No. 1025;
- The Law “On the State Budget of the Republic of Tajikistan for 2015”, dated November 24, 2014, No. 1132;
- The Law “On the State Budget of the Republic of Tajikistan for 2016”, dated November 25, 2015, No. 1257.

307. Performance on this dimension, as in the 2012 assessment, corresponds to score “A”.

#### **18.4. Rules for budget adjustment by the executive**

308. Article 51 of the Law on “Public Finances” establishes the following rules for making changes to the budget in the course of its execution:

- In the event of a reduction or excess of budget revenues, which may result in a change of the state budget revenues by less than 10 percent of the approved annual budget, the Government has the right to decide on making changes in the state budget revenue and expenditure without changing the size of the budget deficit. Parliament is informed about the decision within 5 days and the changes are subject to mandatory publication.
- In the event of budget revenues reduction or excess, which may result in a change in the state budget revenues by 10 percent or more from the approved budget, the Government submits to Parliament a draft law on amendments and additions to the budget law for the relevant fiscal year. Parliament considers this draft law on an exceptional basis within 15 days.
- If the draft amendment law is not adopted within the specified period, the Government has the right to take an appropriate decision on these issues and proportionately reduce or increase the expenditures of the state budget, unless otherwise stipulated in the original budget law.

309. Article 55 of the Law "On Public Finances" details the reallocation and restriction of budget allocations in the process of budget execution by the executive bodies:

- The approved budget expenditures of ministries and departments and other budget institutions can be changed and reallocated according to the decision of the Government in cases stipulated by the budget law for the next financial year.

- Reallocation of funds between expenditure items shall be done with the permission of the Ministry of Finance “within the budget estimates of the ministries and departments, and other budget organizations.”

310. Thus, there are clear rules for budget adjustments that limit the scope and nature of the amendments, without the need for approval by the legislature. The above rules were effective over the assessment period, including for budget 2016.

311. During the review period, all decisions of the Government on budget adjustments were implemented strictly in accordance with statutory restrictions, with the submission of relevant information to Parliament on a regular basis. In addition, the share of expenditures reserved in the budget for unforeseen events, compared to the period of the previous assessment, was reduced by almost 3 times, as detailed in the description of dimension 2.3. Performance on this dimension corresponds to the score "A".

### PI-18 summary evaluation

312. The overall evaluation is B+ as indicated below.

### Performance Indicator 18: Legislative scrutiny of budgets

PI-18 M1	Score 2017 PEFA	Assessment
<b>PI-18.</b> Legislative scrutiny of budgets	B+	The Parliament reviews the Government's proposals on fiscal policy for the following year, a medium-term fiscal forecast, medium-term priorities, and detailed estimates of budget expenditures and revenues. The procedures for review of the draft budget by the Parliament are well established, comprehensive and duly respected, but no public consultations are held. The time frame for review and approval of the budget is sufficient. All decisions of the Government on adjustments to the budget are implemented strictly in accordance with the statutory limitations.
<i>18.1 Scope of budget scrutiny</i>	A	The Parliament reviews the Government's proposals on fiscal policy for the following year, the medium-term fiscal forecast, medium-term priorities, detailed estimates of budget expenditures and revenues, and related issues.
<i>18.2. Legislative procedures for budget scrutiny</i>	B	The procedures for the draft budget review by the Parliament are regulated by legislative and regulatory documents, well established, comprehensive and duly respected, but public consultations are not held.

PI-18 M1	Score 2017 PEFA	Assessment
<i>18.3. Timing for budget approval</i>	A	The legislature has at least two months to review budget proposals.
<i>18.4. Rules for budget adjustment by the executive</i>	A	All decisions of the Government on adjustments to the budget are implemented strictly in accordance with the statutory limitations, with the submission of relevant information to the Parliament on a regular basis. In addition, the share of expenditure reserved in the budget for unforeseen cases, compared with the period of the previous assessment, has been reduced by almost 3 times.

### 3.5. Predictability and control in budget execution

#### PI-19. Revenue Administration

313. On January 1, 2013, the new Tax Code, approved by the Parliament Resolution on September 17, 2012, No. 901, came into force.

314. With the adoption of the new Tax Code, the number of taxes was significantly reduced: national taxes from 17 to 8 and local taxes from 6 to 2.

315. In accordance with the new Tax Code, the following taxes have been established:

Nationwide taxes:

- Income tax;
- Profit tax;
- Value added tax;
- Excises;
- Social tax;
- Taxes for natural resources;
- Road user tax; and
- Sales tax on primary aluminium (LRT No. 1367 of 14.11.2016).

Local taxes:

- Tax on vehicles; and
- Real estate taxes.

316. In the Tax Code, as well as in the previous one, tax collection on vehicle owners is imposed mainly on internal affairs authorities (State Automobile Inspectorate). At the same time, the list of objects of taxation of the vehicle tax as well as the list of authorized bodies responsible for tax collection was expanded and now includes internal affairs, transport, defense, and agriculture entities (for appropriate modes of transport) (art.264 of the Tax Code of Republic of Tajikistan).

317. According to the Code, taxpayers may use special or preferential tax treatment for:

- Taxation regime for individuals engaged in entrepreneurial activities on the basis of a patent or certificate;
- Simplified taxation regime for small business entities;
- Simplified taxation regime for producers of agricultural products (single tax); and
- Special taxation regime for gambling business entities.

318. Section XVII of the Code establishes preferential tax regimes that provide for additional tax incentives when investing in priority sectors of the economy.

319. During the period covered by this PEFA assessment, the Tax Committee has undertaken measures to simplify the procedure for filing tax returns. A web-based e-filing system was implemented, which allows submission of tax returns in electronic format, receipt of information on personal accounts of taxpayers and drawing up reconciliation acts with tax authorities.

320. Reports in electronic format are submitted using the electronic key and the certificate (licensed activity), provided by the Tax Committee.

321. When declaring VAT, the invoices are generated electronically without restriction and the use of paper-based forms of invoices.

322. The share of natural resources revenue in total revenue is insignificant.

### **19.1. Rights and obligations for revenue measures**

323. To provide taxpayers an access to information on tax obligations and administrative procedures, the Tax Committee implemented the following measures:

- A website ([www.andoz.tj](http://www.andoz.tj)) and an e-mail portal ([mail.andoz](mailto:mail.andoz)) have been created and maintained, which are regularly improved and updated. The website of the Tax Committee includes:
  - a. all versions of the Tax Code adopted on January 1, 2013, other laws and regulations concerning taxation and administrative procedures, and instructional materials for certain types of taxes;
  - b. guidance on filling out tax returns, including a video lesson;

- c. a personal account of the taxpayer, which allows each taxpayer to learn about the status of tax payment and fill out a new declaration, to find out the taxpayer identification number of another taxpayer; and
  - d. any taxpayer can ask a question and receive an official response.
- A Call Center operates within the Tax Committee, where any taxpayer can call using the phone number 151 and receive answers concerning taxation, administrative procedures and other matters.
  - Any taxpayer can officially send a letter to the Tax Committee on any matter related to taxation or administrative procedures and receive an official response in writing.
  - The Tax Committee and its territorial subdivisions in the regions regularly hold press conferences, meetings, round tables with representatives of business associations, company managers and entrepreneurs to explain the provisions of tax legislation. This information is conveyed by radio, television and newspapers.
  - In 2013, following the introduction of the new Tax Code, and again in 2016, the Tax Committee printed Tax Code provisions and distributed them among taxpayers free of charge. In 2016, 30,000 copies of the Tax Code were disseminated among taxpayers.
  - All instructions and materials are regularly published in the magazines of the Tax Committee - the newspaper “Boju khiroj” and the magazine “Bulletin of the Tax Committee under the Government of the Republic of Tajikistan”.

324. The Customs Service of the Republic of Tajikistan, which is in charge of collecting customs duties, VAT on imports and excises, likewise maintains a website ([www.customs.tj](http://www.customs.tj)) and publishes information in the magazine “Customs”. The interactive program on the website allows online payments to be made. The website has up-to-date information for physical persons and participants of foreign trade on customs clearing procedures, customs fees, payers’ rights and obligations, border-crossing procedures for transportation and a list of customs brokers. A hotline for payers is also in place.

325. Beginning in 2011, with the support of international development organizations, a Single Customs Window project was implemented. One of its main results was the transition in September 1, 2014 to an electronic declaring of goods transiting the customs borders of Tajikistan. An additional benefit of using the Single Window for entrepreneurs was the receipt of regularly updated Customs information and documentation, as well as the ability to submit requests and documents electronically via the Internet.

326. In general, the Tax and Customs Committees, which collect the majority of revenues, use a multi-channel system that provides payers with easy access to full and up-to-date information on the main areas of tax obligations and on taxpayer’s rights, including the processes and procedures for reimbursement, review of appeals and complaints.

327. The Appeal Council was established in the Tax Committee on March 3, 2015. The Council consists of 11 Tax Committee officials. Taxpayers also can submit their complaints to the Economic Court.

328. In the 2012 assessment, this dimension was rated “B”, because at that time the information on tax obligations and administrative procedures was limited for certain types of taxes. With the introduction of the new Tax Code in 2013, the Tax Committee has made serious efforts to expand coverage and improve the quality and availability of all necessary information for taxpayers. The Customs Service made qualitative improvements in terms of access to information with the introduction of the Single Window system. In general, the Tax Committee and Customs, collecting the *majority* of revenues, provide payers with access to comprehensive and up-to-date information on the main revenue obligation areas and on their rights. The score for this dimension is “B”.

## 19.2. Revenue risk management

329. The risk management system is based on measures developed and applied by tax authorities to identify and prevent the risk of violation of tax legislation. Based on the results of risk assessment, tax authorities apply differentiated forms of tax control.

330. The current “Tax risks assessment system” was approved by the Order of the Chairman of the Tax Committee on January 23, 2012 No. 12. In accordance with the approved criteria and on the basis of analytical estimates, the automated system determines the level of tax risks and taxpayers targeted for tax audits.

331. The tax authorities analyze data of tax reports submitted by taxpayers, third party information as well as other documents and information about taxpayer activities.

332. The results of such analysis are used by the tax authorities to determine the degree of risk, to identify the list of irresponsible taxpayers, to strengthen control over them and to encourage responsible taxpayers to comply with legislation.

333. The list of irresponsible taxpayers is posted on the website of the Tax Committee. Subsequently, irresponsible taxpayers, following the correction of violations and presenting relevant evidence, are excluded from the list.

334. To simplify tax administration and reduce risks, the Inspectorate for Large Taxpayers was established in 1995. Since 2009 an Inspectorate of Medium Taxpayers (VAT payers) has also been operational. In general, risk management in tax administration is applied not only in planning and inspection stages, but also in addressing organizational and structural issues.

335. The risk management system in Customs was developed on the basis of articles 427 and 428 of the Customs Code. By the Order of the Customs Service No. 126 dated August 4, 2008, the “The Concept of Risk Management System in the Customs Authorities” was approved. It defined the main concepts used in the risk management system, key tasks of the system, the principles of its building, forms of management, controls and measures to implement the risk management system, as well as the expected results.

336. By the order No. 1 of the Customs Service dated May 27, 2008, the lists of risk indicators, criteria for their determination, and assignment of goods, external economic operations and individuals to risk groups were approved. The list identified 85 risk indicators. The Order also defined structural subdivisions of the Customs Service to coordinate the preparation and review of draft risk profiles.

337. By the order of the Customs Service dated January 5, 2009, No. 2- F, “Regulations on the tasks of the officials of customs authorities in the preparation and review of draft risk profiles, the application of risk profiles in customs control, their mainstreaming and cancellation” were approved.

338. The risk management units have been established and are currently operating in the central office and in the regional departments of the Customs Service.

339. The Risk Management System of the Customs Service has information and technical support implemented through the Risk Management Subsystem of the Single Automated Information System of the Customs Service.

340. Thus, the Tax Committee and the Customs Service of Tajikistan, which collect the majority of revenues, use an integrated, structured and systematic approach to assess and prioritize compliance risks for all income categories and, at a minimum, for large and medium incomes payers.

341. Finally, the Tax Committee and Customs, collecting the *majority* of revenues, provide payers with access to comprehensive and up-to-date information on the main revenue obligation areas and on rights. All this makes it possible to score this dimension as “B”.

### 19.3. Revenue audit and investigation

342. The tax authorities have systems for planning and monitoring tax audit programs and investigating tax evasion cases that take into account risk factors.

343. Planning and monitoring of tax audit programs:

- Scheduled documentary checks of taxpayers whose gross income (excluding value-added tax, excise taxes, sales tax of primary aluminium) for the previous calendar year exceeds 15 Somoni millions, are held not more than once a year.
- Scheduled documentary checks of taxpayers whose gross income for the previous calendar year is less than 15 Somoni millions are held not more than once in two years.
- The first planned documentary check of a small business paying a tax on a simplified regime can be held only after 24 full calendar months from the date of its state registration.
- If small business entities are included in the list of irresponsible taxpayers before the expiry of this period, they are reorganized or liquidated, their activities are subject to an unscheduled comprehensive documentary verification.



- Raid checks are conducted by decision of the heads of tax authorities, as necessary.
- Documentary tax audits are conducted on completed tax periods, with the exception of liquidation tax inspections related to the liquidation of a legal entity; the termination of the activities of a permanent establishment; of a non-resident; or termination of the activities of an individual entrepreneur operating on the basis of a certificate.
- If the taxpayer's comprehensive tax audit has been conducted with respect to the period planned for the check, then in this case a subject check of this period shall not be held.

344. The checks are based on the analysis of risk factors (and in particular in regard to any signs of possible incomplete declaration); they include the enterprise size, period of its operation since its establishment, the status of VAT refunds recipients, etc.

*Tax control of the budget taxes proceeds*

345. Tax control is performed by the tax authorities in the following forms:

- Taxpayers accounting, taxable objects accounting, and objects related to taxation, tax liabilities accounting and the state of their execution;
- Registration of value added tax payers;
- Tax audits;
- Cameral control;
- Timing survey;
- Control of rules for the use of cash registers with fiscal memory;
- Tax control of production and turnover of excisable goods, proper marking certain types of excisable goods and establishing excise posts;
- Control for proper calculation and (or) payment of taxes to the budget by authorized bodies.

346. Accounting for meeting tax obligations is carried out by the tax authority by maintaining the personal account of the taxpayer (tax agent).

**Table 26: Data on audit of economic entities to monitor the accuracy of tax calculation and payment for 2013-2016**

	2013	2014	2015	2016
Number of planned inspections	1773	2452	2012	1820
Number of actual inspections	3711	2310	1285	1191

347. The customs authorities monitor the receipt of customs duties and tax payments within their competence for goods and vehicles moving across the customs border in accordance with tax and customs legislation.

348. The Customs Service has departments which conduct inspections/audits: Department of Customs Offences and the Audit and Post-Customs Control Department. The assessment team could not find information on a number of planned and actual customs inspections. There is also no evidence that revenue authorities apply compliance improvement plans.

349. In the 2012 assessment, this dimension was rated “C” due to the lack of evidence on normal functioning of the audit plan based on a real risk assessment. As follows from Table 26, data on the audit conducted for economic entities to verify the accuracy of payments and payments of taxes, starting from 2013 and through 2016 inclusive, demonstrate a steady and significant reduction in their number. However, this trend cannot be considered as a confirmation of the proper functioning of audit plans. Performance on this dimension is reduced to “D”.

#### 19.4. Revenue arrears monitoring

350. The tax authorities have developed a debt monitoring system, as well as an ongoing program of tax inspections and investigations of cases of tax evasion and an audit program based on established risk assessment criteria.

351. The Tax Committee introduced software for the tax-information system “Monitoring of Tax Arrears”, with which they identify taxpayers who do not fulfill their tax obligations in time. Tax liability is recognized as tax arrears if tax is not paid by the deadline established by the tax legislation. Article 66 of the Tax Code and Government Resolution No. 155 of March 3, 2014 establishes the order for writing off of bad tax arrears. If the amount of arrears is less than Somoni 300,000 the Ministry of Finance jointly with the Tax Committee may decide on writing off of specific tax arrears. If arrears amount is more than Somoni 300,000, the Government may take a decision on tax arrears writing off. If arrears cannot be collected within 5-years of the assessment then it has to be written off.

352. To strengthen the performance on tax arrears collection, a separate subdivision of the Central Office of the Tax Committee and its field offices was established in 2012.

353. According to tax authorities, as of January 1, 2017 tax arrears amounted to 690.0 Somoni millions, including 173.8 Somoni millions new arrears for 2016.

**Table 27: Data on the receipt of taxes for 2013 - 2016**

Year	Tax history	Somoni millions
2013	Opening balance of tax due	588.00
	Tax due in year	5,788.90
	Taxes collected in year	5,737.20
	Balance at end of year (= opening balance for next year)	639.70

Year	Tax history	Somoni millions
2014	Tax due in year	6,637.60
	Taxes collected in year	6,992.30
	Balance at end of year (= opening balance for next year)	285.00
2015	Tax due in year	7,825.90
	Taxes collected in year	7,594.70
	Balance at end of year (= opening balance for next year)	516.20
2016	Tax due in year	8,339.80
	Taxes collected in year	8,166.00
	Balance at end of year	690.00

354. As can be seen from the data in Table 27, the collection of taxes, including arrears, for 2013-2014 was good. In 2015, the collection of arrears began to deteriorate, and this trend continued in 2016.

355. In general, the amount of tax arrears at the end of the last completed financial year (2016) was 3.74% of the total collection of tax revenues for the year, while the tax arrears over 12 months equaled to 74.8% of the total amount of tax arrears, which corresponds to “C” rating for this dimension.

#### PI-19 summary evaluation

356. The overall evaluation is C+ as indicated below.

#### Performance Indicator 19: Revenue administration

PI-19 M2	Score 2017 PEFA	Assessment
PI-19. Revenue administration	C+	The Tax Committee and the Customs Service have made serious efforts to expand the coverage, quality and availability of all necessary information for taxpayers. To assess and prioritize risks for all income categories, the Tax Committee and the Customs Service use an integrated, structured and systematic approach. At the same time there are no confirmations of the proper operation of the tax audit plans, and the tax arrears for more than 12 months remain excessive.

PI-19 M2	Score 2017 PEFA	Assessment
<i>19.1. Rights and obligations for revenue measures</i>	B	With the introduction of the new Tax Code in 2013, the Tax Committee has made serious efforts to expand coverage, and improve the quality and availability of all the necessary information for taxpayers. The Customs Service reached qualitative improvements in terms of access to necessary information with the introduction of the Single Window system.
<i>19.2. Revenue risk management</i>	B	The Tax Committee and the Customs Service of Tajikistan use an integrated, structured and systematic approach to assess and prioritize compliance risks for all income categories and, at a minimum, for large and medium income payers.
<i>19.3. Revenue audit and investigation</i>	D	Since 2014, the number of audits of business entities to verify the accuracy of tax settlements and payments began to decline steadily, which, however, cannot be considered as a confirmation of the proper functioning of audit plans. Authorities do not apply compliance improvement plans.
<i>19.4. Revenue arrears monitoring</i>	C	The amount of tax arrears at the end of the last completed financial year (2016) was 3.74% of the total collection of tax revenues for the year, while the tax arrears over 12 months equal to 74.8% of the total amount of tax arrears, which corresponds to “C” rating for this dimension.

### Recent and ongoing reforms

357. The Tax Committee is implementing tax administration reform, which aims to: (i) reduce the administrative cost of collecting revenue to make the Tax Committee a more efficient institution; (ii) strengthen the effectiveness of the Tax Committee to fight tax evasion and reduce the size of the shadow economy; (iii) reduce contact between tax officials and taxpayers to reduce avenues for corruption and create conditions for increased level of voluntary compliance; and (iv) provide good quality taxpayer services that would help reduce the compliance burden for taxpayers, thus improving the business environment and competitiveness. Also, modernization of the Tax Committee IT infrastructure is one of priorities. Additionally, a risk-based audit system has been implemented.

## PI-20. Accounting for revenue

### 20.1. Information on revenue collection

358. In accordance with the Information Sharing Agreement between the Ministry of Finance, the Tax Committee, the Customs Service, the State Bank “Amonatbank” and the National Bank of Tajikistan, the Tax Committee provides information on collection of taxes to the Ministry of Finance in electronic form on a daily basis.

359. A detailed monthly report is compiled by all territorial revenue authorities. These reports reflect the revenue receipts against the approved budget for each type of revenue in each region, as well as information on accrued revenue, but not paid in due time.

360. Information on all revenue is available in the Central Treasury of the Ministry of Finance on a daily basis.

361. Based on information on the collection of budget revenues from the Tax and Customs Committees, as well as from banks servicing single local treasury accounts, the Main Department of the Central Treasury of the Ministry of Finance generates reports on the type of revenue on a monthly basis. This procedure is established by Article 11 of the Law “On Treasury” (2008).

362. Thus, the Central Treasury obtains revenue data on a daily basis from entities collecting *all* central government revenue. This information is broken down by revenue type and is consolidated into a report, which corresponds to a rating “A” for this dimension.

### 20.2. Transfer of revenue collections

363. The Tax and Customs Committees, as well as servicing banks that collect most budget revenues, transfer the collected revenues directly to the accounts of the Central Treasury on a daily basis (Article 11 of the Treasury Law). The daily balance of transit treasury accounts must be zero.

364. All transit bank accounts for revenues in commercial banks were closed in 2010 and since that time all revenues are directly transferred to the accounts of Treasury.

365. Thus, entities collecting *most* central government revenue transfer the collections directly into the Treasury on a daily basis, which corresponds to rating “A” for this dimension.

### 20.3. Revenue accounts reconciliation

366. The best practice for conducting a full reconciliation of estimates, fees, arrears and transfers of revenues to the Treasury is recognized as a reconciliation carried out at least once a quarter. The Main Department of the Central Treasury of the Ministry of Finance conducts reconciliations of revenues accounts with the Tax Committee and the Customs Service on a

monthly basis. Reconciliations with the National Bank of Tajikistan are performed on a daily basis.

367. In addition, on the first day of the month following the reporting period, the tax authorities perform reconciliations with the Treasury for the repayable amounts of taxes and other mandatory payments for the reporting month for each budget classification code on revenues.

368. Thus, entities collecting *most* central government revenue undertake complete reconciliation of assessments, collections, arrears, and transfers to Treasury on a monthly basis on the first day of the month following the reporting period for each budget classification code on revenues. This dimension is scored “A”.

### PI-20 summary evaluation

369. The overall evaluation is “A” as indicated below.

#### Performance Indicator 20: Accounting for revenue

PI-20 M1	Score 2017 PEFA	Assessment
<b>PI-20. Accounting for revenue</b>	A	The Central Treasury generates reports on the budget revenues collection from the Tax and Customs Committees, as well as from servicing banks on a monthly basis. Transfers of collected revenues from organizations that collect the overwhelming majority of budget revenues to the accounts of the Central Treasury are performed on a daily basis. Reconciliation of revenue accounts with the Tax and Customs Committees, as well as servicing banks is performed by the Treasury on a monthly basis.
<i>20.1. Information on revenue collections</i>	A	The Central Treasury generates reports on the collection of budget revenues from the Tax and Customs Committees, as well as from servicing banks on a monthly basis.
<i>20.2. Transfer of revenue collections</i>	A	The Tax and Customs Committees, as well as servicing banks that collect the most budget revenues, transfer the collected revenues to the accounts of the Central Treasury on a daily basis.
<i>20.3. Revenue accounts reconciliation</i>	A	Central Treasury performs reconciliations of revenue accounts with the Tax and Customs Committees, as well as servicing banks on a monthly basis.

## **PI-21. Predictability of in-year resource allocation**

### **21.1. Consolidation of cash balances**

370. In Tajikistan, most cash balances are in the Treasury Single Account held at the National Bank and are managed by the MoF Central Treasury. Consolidation of funds at TSA takes place daily. But the Social Protection Fund offices manage their budget separately, similar to the Treasury. Social Protection Fund has separate accounts in the AmonatBank at the central and local levels. Monthly reports on payments are sent to the Central Treasury.

371. Performance on this dimension is rated “C”.

### **21.2. Cash forecasting and monitoring**

372. Forecasts for cash flow are prepared for each financial year. However, during the review period, including 2016, the Central Department of the Central Treasury of the Ministry of Finance did not make their quarterly update based on actual cash inflows and outflows. The situation remained unchanged in comparison with the PEFA 2012 assessment.

373. Performance on this dimension is rated “C”.

### **21.3. Information on commitments ceilings**

374. Annually, following the adoption of the Annual State Budget Law, in accordance with Article 52 of the Public Finances Law, all budget organizations funded from the budget submit estimates of their expected expenses, broken down by quarters to the Ministry of Finance. After verification of the submitted estimates, the Main State Budget Department of the Ministry of Finance prepares a consolidated list of budget expenditures, with their breakdown by quarters, and enters it into the information system for execution by the Central Treasury. Consequently, ceiling indicators for quarterly expenditures are provided to the budget units, which are monitored and observed by the Central Treasury. In other words, budget units have reliable information on the ceiling indicators for quarterly expenditures.

375. The Main Department of the Central Treasury (MDCT) is planning to implement a cash plan which will determine available funds for budget agencies by monthly breakdown. The forecasts will be based on the monthly expenditure plans received from the spending units in January, projections of revenue collection by the revenue administration organizations, debt repayment schedules received from the debt management unit and other relevant information.

376. It is worth noting that at the time of PEFA assessment in 2012, this dimension was rated “D”, since there was no reliable confidence in the implementation of the plans of budget organizations on expenditures and commitments during the year. Nevertheless, representatives of MDCT firmly insisted that during 2013-2015, there were only a few cases of delays in financing budget organizations, exclusively associated with delays in submission of the established documentation to the Treasury, which served as justification for a higher score in the 2017 assessment.

377. This dimension is rated “B”.

#### 21.4. Significance of in-year budget adjustments

378. The procedure for reallocation and limitation of budget funds in the budget execution process is defined in Article 55 of the Law “On Public Finances”, which establishes that the approved budget expenditures of ministries and departments and other budget institutions can be changed and reallocated by the decision of the Government. Reallocation of funds between the expenditure line items within the budget estimates of budget organizations is carried out with the approval of the Ministry of Finance. There are no restrictions established by the Law “On Public Finances” on the reallocation of budget funds in the process of budget execution. In this connection, the MDCT annually records a significant annual adjustment of the budget expenditures, including in 2016, as already mentioned in the description for criteria for the PI-2 indicator. As it was mentioned in PI-18.4. All decisions of the Government on adjustments to the budget are implemented strictly in accordance with the statutory limitations, with the submission of relevant information to the Parliament on a regular basis. However, reallocations are only partially transparent.

379. Performance on this dimension is rated “C”.

#### PI-21 summary evaluation

380. The overall evaluation is C+ as indicated below.

#### Performance Indicator 21: Predictability of in-year resource allocation

PI-21 M2	Score 2017 PEFA	Assessment
<b>PI-21.</b> Predictability of in-year resource allocation	C+	All bank and cash balances are consolidated by the Treasury on a daily basis. Budget departments have reliable information on ceiling indicators for expenditures for the quarter. Cash flow projections are prepared for each fiscal year, but the Treasury does not always perform quarterly updates based on actual cash inflows and outflows. Significant annual adjustments to the budget expenditure continue to take place in the process of its execution.
<i>21.1.</i> <i>Consolidation</i> <i>of cash</i> <i>balances</i>	C	All bank and cash balances are consolidated by the Central Treasury on a daily basis. Social Protection Fund manages its accounts separately and sends its report to the Treasury monthly.



PI-21 M2	Score 2017 PEFA	Assessment
21.2. <i>Cash forecasting and monitoring</i>	C	Forecasts for cash flow are prepared for each fiscal year, but the Main Department of the Central Treasury did not make quarterly updates based on actual cash inflows and outflows.
21.3. <i>Information on commitments ceilings</i>	B	Budget units have reliable information on ceiling indicators for quarterly expenditures.
21.4. <i>Significance of in-year budget adjustments</i>	C	In general, significant annual adjustments continue to take place to the budget expenditure in the process of its execution.

### Recent or ongoing reforms

381. The Treasury Modernization Program is being implemented, which aims to: (i) manage the cash and banking activities of the Government in line with international best practice standards in order to discharge the Treasury's responsibility for funding budget execution by budget organizations; (ii) improve the PFM performance of budget organizations through provision of accurate, timely, meaningful and targeted management information together with comparative analysis as a basis for a comprehensive review of budget organizations financial performance; (iii) always ensure that funds are available to meet the annual budget demands of the budget approved by Parliament; (iv) provide a central operation to pay all expenses incurred by budget organizations in accordance with budget provisions; and (v) ensure comprehensive accounting controls are applied to all financial transactions originated by budget organizations. The current budget execution information system will be upgraded to maintain commitment control, cash management and public assets management.

## PI-22. Expenditure arrears

### 22.1. Stock of expenditure arrears

382. Since there is no clear definition of budget arrears in local legislation, the default for the assessment is internationally accepted business practices according to which a claim will be considered in arrears if payment has not been made within 30 days from the Treasury's receipt of a supplier's claim.

383. The Ministry of Finance keeps records of unpaid line items of expenditures arrears of all budget organizations, which are consolidated by the Treasury at the year end. The authorities introduced protected items of expenditure for salaries, pensions and some utilities payments to ensure that new arrears would not accumulate. The data in the table below demonstrates expenditure arrears, including on wages, utilities, capital expenditures, etc.

**Table 28: Outstanding stock of expenditure arrears at the end of each year (Somoni millions)**

	2013	2014	2015	2016
General deviation of on expenditure commitments (according to Treasury reports)	163.3	413.3	47.4	2487.2
Total actual expenditure incurred (from PI-1)	10,478.1	12,244.2	14,802.3	16,174.4
• Current expenditure	9,643.9	10,345.3	12,106.2	12,222.1
• Capital expenditure	834.2	1,898.9	1,511.3	3,253.1
• Amortization of external debt			1,1184.8	699.1
% of total expenditure actually incurred	1.56	3.38	0.32	15.38

*Source: Ministry of Finance*

384. The PEFA assessment in 2012 found a low level of recorded arrears on expenditures, below 2% of actual expenditures for the estimated three years. There is no information on any known significant stocks of arrears within central government units outside Budgetary Central Government, but significant stocks of unprocessed VAT refunds or extensive delays in payment of those obligations exist.

385. In the period considered by this assessment, as shown in Table 28, the recorded arrears on expenditures also remained at a low level, below 2% of actual expenditures in two of the estimated three years. In 2013-2015, the Central Treasury continued to perform additional monitoring of salaries and accruals. In general, the information provided on the expenditure arrears for 2013-2015 corresponds to score "A".

386. At the same time, according to the preliminary results of 2016, due to a decrease in revenue receipts, the level of recorded expenditure arrears was 15.4%, an almost 9 times increase as compared to the average for the previous three years.

## 22.2. Expenditure arrears monitoring

387. The Central Treasury, at the end of each year, consolidates data on expenditure arrears to be paid. Data on amounts, terms and composition of expenditure arrears is not prepared on a quarterly basis.

388. Performance on this dimension is rated “C”.

### PI-22 summary evaluation

389. The overall evaluation is C+ as indicated below.

#### Performance Indicator 22: Expenditure arrears

PI-22 M1	Score 2017 PEFA	Assessment
PI-22. Expenditure arrears	C+	The recorded expenditure arrears remain at a low level below 2% of actual expenditures incurred. The data on the amounts and composition of expenditure arrears is generated only on the basis of each financial year results.
22.1. <i>Stock of expenditure arrears</i>	A	The recorded expenditure arrears remained at a low level below 2% of actual expenditures incurred in two of the three years under assessment.
22.2. <i>Expenditure arrears monitoring</i>	C	Data on the amounts and composition of arrears is formed only at the end of each financial year.

## PI-23. Payroll controls

390. There are limited changes in payroll control since the previous PEFA assessment in 2012. Some improvements are due to strengthening internal control and oversight of the civil service system. There is still no single centralized database of civil servants and there is no automated system for charging salaries to civil servants. The functions for calculating wages, as well as personnel accounting are decentralized to the budget organizations themselves.

### 23.1. Integration of payroll and personnel record

391. Each budget organization has its own human resources unit.

392. Every month, upon completion of the accounting department’s work, the human resources department of each budget organization prepares a payroll for its manager, indicating the schedule of holidays and salary adjustments with reference to personal files. The wage fund

is established a month in advance by sending an application to the Ministry of Finance for the receipt of funds.

393. Wage expenditure is subject to a monthly reconciliation with the card index of employees, as well as data for the previous month. Any changes in personnel records are approved by the head of the budget organization.

394. The personnel documentation and payroll are half automated, using standard computer programs such as MS Excel. The use of 1C accounting software by budget organizations is expanding. In contrast to the situation in 2012, payment of salary to the budget organizations employees via electronic banking cards became widespread in 2013-2015.

395. In the previous PEFA assessments in 2007 and 2012, the dimension was rated “D”, due to the lack of convincing improvements in staff and payroll data accounting. Nevertheless, over the past period, the Civil Service Agency, which is entrusted with implementation of a uniform public policy and regulatory framework in civil service, has undertaken a number of measures to improve the civil service system and the corresponding level of control over compliance with the current laws and regulations. There has been a gradual expansion of the use of computer programs’ application with personnel and payroll charges’ documents, as well as the introduction of wages payment to employees through the electronic banking cards system.

396. In 2015, a Review of Payroll and HR Management was conducted to prepare a Tajikistan Public Financial Management Information System (TFMIS) module, which identified options for the future information system for human resources and payroll management. The Report found that payroll and HR processes and practice are identical in all budget organizations.

397. In general, the payroll is supported by documentation for **all** changes made to the personnel records on a monthly basis and is verified on the basis of data on wages for the previous month, but the staff selection and promotion is controlled by the lists of approved staff positions, which corresponds to a “B” rating.

## **23.2. Management of payroll changes**

398. Based on the description of the previous dimension 23.1, necessary changes in personal records and payroll of budgetary organizations are made on a monthly basis, and as a rule, during payments for the next month. Based on the Ministry of Finance’s annual internal audit reports for 2014-2016, retroactive payments are rarely seen.

399. In addition, when submitting a monthly application to the Ministry of Finance to receive funds to pay wages, the budget organizations simultaneously submit to the Central Treasury information on available vacancies.

400. The above conclusion enables scoring of this dimension “A”.

### 23.3. Internal control of payroll

401. Each budget organization has its own human resources department, where the personal files of employees are maintained, and the department is responsible for recording, updating and storing these documents. Wage expenses are reconciled monthly with the files of employees, as well as with the corresponding data for the previous month.

402. Checking the payroll calculations and payment of wages is the responsibility of the internal audit departments that function in all ministries that control significant amounts of budget expenditures. In budget institutions that are part of the executive authorities that do not have their own internal audit departments, this function is performed by the auditors of the Ministry of Finance.

403. The current practice of payroll control in all budget organizations is identical. All orders related to payroll such as recruitment, dismissal, issuance of bonuses, promotions, etc. go from the HR Department to the financial unit during the month after signature of the responsible person such as Minister or Deputy Minister. Heads of the departments submit timesheets of their subordinates. They are printed and signed. An accountant enters timetables and orders data to the wage system to reflect all the changes that adjusts the amount that employee will be paid. Then when the time of payroll generation comes (usually after 25th of each month) the accountant generates a payroll list that is based on entered organizational structure, previously specified salaries, ministry orders and timetables. No input verification controls have been introduced at this point. An accountant then uses the commercial 1C accounting software. This local desktop program for payroll generates the commitments and accruals for payroll, benefits, deductions, pensions and all leaves. The payroll list is printed and provided to the Head of the Financial department and Head of Administrative department for approval. An accountant creates Budget Request Application and sends it to the Treasury. This document contains the summary of all amounts that the MOF is requesting from the Treasury. Following approval from Treasury an accountant manually creates payment orders in MS Excel and Word. Payment orders in MS Word are printed, signed by Heads of Financial and Administrative Departments and are sent to the Treasury. In parallel an accountant enters the same data in SGB.net – PFM information system. It must be noted how employees receive their payments:

- In case when money must be delivered in cash to some persons the amount of all cash payments is transferred to a special account of the MOF at the NBT. Then after the transfer an accountant goes to national bank, withdraws cash, brings it to the ministry and delivers to the final recipients,
- In case of cashless payroll payments, the whole amount is transferred from the Treasury to a bank account in the commercial bank, e.g. “AmonatBank”. Then an accountant of the MOF distributes the amount to the recipient’s accounts. This is done by printing one payment order, signing and delivering it physically to the bank.

404. Authority to change records and the payroll is restricted and results in an audit trail.

405. Finally, it should be emphasized that the lack of integrated personnel, payroll and payment systems combined with the existence of manual systems increases the risk related to payroll as extensive manual control activities are required to ensure the validity, completeness and timeliness of changes, and accuracy of the calculation.

406. Performance on this dimension corresponds to a score of “C”.

#### 23.4. Payroll audit

407. External audit of the payroll calculations and payment of wages in budget organizations is conducted by the staff of the Agency for State Financial Control and Combating Corruption, as well as by the Auditors of the Chamber of Accounts. In Tajikistan, there is a rule that an external audit of the financial and economic activities of each budget organization, including the verification of the payroll calculations and payment of wages, should be conducted at least once every 2 years.

408. External audits of the wage fund are widespread and are conducted often. The audit of wage fund in all public institutions was conducted at least once in the period of 2014-2016.

409. Performance on this dimension corresponds to a score of “B”.

#### PI-23 summary evaluation

410. The overall evaluation is C+ as indicated below.

#### Performance Indicator 23: Payroll controls

PI-23 M1	Score 2017 PEFA	Assessment
PI-23. Payroll controls	C+	The functions of payroll calculation and personnel records are still decentralized, but the use of computer programs to work with personnel documentation and payroll is expanding, as well as the introduction of wages payment to employees through the bank electronic cards system. The audits of the wage fund in all public institutions are held regularly.
23.1. <i>Integration of payroll and personnel records</i>	B	Payroll is supported by documentation for all changes made to personnel records on a monthly basis and is checked on the basis of data on wages for the previous month, and the selection and promotion of personnel is controlled by a list of approved positions. Due to strengthening of internal control, there is an improvement on oversight over civil service systems. However, limited automation of processes does not guarantee protection from data manipulation.

PI-23 M1	Score 2017 PEFA	Assessment
23.2. <i>Management of payroll changes</i>	A	The necessary changes in personal records and payroll of budget organizations are updated on a monthly basis, usually during payments for the next month; retroactive payments are rare.
23.3. <i>Internal control of payroll</i>	C	There are clearly defined roles and a defined basis for amending the records of personnel and the wage fund. However, the lack of integrated personnel, payroll and payment systems combined with the existence of manual systems increases the risk related to payroll as extensive manual control activities are required to ensure the validity, completeness and timeliness of changes, and accuracy of the calculation.
23.4. <i>Payroll audit</i>	B	The audit of wage fund in all public institutions was conducted at least once in the past three years. However, lack of integrated personnel, payroll and payment systems combined with the existence of manual systems increases the risk related to payroll; extensive manual control activities are required to ensure the validity, completeness and timeliness of changes, and accuracy of the calculation.

### Recent or ongoing reforms

411. A review of the government HR and payroll management system has been completed. Currently the process of developing an integrated civil service HR and payroll system is underway.

### PI-24. Procurement

412. All public procurement, with the exception of public procurement that deals with national defense and security, state secrets, procurement of precious metals and precious stones, as well as those aimed at elimination of the consequences of emergencies and other accidents, is implemented in accordance with the Public Procurement Law (2006). However, there are several additional areas excluded from the Law's coverage such as procurement using borrowed funds guaranteed and secured by the State; using funds of state-owned enterprises; joint-stock companies and enterprises with foreign investments in which the state share is above 50 percent; and procurement under the public investment projects (PIP) financed by external donors. Expenditure on PIP amounts to almost 15% of total budget expenditure. In addition to the main law, public procurement issues are regulated by the following regulations:

- The Government Decree dated July 1, 2007, No. 319 “On the establishment of a Qualification Commission to determine and grant the status of “qualified procuring entity”;
- Order of the Ministry of Economic Development and Trade, dated January 17, 2008 on the approval of “Regulations on Public Procurement Procedures” registered with the Ministry of Justice on February 11, 2008, No. 357, with 16 Appendices;
- The Government Decree No. 500 dated October 2, 2010 “On the development of rules for opening bidding proposals for the purchase of goods, works and services in public investment projects of the Republic of Tajikistan”;
- Law No. 815 dated April 16, 2012 “On amendments and additions to the law, which covers complaints mechanisms”.

413. Starting from the second half of 2012, the following regulations have been adopted:

- The Government Decree dated December 29, 2012, No.769 adopted the “Program of e-procurement in the Republic of Tajikistan for 2013-2015”, the main purpose of which was the introduction of information technology in public procurement implementation. One of the main results the program’s implementation was the creation and operation of a web-based single Public Procurement Portal;
- By the Decree of the President dated August 30, 2013, No. 1504, the “Strategy for Counteracting Corruption in the Republic of Tajikistan for 2013-2020” was approved. Paragraph 70 of the Action Plan provides for strengthening the public electronic procurement system by centralizing this system in order to ensure transparency of public procurement and easy access of business entities in biddings;
- By the Government Decree No. 618 dated October 29, 2015 “On Amendments and Additions to the Decree of the Government of the Republic of Tajikistan dated May 3, 2010, No. 228”, the Department of Analysis, Control and Information Support of Public Procurement was established in the Agency for Public Procurement;
- Paragraph 27 of the Government Decree of January 26, 2016, No. 8 “On the results of socio-economic development of the Republic of Tajikistan in 2015 and objectives for 2016” provided for an expanded list of items purchased through the electronic procurement system and ensured the operation of the qualified procuring entities on the Government’s single public procurement portal.

414. As a result, a total of 1,440 electronic biddings were conducted in 2016 against 148 electronic biddings in 2015.

415. Beginning in the second half of 2016 and following the training of their procurement specialists, Qualified Procuring Entities (QPE) began operating on the single Public Procurement Portal. Currently, 17 out of 37 QPEs procure goods through electronic biddings.

416. Under paragraph 22 of the Government Decree dated December 30, 2016, No. 531 “On the results of socio-economic development of the Republic of Tajikistan in 2016 and tasks for 2017” the Agency for Public Procurement, together with relevant ministries and departments,



was requested to submit to the Government a new draft public procurement law and to take measures together with qualified procurement organizations to fully handle their public procurement through the electronic bidding systems.

417. The work on drafting a new Public Procurement Law was conducted during 2015-2016 with the support of international financial institutions (WB, EBRD, etc.). Currently, the draft Law is under consideration at the UNCITRAL Secretariat. In coordination with the interested ministries and departments implementation is expected to begin in early 2019.

418. In October 2015, project implementation of “Electronic Procurement Implementation and Capacity Building (World Bank Institutional Development Fund Grant TF016491-TJ) began, which aims at modernizing the existing public procurement portal and expand the methods for electronic procurement of goods.

419. The World Bank funded Public Finance Modernization Project - Phase 2: Public Procurement System Improvement aims at creating an interactive and transactional end-to-end public e-procurement system by 2020.

420. The authorized public procurement agency is the Public Procurement Agency (PPA), which ensures implementation of state policy in the procurement of goods, works and services from public funds, and is responsible for the collection and publication of consistent and comprehensive information on public procurement. It also acts as an arbitrator in case of complaints by bidders.

421. The Public Procurement Law aims at decentralizing purchases by increasing the number of “Qualified Procuring Entities” (QPE) from budget organizations, state enterprises, etc., and incorporating them into the public procurement process. In accordance with Part 3 of Article 10 of the Public Procurement Law, the status of “qualified procuring entity” is granted by the decision of the interagency Qualification Commission.

422. Each qualified procuring entity shall establish a procurement unit and a bidding commission.

423. In 2012, the number of Qualified Procuring Entities (QPE) equaled 19 units. In subsequent years, the number of QPEs increased:

- in 2013 the status of QPE was granted to 3 new organizations;
- in 2014 the status of QPE was granted to 10 new organizations;
- in 2015 the status of QPE was granted to 4 new organizations;
- in 2016 the status of QPE was granted to 1 new organization;
- in the first half of 2017, the status of QPE was granted to 1 new organization and one application of the procuring entity applying for the status of the QPE is under consideration.

424. In 2016, due to systematic violations of the legislation in public procurement, one procuring entity was deprived of the QPE status.

425. Thus, at the time of this assessment, the Register of Qualified Procuring Entities included 37 ministries, departments, state enterprises, banks and local executive authorities engaged in independent procurement activities.

426. In 2016, the Qualified Procuring Entities undertook 67.8% of all public procurements by value. In 2012 this indicator was less than 40%.

427. Accordingly, in 2016 the PPA purchased goods, works and services on behalf of the procuring entities that do not have the status of a QPE in the amount of 32.2% of all government purchases in the country. In 2012 this figure was above than 60%.

#### 24.1. Procurement Monitoring

428. Information on the bidding results - a database containing data on procuring entity, the subject of procurement, the amounts of contracts and names of the winners of the bidding - is maintained for the vast majority of methods of procurement of goods, services and works. The database on the bidding results is publicly available at: <http://zakupki.gov.tj> – “Register of contracts”.

429. In 2016, entries were made for 99.59% of all procurement methods, except for the single source procurement method. The database contains not the contract itself, but only information about the contract. The data are accurate and complete for most procurement methods for goods, services and works. The database does not include information of those procurements listed in background information and excluded by Law for publication.

430. Performance on this dimension corresponds to a score of “B”.

#### 24.2. Procurement Methods

431. The Public Procurement Law provides for the following methods of public procurement:

**Table 29: Methods of public procurement in Tajikistan**

Method	Description
Tendering with unlimited participation	The main public procurement method, which should be used in all cases when the law specifically does not permit the use of another method.
Tendering with limited participation	If the costs of examining and evaluating a large quantity of bids would total one third of the value of goods, works or services to be procured. If the goods, works or services, owing to their technical complexity or specialized nature are available only from a limited number of suppliers (contractors).

Method	Description
“Short-list” method (specific tendering with limited participation for procurement of Consultative services)	Consulting services are provided by individuals or legal entities, residents and non-residents having the required professional qualifications. Consulting services can be provided both by individual consultants and by consulting organizations.
Request for quotations	Procurement of goods or services, for which there is an established Somoni threshold. In special cases, upon coordination with the PPA, the procuring entity may carry out public procurement of goods for the amount not exceeding twelve thousand five hundred Somoni for calculation. The list of special cases in accordance with the established procedure is approved by the PPA. Submission of at least three bid proposals is required.
Single-Source Procurement	Additional small orders, researches, etc.; the only supplier with exclusive rights; creative works; urgent need that could not be foreseen.

432. The method of electronic procurement is determined in accordance with the procedure determined by the Government. Electronic procurement was introduced in accordance with the Electronic Procurement Program for 2013-2015, approved by Government Decree dated December 29, 2012, No. 769.

#### *Procedure for selecting procurement method*

433. In the absence of grounds provided by law, procurement of any product must be made solely by tendering with unlimited participation. The management of the procuring entity is authorized to take decision on such procurement.

434. All other methods of procurement can be applied provided conditions established by Chapter 3 of the Public Procurement Law are in place.

435. The agreement on procurement method with the PPA shall be made before the commencement of the bidding procedure. To this end, the Procuring Entity shall apply to the PPA for approval of tender, indicating the specific method of procurement and justification of the choice. The PPA shall review it and take a decision no later than 5 days after receiving the application.

436. In case the procurement amount does not exceed the minimum procurement threshold, the procuring entities shall apply a simplified procurement procedure.

437. The minimum procurement threshold is established for an expenditure item by economic budgetary classification for the quarter, and before reaching it the procuring entity has the right to procure using a simplified procedure. The minimum procurement threshold for

goods is equal to 10,000 Somoni and for works and services 14,000 Somoni. Thresholds are established in the Budget Law on an annual basis.

#### *Application of competitive procurement methods*

438. Tenders that used limited participation method and the single source procurement method accounted for:

- in 2013 – 0.07% of total value of procurement or 0.18% of total number of contracts awarded through the PPA;
- in 2014 - the limited participation method and single source procurement method were not applied by the PPA;
- in 2015 - 0.07% of total value of procurement or 0.04% of total number of contracts awarded through the PPA;
- in 2016 – 1.22 % of total value of public procurement or 1.41% of total number of contracts awarded nationwide.

439. Accordingly, tenders with unlimited participation accounted for:

- in 2013 – 99.93% of total value of procurement or 99.82% of total number of contracts awarded through the PPA;
- in 2014 – 93.23% of total value of procurement or 93.16% of total number of contracts awarded through the Procurement Agency. At the same time, 6.77% of the total value of procurement or 6.84% of total number of contracts were awarded using the method of requesting quotations in electronic format;
- in 2015 – 97.37% of total value of procurement or 96.77% of total number of contracts awarded through the Procurement Agency. Additionally, 2.56% of total value of procurement or 3.19% of total number of contracts were awarded using the method of requesting quotations in electronic format;
- in 2016 – 92.65% of total value of public procurement or 76% of total number of contracts awarded nationwide. Additionally, 6.14% of total value of procurement or 22.59% of total number of contracts were awarded using the method of requesting quotations in electronic format.

440. The procurement method “request for quotations in electronic format” carried out at the Single Public Procurement Portal contains elements of “bidding with unlimited participation” method, since the request for quotations is sent to all participants registered on the Portal and does not restrict their participation in bidding.

441. Compared to the 2012 assessment, when about 20% of the total value of contracts were awarded by limited competitive bidding and single source procurement methods, the situation in 2013-2015 improved. More than 80% of the total value of contracts were awarded through competitive methods in 2016. Performance on this dimension is rated “A”.

### 24.3. Public access to procurement information

442. During the period considered by this assessment, the four key elements of procurement information are complete and reliable for government organizations and are publicly available: 1) regulatory framework for procurement; 2) information on bidding and opportunities for participation in bidding; 3) procurement outcomes; and 4) annual procurement statistics. General information on procurement information available to the public is given in Table 30.

443. To expand the range of participants in electronic tenders, the PPA regularly carries out awareness work on television and in the media. Since December 31, 2015 till March 1, 2017 the number of registered bidders on the Single Public Procurement Portal increased from 85 to 583 (nearly a 7-fold times increase).

**Table 30: Key information on procurement available to the public**

Key procurement information	Availability	Assessment
1. Regulatory framework for procurement	Yes	The regulatory framework for public procurement is available on the official website of the Procurement Agency under the following link: <a href="http://zakupki.gov.tj">http://zakupki.gov.tj</a> – “Legislation”.
2. Public procurement plans	No	Annual procurement plans are not submitted by all procuring entities, and in full, to the Authorized body. Therefore, annual procurement plans are not currently being prepared or posted on the website.
3. Opportunity of hiring on a competitive basis	Yes	Information on the bidding is published for all tenders held by the Procurement Agency with duplication in three information resources: a Single Public Procurement Portal ( <a href="http://zakupki.gov.tj">http://zakupki.gov.tj</a> ); the official website of the National Information Agency Khovar ( <a href="http://khovar.tj">http://khovar.tj</a> ); and printed periodicals (newspapers) of national (“Sadoi Mardum”, “Jumhuriyat”) and regional importance.  QPEs publish invitations to participate in tenders in various national and regional media.
4. Contract awards (objective, contractor and value)	Yes	The results of conducted procurement are published in a free access on the resource <a href="http://zakupki.gov.tj">http://zakupki.gov.tj</a> – “Register of contracts”.

Key procurement information	Availability	Assessment
5. Information on complaint redress about procurement	No	Data on procurement complaint redress is not published.
6. Annual procurement statistics	Yes	The annual statistics on public procurement are provided by the Authorized body to the Government of the Republic of Tajikistan and published on the official website of the Public Procurement Agency.

444. Performance on this dimension, as in the 2012 assessment (without taking into account the change in methodology), corresponds to a score of “B”.

#### 24.4. Procurement complaints management

445. In accordance with the current legislation, in addition to courts, procuring entities and PPA consider procurement complaints.

446. Law No. 815 dated April 16, 2012 “On the Introduction of Amendments and Additions to the Law “On Public Procurement of Goods and Services” changed the complaint handling mechanism in the interests of participants in the procurement process.

447. In the past, complaints to procuring entity could be filed only prior to the moment the decision on a winner was taken. The amendment now allows:

- Extending the period for filing a complaint until signing the contract;
- Filing a complaint simultaneously with the PPA and procuring entity;
- No limit on the right to a subsequent submission of a complaint to the PPA.

448. In accordance with Article 79-82 of the Law and Chapter 11 of the Regulations on Public Procurement Procedures, the procuring entity shall, in agreement with the PPA, suspend the procurement procedure within 3 days for the consideration of the complaint and after expiry of this period shall submit a written decision, with the following information:

- justification/explanation for the decision;
- if the complaint is upheld in whole or in part, the corrective measures that are to be taken.

449. If the complaint of the bidder is upheld, the PPA shall take one of the following measures:

- Illegal actions, illegal decisions or illegal procedures by the procuring entity shall be prohibited;

- Annul in whole or in part an unlawful decision of the procuring entity which violated the terms and conditions of the procurement proceedings;
- Make a decision to terminate a procurement proceeding.

450. When a complaint is received, the PPA shall suspend the procurement procedure for up to 10 days and during this period shall issue a written decision. The decision shall include:

- Justification/reasoning for the decision;
- If the complaint is upheld in whole or in part, the corrective measures need to be taken.

451. The decision on the complaint shall be considered obligatory for implementation by the procuring entity and final, if it is not appealed in the court in accordance with Article 81/4 of this Law.

452. In general, the procedure for handling complaints is described in detail, and if the bidder is not satisfied with the outcome of the complaint review, he may apply to the court.

453. The PPA responds promptly to complaints filed. Until now, there have been no cases of appeals to the court related to public procurement.

454. The draft of the new Public Procurement Law provides for the establishment of a Complaints Council that does not participate in procurement process in any capacity or in the process that leads to decisions on the contract award.

**Table 31: Performance criteria of an independent mechanism for administrative complaints resolution**

Performance criteria of an independent mechanism for administrative complaints resolution		Assessment
<i>Complaints are reviewed by an authority that:</i>		
1.	does not participate in any capacity in procurement transactions or in the process that leads to decisions on contract awards	no
2.	does not charge a fee prohibiting access of stakeholders	yes
3.	follows the processes of submission and resolution of complaints that are clearly defined and publicly available	yes
4.	exercises powers to suspend the procurement process	yes
5.	makes decisions within the time limits specified in the rules/regulations	yes
6.	issues decisions that are binding on each party (without exception, subsequent access to the external higher authority)	yes

455. Only 5 out of 6 established criteria are observed, which means that public procurement in Tajikistan does not meet the basic dimension for effective resolution of administrative complaints i.e. current mechanism for administrative complaints resolution is not independent. Performance on this dimension is “D”.

### PI-24 summary evaluation

456. The overall evaluation is B as indicated below.

### Performance Indicator 24: Procurement

PI-24 M2	Score 2017 PEFA	Assessment
<b>PI-24.</b> Procurement	B	The key elements of procurement information are complete and reliable for public organizations and are accessible to the public: 1) the procurement regulatory framework, 2) information on bidding and opportunities for participation in bidding, 3) the results of conducted procurement, and 4) annual procurement statistics.  Over the assessment period on average more than 96% of the total number of contracts awarded were through the Public Procurement tenders with unlimited participation. However, to date, there is no independent mechanism for resolution of administrative complaints.
24.1. <i>Procurement monitoring</i>	B	Information on the results of bidding - a database containing data on procuring entity’s name, the subject of procurement, the amounts of contracts and names of the winners is maintained for most methods of procurement of goods, services and works. The data are accurate and complete for most procurement methods for goods, services and works.
24.2. <i>Procurement methods</i>	A	In 2013-2015, on average, more than 96% of the total number of contracts awarded through the Procurement Agency involved tenders with unlimited participation.
24.3. <i>Public access to procurement information</i>	B	The four key elements of procurement information are complete and reliable for government organizations and are made available to the public: 1) the procurement regulatory framework; 2) information on bidding and opportunities for participation in bidding; 3) the results of conducted procurement; and 4) annual procurement statistics.



PI-24 M2	Score 2017 PEFA	Assessment
24.4. <i>Procurement complaints management</i>	D	Current mechanism for administrative complaints resolution is not independent.

### Recent or ongoing reforms

457. A new Public Procurement Law complying with WTO requirements is in the final stage of adoption. Based on procedures provided by new law, a new public -e-procurement system will be implemented over the medium term.

### PI-25. Internal Control on non-salary expenditure

458. The internal controls system in Tajikistan is regulated by the following legal documents:

- The Law on Public Finance (2011);
- The Law “On Accounting and Financial Reporting” (2011);
- The Law “On Treasury” (2008);
- The Law “On Public and Publicly Guaranteed borrowing and debt” (1999);
- The Law of the Republic of Tajikistan “On Internal Audit in the Public Sector” (2010);
- The Law of the Republic of Tajikistan “On financial management and internal financial control in the public sector” (2010);
- The Law “On State Financial Control in the Republic of Tajikistan” (2002 with changes in 2007);
- The Law “On the National Bank of Tajikistan” (2011);
- The Law “On Banking Activities” (2009);
- The Law “On local government bodies” (2004);
- The Law “On self-governance of towns and townships” (1994 with changes in 2009);
- Tax Code (2012);
- The Customs Code (2004);
- The Civil Code (1999);
- The Law “On Public Procurement of Goods, Works and Services” (2006);
- Guidelines on public procurement procedures approved by the Ministry of Economic Development and Trade (2008);

- The Government Decree dated 1 July 2007 No. 319 “On the establishment of a qualification commission for granting the status of a qualified procuring entity”;
- The Government Decree No. 500 dated October 2, 2010 “On Approval of the Rules for Opening Bid Proposals for Procurement of Goods, Works and Services under State Investment Projects in the Republic of Tajikistan”.

459. In addition, the Ministry of Finance made considerable progress during 2010-2015 to improve the level of control over expenditures, which is due to implementation of the Public Finance Management Modernization Project financed by the World Bank, EU, DFID, SECO and the Government of Japan.

460. In August 2011, the Strategic Development Plan of the Main Department of Central Treasury (MDCT) of the Ministry of Finance for 2011-2016 was approved. Since 2014, the MDCT has been functioning under the new structure. New instructions on budget execution and internal control procedures were adopted.

461. The revision of the structure and functions of the MDCT units was associated with the implementation of the Budget Classification and the new Unified Chart of Accounts based on the GFS 2001 as well as implementation of the new TFMIS PFM information system.

### **25.1. Segregation of duties**

462. The heads of the Central Treasury, the Accounting and Auditing Department, and the Internal Audit Department expressed the unanimous opinion that all civil servants are aware of the rules for using public funds. Each type of expenditure has appropriate instructions, governing rules and procedures that are publicly available. In particular, the Law “On Accounting and Financial Reporting” (2011) establishes the principles of relations and areas of responsibilities of the head of organization and the chief accountant for the implementation of economic operations. In pursuance of this law, the Government approved the Standard Job Description of the Chief Accountant for Organizations and Business Entities, regardless of the form of ownership and organizational affiliation, which established the delineation of responsibilities for a number of specific types of financial and business operations. The Law on Financial Control and Internal audit provides that roles and duties should be segregated so that the same person cannot be responsible at the same time for authorization, execution, reporting and audit or control. The Chief Accountant cannot be responsible for custody of assets or be in charge of receiving of goods for the organization. Chief Accountants approve job description for the staff of the accounting unit assigning their roles and duties. Authorization of payment is issued only by the Head of organization and Chief Accountant or other designated person. The Chief Accountant is in charge of reconciliation. Internal auditors undertake reviews of internal controls, including segregation of duties.

463. In general, given the introduction of electronic systems in the execution of budget revenue and expenditures, it appears that there is a significant improvement in existing internal control systems which are reliable and considered as meeting the requirements. To further

strengthen expenditure control in an automated environment, it is critically important to make arrangements for periodic testing/auditing of IT systems, which currently does not exist.

464. Performance on this dimension is scored “B”.

### 25.2. Effectiveness of expenditure commitment controls

465. The new Public Financial Management Information System (TFMIS) contains a module for registering commitments. In this module, all budgetary organizations are required to register bids and contracts for procurement of goods and services. Expenditure commitment control limits commitments to projected cash availability and approved budget allocations for most types of expenditure. The introduction of this module allowed for improved budgetary discipline, including timely and full payment to suppliers for the goods delivered and the works and services provided.

466. Performance on this dimension corresponds to a score of “A”.

### 25.3. Compliance with payment rules and procedures

467. According to the management of the Main Department of Central Treasury and results of audits conducted by the Chamber of Accounts, all payments in the process of budget execution for the period under assessment corresponded to the usual payment procedures, and all exceptions were duly authorized and justified in advance. However, at the local financial departments, the simplified procedures were used, although these cases were the exception to the rule and were extremely limited. With the introduction of the TFMIS in 2016, the MDCT has gained new opportunities to monitor the financial operations of all budgetary levels, which improved budgetary discipline.

468. Thus, most payments are compliant with regular payment procedures. The majority of exceptions are properly authorized and justified, which corresponds to a score of “B”.

### PI-25 summary evaluation

469. The overall evaluation is B+ as indicated below.

#### Performance Indicator 25: Internal controls on non-salary expenditure

PI-25 M2	Score 2017 PEFA	Assessment
PI-25. Internal controls on non-salary expenditure	B+	Internal control procedures include an integrated and cost-effective set of control measures with generally understood instructions, handbooks and manuals. With the introduction of the TFMIS, the Treasury gained new opportunities to monitor the budgets’ financial operations at all levels.

PI-25 M2	Score 2017 PEFA	Assessment
25.1. <i>Segregation of duties</i>	B	The internal control procedures meet the requirements and include an integrated and cost-effective set of control measures with generally understood instructions, handbooks and manuals. With the introduction of electronic PFM systems, the existing internal control systems have improved significantly. Duties are prescribed and responsibilities are clear. To further strengthen expenditure control in an automated environment, it is critically important to make arrangements for periodic testing/auditing of IT systems, which currently does not exist.
25.2. <i>Effectiveness of expenditure commitment controls</i>	A	Compliance monitoring is in place and limits the cash flow commitments to projected cash availability and approved budget allocations for all expenditure types.
25.3. <i>Compliance with payment rules and procedures</i>	B	Most payments correspond to the usual payment procedures. Most of the exceptions are duly authorized and justified.

## PI-26. Internal audit

### 26.1. Coverage of internal audit

470. Article 12 of the Law “On Internal Audit in the Public Sector” (July 21, 2010, No. 631) sets the following framework for the establishment of internal audit units in public sector organizations:

- The amount of financing from the state budget of the Republic of Tajikistan should exceed one and a half million indicators for calculation (during 2013-2015, the amount of the threshold value is 60 Somoni millions);
- Average number of employees per calendar year - more than 800 people.

471. The same Law established the rule that internal audit in public sector organizations that do not meet the criteria for creating their own internal audit units in their structures should be carried out by an authorized state body, which is the Ministry of Finance. This rule is widely

used to ensure internal audit functions for budget organizations under the jurisdiction of local government authorities.

472. At the time of the assessment, internal audit units functioned in eight central government ministries that control most of the budget expenditures, in two committees, including the Tax Committee and the Agency for Pensions and Social Insurance, as well as 50 of the 73 local authorities of state power.

473. Each budget organization develops its annual working program on internal audit by December 15. Annual Analytical Reports on Internal Audit describe the status of financial management and control and most important findings. By April 1, organizations should submit their reports to the Ministry of Finance which undertakes follow-up activities. For that 7 staff in HQ and 50 in the field are assigned.

474. Thus, internal audit in Tajikistan is effective for central government authorities that represent the majority of government budget expenditure, and for central authorities that collect the majority of the government budget revenue. However, internal audit is not risk-based. Also, the independence of internal auditors is poorly regulated by the legislation. The score for this dimension is “C”.

## **26.2. Nature of audits and standards applied**

475. The basic regulatory documentation for internal audit in the public sector of Tajikistan, developed on the basis of international standards, was adopted by the Ministry of Finance in the period 2008-2013. It includes:

- Guidelines for the preparation of analytical reports on the state of internal audit in the public sector;
- Guidelines for the preparation of annual plans for internal audit departments;
- Formats of the audit report, its programs, samples of the letter and plan of action; and
- Methodological instructions for compiling an annual plan for the activities of the structural units of internal audit in the public sector on the basis of risk assessment.

476. In 2014 the Methodological Guidelines were approved to ensure the quality of internal audits.

477. All the regulatory documentation on internal audit is publicly available.

478. In addition, a training program for internal auditors was prepared, and in 2013, procedures for conducting an examination for obtaining an internal audit certificate were developed and approved.

479. At the same time, internal audit is still mainly focused on compliance with financial obligations, which, like the 2012 rating, corresponds to a score of “C”.

### 26.3. Implementation of internal audits and reporting

480. According to the Department of Accounting and Auditing Methodology of the Ministry of Finance, all functioning internal audit units of the ministries, departments and local public authorities develop and approve annual audit programs; internal auditors submit their reports to the head of organizations copying a Deputy Minister of Finance; in 2016 out of 1876 planned audits 1876 or 100% were completed according to the program. Consolidated annual internal audit reports of organizations are submitted to the Ministry of Finance by April. But only a majority of programmed audits in the assessment period of 2013-2015 are completed. Audits are not risk-based.

481. Since not all, but only the majority of programmed audit are completed, performance on this dimension is rated “C”.

### 26.4. Response to internal audits

482. According to the management of the Internal Audit and Control Department and the Department of the Accounting and Auditing Methodology, recommendations on internal audit, including necessary actions or comprehensive measures, are implemented by the management of the majority of audited organizations within twelve months of the report being produced. This situation is due to the lack of proper internal audit capacities in some budget organizations. All organizations are subject to internal audit, whether they have or not such a capacity they still should follow recommendations of internal auditors even if from outside/MOF.

483. Performance on this dimension corresponds to score “C”.

### PI-26 summary evaluation

484. The overall evaluation is C as indicated below.

#### Performance Indicator 26: Internal audit

PI-26 M2	Score 2017 PEFA	Assessment
<b>PI-26.</b> Internal audit	C	Internal audit is effective for central government bodies, representing most budget expenditures, and for central authorities that collect the majority of budget revenues. However, the internal audit is mainly focused on compliance with budget commitments. Independence of internal auditors is poorly regulated by legislation.
<i>26.1. Coverage of internal audit</i>	C	Internal audit in Tajikistan is for central government bodies representing the majority of budget expenditures, and for central authorities that collect the majority of budget revenue of the government.

PI-26 M2	Score 2017 PEFA	Assessment
26.2. <i>Nature of audits and standards applied</i>	C	Internal audits are mainly focused on compliance with budget commitments.
26.3. <i>Implementation of internal audits and reporting</i>	C	All functioning internal audit units of ministries, departments and local government authorities develop and approve annual audit programs; the majority of programmed audits are completed. Audit is not risk-based.
26.4. <i>Response to internal audits</i>	C	<b>The majority</b> of heads of budgetary organizations, following the recommendations of internal audit take appropriate measures within twelve months of the report being produced.

### Recent or ongoing reforms

485. In 2010 a Law on Internal Audit was adopted, which established internal audit function. All internal audit procedures and processes are regulated by that law. In addition, several methodologies on conducting internal audit and presenting internal audit reports were developed. Programs on strengthening internal audit capacities of budget organizations are being developed. Programs are expected to be implemented in 2019-2020.

## 3.6. Accounting and Reporting

### PI-27. Financial data integrity

#### 27.1. Bank accounts reconciliation

486. With the transition to the Single Treasury Account, all revenue and expenditure banking accounts of the republican budget (including the category of “special funds” of budget organizations) are kept in the system of the Single Treasury Account serviced by the National Bank of Tajikistan. Until 2015 these accounts were subject to monthly reconciliation, within 4 weeks from the end of the month. From January 1, 2015 reconciliation of all republican budget accounts with the bank is carried out at least once a week at the aggregate and detail levels, within one week from the end of each week.

487. Until 2015, separate revenue and expenditure accounts of local governments were maintained in the AmonatBank, which also carried out monthly reconciliation. All of the aforementioned separate revenue and expenditure accounts of local governments also became

part of the Single Treasury Account after January 1, 2015, with the same frequency and detail of weekly reconciliations as the accounts of the republican budget. Currently, all central government funds are maintained in two accounts: 1) funds of central and local governments in TSA at the National Bank, and 2) funds of Social Protection Agency at the AmonatBank.

488. Bank reconciliation for *all* active central government bank accounts takes place at least weekly at aggregate and detailed levels, usually within one week from the end of each week. This corresponds to a score of “A”.

### **27.2. Suspense accounts**

489. With the transition to the Single Treasury Account in 2008, the Central Treasury does not have any suspense accounts, which is why this dimension cannot be rated.

### **27.3. Advance accounts**

490. Advances based on contracts for vendors and contractors are allowed. Travel advances to employees are occasionally provided and cleared immediately after returning from the official trip. Operational imprest accounts are also allowed. According to the Instruction “On Accounting and Reporting on the State Budget Execution in the Treasury” dated January 10, 2005, budget organizations should reconcile advance accounts at least once a month, within a month from the end of each month.

491. Thus, reconciliation of advance accounts takes place at least monthly, within a month from the end of each month. Most advance accounts are cleared in a timely way. The score for this dimension is “B”.

### **27.4. Financial data integrity processes**

492. In 2014, the new Regulations of the Main Department of Central Treasury and the regulations of its departments came into force and a new instruction on budget revenue and expenditure execution was approved. A unit responsible for access control of financial data and monthly reconciliations with budget organizations was created in the Central Treasury.

493. Access and changes in the records of budget organizations are limited and recorded, and result in audit trails. However, currently there is no arrangement in place for periodic auditing/testing the IT system control.

494. Performance on this dimension is rated “B”.

### **PI-27 summary evaluation**

495. The overall evaluation is B+ as indicated below.



**Performance Indicator 27: Financial data integrity**

<b>PI-27 M2</b>	<b>Score 2017 PEFA</b>	<b>Assessment</b>
<b>PI-27.</b> Financial data integrity	B+	Since 2015, all accounts of the republican budget and, since 2016, all local budgets' accounts are reconciled with the national bank at least once a week. Up to 2015, reconciliation of accounts was carried out monthly. The reconciliation of advance accounts is carried out at least once a month and most advance accounts are cleared in a timely manner. Access and changes to the records are limited and recorded. There is a unit responsible for checking the integrity of financial data in the Treasury.
27.1. <i>Bank accounts reconciliation</i>	A	Since 2015, all republican budget accounts and, since 2016, all accounts of local budgets are reconciled with the national bank at least once a week at the aggregate and detail levels, within one week from the end of each week. Up to 2015, reconciliation of accounts was performed monthly.
27.2. <i>Suspense accounts</i>	NA	<b>The dimension is not subject to assessment.</b> With the transition to the Single Treasury Account in 2008, the Central Treasury does not have suspense accounts, which is why this dimension cannot be rated.
27.3. <i>Advance accounts</i>	B	The reconciliation of advance accounts takes place at least once a month, within a month from the end of each month. Most advance accounts are cleared in a timely manner.
27.4. <i>Financial data integrity processes</i>	B	Access and changes in records are limited and recorded, and result in audit trails. There is a unit within the MDCT responsible for checking the integrity of financial data. However, currently there is no arrangement in place for periodic auditing/testing of the IT system control.

**PI-28. In-year budget reports****28.1. Coverage and comparability of reports**

496. In accordance with Article 62 of the Law “On Public Finances”, the Treasury generates quarterly reports on the budget execution, comparing actual revenue and incurred expenditure with quarterly plans of the approved and revised budget. Standard expenditure reports of the Treasury reflect information at the stage of commitment and payments, which resulted from the introduction of a new information system (TFMIS) and the Unified Chart of Accounts.

497. The line ministries, agencies and budget organizations are required to submit quarterly reports on revenues and expenditures to the Ministry of Finance. A similar requirement for the submission of quarterly reports exists for local governments.

498. The Ministry of Finance prepares quarterly reports on an accrual basis based on the results of the state, national and local budgets execution. The information is checked against the data of the Treasury.

499. Quarterly reports contain information on: revenue and grants, expenditures in accordance with the budget classification, and government borrowing transactions.

500. The coverage and classification of these budget execution reports can be directly compared with the data of the original budget with disaggregation by functional, economic and administrative classifications. Expenditures related to transfers to deconcentrated units of the central government are also included in the reports.

501. In the 2012 assessment, this dimension was rated “C”, because the comparison with the revised budget was possible only at the stage of payment, and not at the stage of commitment. The introduction of a new information system TFMIS and the Unified Chart of Accounts in 2015 eliminated the overlap between the reporting of the Treasury and budget organizations, and accordingly improved the score to “B”.

## **28.2. Timing of in-year budget reports**

502. Budget execution reports are compiled by the Central Treasury monthly, but submitted to the Government quarterly within four weeks from the end of each quarter. They are published in the periodic collections of the Statistics Agency, on the website of the Ministry of Finance and in the magazine “Molia”.

503. Performance on this dimension, as in the 2012 assessment, corresponds to score “B”.

## **28.3. Accuracy of in-year budget reports**

504. No significant problems with respect to the reliability of information for the period under assessment was found. An analysis of the budget execution is submitted to the Government on a quarterly basis. The information on expenditures covers both the commitment and payment stages.

505. Performance on this dimension has improved compared to the 2012 and is scored “A”.

## **PI-28 summary evaluation**

506. The overall evaluation is B+ as indicated below.

**Performance Indicator 28: In-year budget reports**

<b>PI-28 M1</b>	<b>Score 2017 PEFA</b>	<b>Assessment</b>
<b>PI-28.</b> In-year budget reports	B+	Reports on budget execution are submitted to the Government regularly and on time, with the necessary detail and reliability. Treasury expenditure reports reflect information at the stage of obligations and payments. Aggregated data on budget execution are published in the periodic collections of the Agency on Statistics, on the website of the Ministry of Finance and in the magazine titled “Molia”.
28.1. Coverage and comparability of reports	B	The scope and classification of these performance reports can be compared with the original budget disaggregated by budget classifications. Treasury expenditure reports reflect information at the stage of commitments and payments. Expenses related to transfers to deconcentrated units of the central government are included in the reports.
28.2. Timing of in-year budget reports	B	Budget performance reports are submitted to the Government on a quarterly basis within four weeks from the end of each quarter. The reports are published in the periodic collections of the Agency on Statistics, on the website of the Ministry of Finance and in the magazine “Molia”.
28.3. Accuracy of in-year budget reports	A	Taking into account monthly reconciliations with budget organizations carried out by the Treasury on the accuracy of financial data, the information on budget execution, covering both the stage of commitment of expenditures and the stage of payment is considered reliable.

**PI-29. Annual financial reports****29.1. Completeness of annual financial reports**

507. The legal framework for the annual reports on budget execution and financial reporting is the Law on Public Finance (2011) and the Law on Treasury (2008).

508. Annual reports on revenues and expenditures are prepared by all budget fund recipients. Ministries and agencies combine annual reports of their subordinate organizations and submit consolidated annual reports to the Ministry of Finance, where they are compared with the data

of the Treasury for the preparation of consolidated annual financial statements. Annual budget execution reports are consolidated on a cash basis in accordance with budget classification.

509. The annual financial statements prepared by the Government include the following information:

- Actual indicators of revenues, grants and government loans received during the year;
- Budget expenditures, in accordance with the functional, economic and departmental budget classification in the context of approved and specified volumes and actual indicators;
- Actual level of the budget deficit and its financing;
- Balance of the single treasury account at the beginning and end of year;
- Report on financial assets and stabilization fund;
- Report on the size of government borrowings, government debt guarantees issued during the budget year, a list of outstanding government debts, information on other debt management transactions;
- General review of investments budget; and
- Report on expenditures of the reserve fund of the President and the contingency fund of the Government.

510. Thus, the consolidated Government reports are prepared annually and include full information on revenues, expenditures and financial assets/liabilities. However, the set of presently applied accounting standards are not sufficiently consistent with the full set of International Public Sector Accounting Standards (IPSAS). While the financial statements appear to be in agreement with the underlying financial records from which they were extracted, owing to the absence of a wide range of mandatory disclosures they do not comply with IPSAS. Also, those standards have not been regularly updated in tandem with IPSAS. The current Strategy for Improving the Public Sector Accounting System in Tajikistan covers 2011-2018.

511. Performance on this dimension corresponds to a “C” rating.

## **29.2. Submission of reports for external audit**

512. Article 65 of the Law “On Public Finances” establishes the requirement to conduct an external audit and submit an external opinion to the report on the state budget execution to the President, Government and Parliament of Tajikistan every year by October 1. The deadline for submission of financial statements of the Government's budget for external audit is not specified by the above Law. Nevertheless, Articles 63 and 64 of the same Law set the deadline for submission of the annual report on the state budget execution to the Government and Parliament, at June 15 and July 15, respectively.

513. In 2013, the Ministry of Finance and the Government ensured compliance with the deadlines for the submission of annual budget execution report established by national

legislation. However, starting from the annual report for 2014 (see description for dimension 30.2), annual reports are presented with delays, impacting the timing of external audit reports. In any case, the deadline for the submission of annual budget execution report in Tajikistan is set by law at 6 months after the end of the fiscal year, which corresponds to score of “C” for this dimension.

### **29.3. Accounting standards**

514. During the period considered under this assessment, within the framework of the Public Finance Modernization Project, the Ministry of Finance implemented the Strategy for Improving the Public Sector Accounting System of Tajikistan for 2011-2018. During the period from 2011 to 2014, the Ministry of Finance approved:

- Accounting policy in the public sector;
- Instruction on generation of financial statements in accordance with 4 approved public sector financial reporting standards of Tajikistan, including:
  - Report on Financial Performance;
  - Report on Financial Status;
  - Statement of Capital;
  - Cash Flow Statement;
- 10 Public Sector Financial Reporting Standards of Tajikistan (PSFRST) based on IPSAS, with technical guidelines corresponding to each standard, including:
  - PSFRST-1: Presentation of Financial Statements based on IPSAS 1;
  - PSFRST-2: Cash Flow Statements based on IPSAS 2;
  - PSFRST-3: Accounting policies, changes in estimated values and errors based on IPSAS 3;
  - PSFRST -4: Impact of exchange rates fluctuations based on IPSAS 4;
  - PSFRST -5: Loans expenses based on IPSAS 5;
  - PSFRST -6: Consolidation based on IPSAS 6;
  - PSFRST -12: Reserves based on IPSAS 12;
  - PSFRST -17: Fixed assets based on IPSAS 17;
  - PSFRST -22: Disclosure of financial statements on public administration sector based on IPSAS 22;
  - PSFRST -24: Presentation of budget information in financial statements based on IPSAS 24;
- Reporting formats for submission to the Treasury and methodology for their generation.

515. In addition, a structure for consolidating financial statements was developed and accounting modules were drafted and implemented in the financial management information system TFMIS.

516. With the exception of PSFRST-12 and PSFRST-17, all the above-mentioned financial reporting standards were introduced in 2014 and used from 2015, including the development of the annual report for 2015. According to the plan, the implementation of PSFRST-12 and SFOGGST-17 standard is planned in 2018. Nevertheless only 10 out of 31 standards have been implemented.

517. Since the standards for preparing annual financial reports are not disclosed, this dimension is scored a “D”.

### PI-29 summary evaluation

518. The overall evaluation is D+ as indicated below.

#### Performance Indicator 29: Annual financial reports

PI-29 M1	Score 2017 PEFA	Assessment
PI-29. Annual financial reports	D+	The Government's consolidated report is prepared annually and includes full information on revenues, expenditures and financial assets/liabilities. The accounting standards applied to all financial reports correspond to the legal system of the country. Most international standards have been included in national standards. However, the set of presently applied accounting standards are not sufficiently consistent with the full set of International Public Sector Accounting Standards (IPSAS). The standards for preparing annual financial reports are not disclosed
29.1. Completeness of annual financial reports	C	The government's consolidated report is prepared annually and includes full information on revenues, expenditures and financial assets/liabilities, with some exceptions, which is associated with incomplete process of public sector accounting reforms. However, the set of presently applied accounting standards are not sufficiently consistent with the full set of International Public Sector Accounting Standards (IPSAS). While the financial statements appear to be in agreement with the underlying financial records from which they were extracted, owing to the absence of a wide range of mandatory disclosures, they do not comply with IPSAS.

PI-29 M1	Score 2017 PEFA	Assessment
29.2. <i>Submission of reports for external audit</i>	C	The deadlines for the submission of annual budget performance reports in Tajikistan are legislatively established at 6 months after the fiscal year end, which according to the methodology of 2016 corresponds to score “C”.
29.3. <i>Accounting standards</i>	D	The accounting standards applied to all financial statements correspond to the legal system of the country. However, the standards for preparing annual financial reports are not disclosed.

### Recent or ongoing reforms

519. A Strategy of Reforming of Public Sector Accounting was adopted in 2011, which is aimed at implementing IPSAS standards in budget organization. 10 out of 31 standards have been implemented.

## 3.7. External scrutiny and audit

### PI-30. External audit

520. At the time of the PEFA 2012 assessment, the Parliament adopted the Law “On the Chamber of Accounts of the Republic of Tajikistan” dated June 28, 2011, No. 749. The Chamber of Accounts itself was in the stage of formation, in accordance with the Presidential Decree dated December 12, 2011 No. 1173 “On the formation of the Chamber of Accounts of the Republic of Tajikistan”. Until then, the function of external control in Tajikistan was to some extent fulfilled by the State Committee for Financial Control, later reorganized into the Agency for State Financial Control and Combating Corruption of Tajikistan, reporting directly to the President. However, the Agency sees its role in holding investigations and cannot be perceived as performing audit. In any case, the assessment of 2012 noted the absence of external audit in Tajikistan. Accordingly, all indicators and dimensions related to external audit were rated “D”.

521. In 2013, the Chamber of Accounts started to operate as the supreme body of financial control for which the following regulatory documents were developed and approved:

- Instructions on the procedure for conducting an audit of the state budget execution and preparation of the opinion of the Chamber of Accounts to the annual report of the Government on the state budget execution in the financial year under review;
- Instructions on the procedure for auditing by the Chamber of Accounts;

- Instruction for methodological support of the Chamber of Accounts;
- Instruction on conducting a financial audit; and
- Code of Ethics of the Chamber of Accounts, etc.

522. Pursuant to Article 5 of the Law “On the Chamber of Accounts”, dated 2013 the Chamber of Accounts provides an opinion on the draft state budget and its execution in accordance with the established procedure. It also inspects the use of the received and spent state budget funds by the Government, as well as the proper management of public resources.

### **30.1. Audit coverage and standards**

523. The Chamber of Accounts operates in accordance with the Audit Plan, mutually agreed with the Agency for State Financial Control and Combating Corruption of Tajikistan, as part of the distribution of audits of public authorities, budget organizations and institutions. In this connection, the Chamber of Accounts does not conduct audits in all government authorities, or budget organizations and institutions.

524. The Chamber of Accounts, in the course of auditing the budget organizations and institutions, as well as public economic entities, mainly uses its own regulations, national audit standards, and international INTOSAI standards. During the audits, in most cases, financial shortfalls are revealed, after which the Chamber of Accounts thoroughly analyzes the systemic risks, as well as incidents of non-compliance. To eliminate identified problems, the audited entities are provided with appropriate recommendations.

525. In accordance with the Law on the Chamber of Accounts, the following institutions and activities are subject to the audit conducted by the Chamber of Accounts:

- All authorities financed from the state budget, including institutions that are partially or fully self-supported;
- All organizations where the state has a controlling share of capital;
- The National Bank of Tajikistan and other state banks of the Republic of Tajikistan;
- Extra-budgetary funds and nationwide targeted programs;
- State Agency for Social Insurance and Pensions;
- The organization of any form of ownership, to which budgetary funds are allocated in the form of subsidies (non-refundable);
- Implementation of intergovernmental agreements that have financial and other economic impacts;
- Privatization of state property, including the implementation of a privatization agreement with the state by new owners;
- Management and use of the natural resources of the Republic of Tajikistan, including the implementation of production sharing agreements;



- Use of services and servicing of government loans and reserves in foreign currency by the Government of the Republic of Tajikistan;
- State budget revenues from external sources of financing and their targeted use.

526. There are about 7,000 budget organizations financed from the budget, of which 129 are the main administrators of budget funds (MABF), including 57 ministries, departments, state committees, committees, agencies, etc., and 72 local authorities of the regional, city and district level (*hukumats*).

**Table 32: Data on audits by the Chamber of Accounts of the Republic of Tajikistan for 2013 - 2016**

	Total number of audits	Including total MABF	MABF- central authorities	MABF-local authorities (regional, city and district authorities)
2013	20			
2014	314	15	10	5
2015	438	29	20	9
2016	530	26	12	14

527. In accordance with the data of Table 32 for 2014-2016, the Chamber of Accounts conducted audits of 70 central government authorities that are the main administrators of budget funds, which accounts for 54% of their total number. Together those organizations represent about 55% of the total budget revenue and expenditure.

528. The data for 2014-2016 demonstrate a sharp increase in the number of audits of central government authorities representing the majority of budget expenditures and revenues, which makes it possible to assign the score “C” for this dimension.

### 30.2. Submission of audit reports to the legislature

529. In accordance with Article 28 of the Law “On the Chamber of Accounts of the Republic of Tajikistan” and Article 65 of the Law on Public Finances, the Chamber of Accounts submits to the President and the Parliament an audit opinion on the annual budget execution report for the previous year by October 1.

530. In fact, due to delays by the Ministry of Finance in preparation of the state budget execution reports, which were due before July 15, the audit opinions on annual budget execution reports were prepared and submitted late by the Chamber of Accounts.

**Table 33: Dates of submission by the Chamber of Accounts of opinion on the Government's annual report on the state budget execution to the legislature**

	2014	2015	2016
1. The date the Chamber of Accounts received the Annual Report of the Government of the Republic of Tajikistan on the state budget execution.	20.08.2014.	05.08.2015.	23.08.2016.
2. The date the Chamber of Accounts submits an opinion on the annual report of the Government of the Republic of Tajikistan on the state budget execution to the legislature.	10.10.2014.	10.10.2015.	29.10.2016.

531. Nevertheless, according to Table 33, auditors' opinions on the government's annual budget execution reports were submitted by the Chamber of Accounts to the Parliament within a period of less than three months from the receipt of financial reports.

532. Performance on this dimension is "A".

### 30.3. External audit follow-up

533. The requirement to verify execution by the executive or audited organization with respect to recommendations and audit opinions is established by Article 24 of the Law "On the Chamber of Accounts of the Republic of Tajikistan".

534. In accordance with paragraph 4.2.11 of the Instruction "On the procedure for conducting an audit of the state budget execution and preparation of the opinion of the Chamber of Accounts on the annual budget execution report of the Government" approved by the decision of the Board of Chamber of Accounts of the Republic of Tajikistan dated April 19, 2013, No. 7.1., the Chamber of Accounts shall perform an analysis of the implementation of its proposals and recommendations sent to the Government and the Ministry of Finance on results of the annual report's review in the form of presentations and newsletters".

535. Based on the results of each audit, including the state budget execution, the Chamber of Accounts draws up statements, as well as opinions, recommendations and specific proposals to eliminate the shortfalls identified during audits of the main budget administrators, as well as their structural units. The audited institutions, having reviewed the documents, as well as the recommendations submitted by the Chamber of Accounts, provide official written responses on the measures taken and the remedies for violations. Otherwise, financial sanctions are applied to officials who did not react. Based on the results of all audits, a systematic check of the execution and elimination of violations is carried out.

536. Thus, formal, comprehensive, and timely response was made by the executive or the audited entity on audits for which follow-up was expected during the last three completed fiscal years (2013-2015). The score on this dimension corresponds to “B”.

#### **30.4. Supreme Audit Institution independence**

537. In accordance with Article 1 of the Law of the Republic of Tajikistan “On the Chamber of Accounts”:

- The Chamber of Accounts is the supreme authority of financial control of the Republic of Tajikistan that conducts an independent external audit of the state budget execution and prepares proposals for its improvement;
- The powers of the Chamber of Accounts to conduct an independent external audit shall be extended to all branches of the state power of the Republic of Tajikistan. The Chamber of Accounts does not have executive, legislative, or law enforcement powers, but complies with the Constitution of the Republic of Tajikistan, this Law and other legislations of the Republic of Tajikistan;
- The head of the Chamber of Accounts approves the structure of the central office, regulations and the structural units of the Chamber of Accounts.

538. According to Article 6 of the Law “On the Chamber of Accounts”, which seeks to protect the functional independence, the Chamber of Accounts:

- Selects items for inspections and conducts audits, regardless of other public structures and officials who head such structures;
- Independently determines the subject, methods and terms of inspections, as well as the form of submission of relevant opinions;

539. The activity of the Chamber of Accounts is ensured in accordance with the established procedure at the expense of the State Budget of the Republic of Tajikistan with a separate line item in the budget (Article 6).

540. According to Article 7 of the Law “On the Chamber of Accounts”, the Chamber of Accounts consists of a chairman, a deputy chairman and five chief auditors who are members of the Chamber of Accounts.

541. According to Article 8 of the Law “On the Chamber of Accounts”:

- The chairman, deputy chairman and principal auditors have the right to immunity;
- The chairman, deputy chairman and principal auditors cannot be subjected to administrative penalties imposed through the court, without the consent of the authority that appointed them;
- The immunity of the Chairman, Deputy Chairman and Principal Auditors of the Chamber of Accounts extends to their housing, office space and transport.

542. According to the Law “On the Chamber of Accounts” the Chairman and Deputy Chairman of the Chamber of Accounts are appointed on the proposal of the President to the Parliament for a term of seven years. The Chairman and Deputy Chairman of the Chamber of Accounts cannot hold office for more than two terms.

543. According to Article 24 of the Law “On the Chamber of Accounts”, the employees of the Chamber of Accounts have free access to all documents that are at the disposal of the audited organization and are related to the audit objectives. According to Article 22 of the Law on Chamber of Accounts, the Chamber of Accounts independently develops its audit plans for next year, which indicates organizations to be audited. The Chamber of Accounts has a right, in addition to audit plan, to conduct unscheduled audits. Procedures for developing, discussing and approving the current and annual audit plans are provided by the Instruction on Planning of Audits.

544. Performance on this dimension is thus rated “C”.

#### PI-30 summary evaluation

545. The overall evaluation is C+ as indicated below.

#### Performance Indicator 30: External audit

<b>PI-30 M1</b>	<b>Score 2017 PEFA</b>	<b>Assessment</b>
<b>PI-30.</b> External audit	C+	The Chamber of Accounts was created as the supreme audit authority. Using national audit standards and international standards, the Chamber of Accounts conducts audits of the Government annual reports on the state budget execution as well as audits of central government authorities representing the majority, but not all budget expenditures and revenues. Independence of the Chamber of Accounts is compromised by its inability to primarily determine its annual work plan based on an independent risk assessment as required by INTOSAI standards and guidelines.

PI-30 M1	Score 2017 PEFA	Assessment
<i>30.1. Audit coverage and standards</i>	C	The regulations of the Chamber of Accounts, national audit standards, and international standards are used when conducting audits. Data for recent years shows an increase in the number of audits of central government authorities, representing the majority but not all of budget expenditures and revenues. For 2014-2016, the Chamber of Accounts conducted audits of 70 central government authorities that are the main administrators of budget funds, which account for 54% of their total number. Together those organizations represent about 55% of the total budget revenue and expenditure.
<i>30.2. Submission of audit reports to the legislature</i>	A	Audit opinions on the Government annual reports on the state budget execution were submitted by the Chamber of Accounts to the Parliament within a period of less than three months from the receipt of financial reports.
<i>30.3. External audit follow-up</i>	B	Formal, comprehensive, and timely response was made by the executive or the audited entity on audits for which follow-up was expected during the last three completed fiscal years (2013-2015).
<i>30.4. Supreme Audit Institution independence</i>	C	Independence of the Chamber of Accounts from the executive power is guaranteed by the Law “On the Chamber of Accounts of the Republic of Tajikistan”. The Chamber of Accounts has unlimited and timely access to all necessary documents.

### Recent or ongoing reforms

546. The Law on Chamber of Accounts establishing the audit function and the Chamber of Accounts (COA) was signed in June 2011. The COA has made some progress in developing secondary legislation, including operational regulations and manuals and staff code of conduct. The COA was formally admitted to the International Organization of Supreme Audit Institutions (INTOSAI) in November 2013. Given that the COA was only recently established, the development of the audit function in Tajikistan requires a long-term vision. Immediate priorities are for the COA to strengthen the legislative framework, develop and implement new audit methodologies and build the technical capacity of staff. Currently, the COA is working

on these issues within PFMMMP 2 Project. It is expected that by the time of next PEFA Assessment, scores on external audit indicators will improve.

## PI-31. Legislative scrutiny of audit reports

### 31.1. Deadline for review of the audit report

547. The legislature plays a key role in monitoring the budget's implementation. The Parliament considers the annual opinion of the Chamber of Accounts on the budget execution report in the context of its discussion of the draft annual budget law.

548. After receiving the Chamber of Accounts' opinion, the findings and recommendations are usually discussed with relevant Government representatives.

549. During the period considered by this assessment, the external auditors' opinions were considered by the legislature on average within one month.

**Table 34: Dates of review of audit reports by the legislature**

	2014	2015	2016
1. The date the Chamber of Accounts submits an opinion on the annual budget execution report to the legislature.	10.10.2014.	10.10.2015.	29.10.2016.
2. The date the legislature reviewed Chamber of Accounts' audit report on the annual budget execution.	28.10.2014.	04.11.2015.	16.11.2016.

550. Since scrutiny of audit reports on annual financial reports has been completed by the legislature within three months from receipt of the reports, performance on this dimension is rated "A".

### 31.2. Hearings on audit findings

551. The audit reports presented by the Chamber of Accounts are reviewed by the respective committees of the two houses of Parliament.

552. Members of the respective committees, representatives of the Chamber of Accounts and heads of audited entities take part in the process of the audit opinions review.

553. The Parliament conducts in-depth hearings on individual opinions of the auditors, attended by the representatives of concerned ministries, departments and organizations, the management of the Chamber of Accounts, and the audited organizations. Nevertheless, in-depth hearings on the most important auditors' opinions on all audited entities are not conducted. According to the Law on Chamber of Accounts, the Chamber of Accounts conducts

independent external audit of the state budget execution, which includes all audited organizations and prepares a consolidated report submitted to the Parliament and the President. If it is provided by legislation, the Chamber of Accounts is ready to conduct in depth hearings on all important auditor conclusion and on all audited organizations.

554. The score for this dimension is “C”.

### **31.3. Recommendations on audit by the legislature**

555. The Parliament considers some audits’ results and recommendations of the Chamber of Accounts and takes appropriate decisions. As a rule, such recommendations are concerned with the annual budget execution report, implementation of the budget by certain ministries and departments, as well as budget expenditures for individual programs and projects.

556. Annual budget execution reports are reviewed first by the Committee on Economics and Finance, and then at parliamentary hearings.

557. Based on the reviews’ results, certain proposals of the Chamber of Accounts are taken under the control of the respective Parliamentary Committees. In accordance with the established procedure, the Chamber of Accounts, following the audit completion, presents audit recommendations to the heads of audited organizations and institutions, which provide a detailed explanation of the shortcomings and ways to eliminate them. The audited entities submit detailed reports on the results of the implementation of recommendations to the Chamber of Accounts.

558. There is a control unit under Parliament which monitors the implementation of decisions taken. If poor implementation of decisions monitored is reported by the unit, the head of respective organization is invited to the parliament and the issue is discussed.

559. In general, the Parliament has a system for reviewing the most important audit reports, developing recommendations and monitoring their implementation.

560. Performance on this dimension is rated “B”.

### **31.4. Transparency of legislative scrutiny of audit reports**

561. When considering the opinions of the Chamber of Accounts, the Chairman and members of the Committee on Economy and Finance, the Government representatives, ministries and departments, as well as the Chairman of the Chamber of Accounts or on his behalf, the Deputy Chairman of the Chamber of Accounts or the Principal Auditor attend the meetings of the parliamentary committees.

562. Representatives of the public do not have access to the process of audit reports’ review. The review results by the Parliament or the Chamber’s opinions on the results of inspections of budget organizations are not published. In accordance with rules approved by the Government, the Chamber of Accounts conducts press-conferences for local mass-media on its activities at

the end of half-year and end-year. Also results of audit reports are discussed in ministries and agencies. Press-release of press-conferences on the Chamber of Accounts activities are published at the Chamber of Accounts' website and local mass-media.

563. Performance on this dimension is rated "D".

### Recent or ongoing reforms

564. Efforts on strengthening the parliamentary oversight on PFM have been undertaken, which have resulted in enhanced number and quality of reviews of audit and budget execution reports.

### PI-31 summary evaluation

565. The overall evaluation is C+ as indicated below.

### Performance Indicator 31: Legislative scrutiny of audit reports

PI-31 M2	Score 2017 PEFA	Assessment
<p><b>PI-31.</b> Legislative scrutiny of audit reports</p>	<p>C+</p>	<p>The external auditors' opinions on the annual budget execution reports are reviewed by the Parliament within one month on average, attended by the representatives of organizations related to the opinions and recommendations of the Chamber of Accounts and the management of the Chamber of Accounts. The review of audit reports is performed without public participation; the results of review held by the Parliament of the Chamber's opinions on the audit results of budget organizations are not published. Control over the implementation of decisions taken is ensured by the existing legislation and procedures.</p>
<p><i>31.1. Timing of audit report scrutiny</i></p>	<p>A</p>	<p>The external auditors' opinions on the annual budget execution reports are reviewed by the legislature within one month on average.</p>



PI-31 M2	Score 2017 PEFA	Assessment
<i>31.2. Hearings on audit findings</i>	C	The Parliament conducts in-depth hearings on individual opinions of the auditors, attended by the representatives of concerned ministries, departments and organizations, the management of the Chamber of Accounts, and the audited organizations. Nevertheless, in-depth hearings on the most important auditors' opinions on all audited entities are not conducted.
<i>31.3. Recommendations on audit by the legislature</i>	B	There is a control unit within the Parliament that monitors the implementation of decisions taken.
<i>31.4. Transparency of the legislative scrutiny of audit reports</i>	D	Representatives of the public do not have access to the audit reports review process; the results of reviews held by the Parliament of the Chamber's opinions on the audit results of budget organizations are not published. In accordance with rules approved by the Government, the Chamber of Accounts conducts press-conferences for local mass-media on its activities at the end of half-year and end-year. Also results of audit reports are discussed in ministries and agencies. Press-release of press-conferences on the Chamber of Accounts activities are published at the Chamber of Accounts' website and local mass-media.

## 4. CONCLUSIONS ON THE ANALYSIS OF PFM SYSTEMS

### 4.1. Integrated assessment of PFM performance

#### PILLAR I. Budget reliability

In order for the government budget to be useful for policy implementation, it is necessary that it be realistic and implemented as passed.

566. **Deviations from the originally approved budget expenditure reflect fundamental weaknesses in the PFM system.** The aggregate results show a relatively good performance in achieving the targeted fiscal outcome, which had a positive impact on managing the external debt (PI-13) over the assessed period. However, in respect to allocating resources and delivering services substantial variances in functional and economic type exist, which affected achievement of the government's budget allocation priorities (16.3). Frequent reallocations of the originally approved budget come from systemic problems in budgeting (PI-16) and public investment management (PI-11). The contingency reserve was relatively small (2% of total expenditure during the assessment period) and did not have significant impact on expenditure variance (PI-2.1. and PI-2.2.). Budget reliability could be further improved by strengthening macroeconomic forecasting (PI-14.1) and fiscal forecasting (PI-14.2.)

567. **Revenue collection is reasonably in line with the original budget for all assessed years.** Overall revenues were consistently above budget, but more than 12% above budget for only one of those years (2014), resulting in a B score. The variance in revenue composition exceeded 10% only in 2015, also scoring B. Within these figures, the underlying factors were:

- There was overall accuracy in forecasting tax revenues, but significant under-forecasting of non-tax revenues and grants and over-forecasting of special fund revenues.
- Starting in 2015, a decline in international trade influenced by external factors affected external VAT, excises and other foreign trade revenues, resulting in a general decrease in tax revenues. This brought the total revenue budget closer to actual results in 2015, but does not represent an improvement of the system.

568. See also Indicators PI-19 and 20, which report on the efficiency of tax administration.

#### PILLAR II. Transparency of public finances

Transparency of information on public finances is necessary to ensure that activities and operations of governments are taking place within the government fiscal policy framework and are subject to adequate budget management and reporting arrangements. Transparency is an important feature that enables external scrutiny of government policies and programs and their implementation.

569. The current status of transparency of public finances is ambiguous: on the one hand, the government generates extensive information on finances of the central government, but on the other hand the public has limited access to that information as evidenced by PI-9. The budget classification and chart of accounts are based on GFOG standards. The chart of accounts is embedded within the Tajik Financial Management Information System (TFMIS), which is able to produce timely and accurate data on the budget execution as evidenced by score B+ for PI-28. A comprehensive set of information is provided in the annual documentation. However, the public has limited access to that information, especially to the results of government activities. There is no public expenditure or revenue not reported in government financial reports, which enhances budget reliability (Plr.1) and transparency of public finances (Plr.2). Financial reporting by extra-budgetary units is reasonable prompt, which promotes financial data integrity (PI-27.4.). The financial reports of the Social Protection Fund which represent 100% of extrabudgetary expenditure are available within six months of the end of financial year.

570. During the period under assessment, local authorities received timely information on the planned annual transfers to be received from central government, and the budgets of local public authorities were approved in a timely manner. However, the current intergovernmental transfer system is not rule-based, which lowers its transparency and causes uncertainties for local governments when developing their medium-term and long-term development programs (PI-16).

571. **Some ministries developed a set of performance indicators to measure their performance.** However, performance results for outputs and outcomes are not presented either in the executive's budget proposals or in an annual report or other public document, since result-based budgeting has not been formalized. No evaluation of the performance of service delivery was undertaken during the last three years. As a result, the public does not have information on efficiency and effectiveness of service delivery. Fiscal information on the Ministry of Finance's website is published in a timely fashion, but it is not comprehensive and is highly aggregated.

### **PILLAR III. Management of assets and liabilities**

Effective management of assets and liabilities ensures that risks are adequately identified and monitored; public investments provide value-for-money; financial investments offer appropriate returns; asset maintenance is well planned; and asset disposal follows clear rules. It also ensures that debt service costs are minimized, and fiscal risks are adequately monitored so that timely mitigating measures may be taken.

572. **Overall, fiscal risks reporting (PI-10) is relatively good, but there is a scope for improvement.** The central government receives reports from public corporations and local governments, but the quantity, quality and timeliness are an issue. Central government entities and agencies quantify most significant contingent liabilities in their financial reports, but placing annual financial statements for state enterprises in mass media is limited and not mandatory. Local governments publish annual unaudited reports on their budgets execution in the mass media within nine months from the end of fiscal year.

573. **Significant weaknesses in public investment management represent challenges and affect the effectiveness and efficiency of capital spending.** The forecasts of total capital expenditures for investment projects are developed for the next financial year and the following two years at the stage of drafting the budget and submission to the Parliament, but the criteria for selecting investment projects are neither specified, nor standardized; economic analysis is performed only for individual large investment projects; information is published only on the implementation of projects with external assistance; medium-term forward recurrent costs for the on-going and new investment projects are not properly accounted and budgeted in the budget preparation process, which comes from weaknesses identified in PI-16.1., PI-16.2. and PI-16.3. Information on the implementation of investment projects is submitted by all executing agencies to the Government on a quarterly basis and is reviewed by the Government at least once a year, but only information on projects implementation with external assistance is regularly published.

574. **Basic records of financial and non-financial assets are maintained, but the government needs to develop and maintain a comprehensive register of all state-owned assets.** No records of assets or their disposal is published. A comprehensive debt management strategy exists and the government maintains an efficient system for recording and reporting debt and guarantees.

575. **Overall the assessment under this pillar indicates that** there is significant potential for making ineffective public investment decisions (PI-11), which would lead to financing of non-optimal investment projects and wasting of public funds. Also, low transparency on public assets information affects the quality of in-year financial reports (PI-28).

#### **PILLAR IV. Policy based fiscal strategy and budgeting**

Policy-based fiscal strategy and budgeting processes enable the government to plan the mobilization and use of resources in line with its fiscal policy and strategy.
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576. **The government prepares forecasts of the main macroeconomic indicators for three years, which are updated annually.** Fiscal policy is developed for a three-year period, but without explanation how those forecasts changed over time. Fiscal forecasts do not include discussion of the impact of alternative economic scenarios. Fiscal sensitivity analysis is not applied, which limits opportunities for the public to assess risks to the fiscal plans of the government. The above weaknesses in macroeconomic forecasting could potentially undermine aggregate fiscal discipline (PI-1). Also, the lack of reliable medium-term forecasts affects capital expenditure forward planning and public investment management (PI-11).

577. **The Annual Budget Law includes proposed changes in revenue and expenditure, but assessment of their impact is not publicly available.** Fiscal strategy sets the targets to be achieved by the government in terms of primary and overall balance and public debt. A progress report on fiscal strategy implementation is prepared annually. However, the report does not include a policy brief describing the reasons for any deviation from the set goals and objectives

and no corrective actions are proposed, which causes uncertainties and can affect external debt management (PI-13).

578. **Medium-term budget is developed and prepared for the next financial year and for the next two years, but it is adopted as an Annual Law on State Budget for one fiscal year only.** The aggregated budget estimates for the next two years are approved separately by the decree of the Parliament. Such arrangement results in poor link between annual and medium-term budgets (PI-16.3). Ministry level ceilings are not issued before the issuance of the first budget circular. Only some ministries have medium term strategies, which are poorly linked with budget allocations.

579. **The set of instructions used for budget preparation is comprehensive, covers total expenditure for the whole fiscal year, and provides clear guidance to budget organizations.** However, the budget calendar does not ensure the high-quality development of budget proposals and meeting the established deadlines. Budget circulars do not set budget ceilings, which are set by the Ministry of Finance at a later stage by sectors and line ministries, which, sometimes, causes last-minute changes to budget proposals. Submission of the budget to Parliament meets the deadlines established.

580. **When submitting the next financial year draft budget to the Parliament, an explanatory note is presented that contains a financial impact assessment of all proposed changes in the revenue and expenditure policy for the budget years.** However, this information is not publicly available.

581. **The procedures for review of the draft budget by the Parliament are well established, comprehensive and duly respected, but no public consultations are held.** The time frame for review and approval of the budget is sufficient. All decisions of the Government on adjustments to the budget are implemented strictly in accordance with the statutory limitations.

582. **Overall assessment under this pillar shows a poor linkage between annual and medium-term budgets,** which limits opportunities for the government to extend the horizon for fiscal policy making beyond the annual budgetary calendar (PI-15). Budget calendar does not provide sufficient time for developing high quality budget proposals. Budget ceilings for ministries are issued at later stage of budget process, which causes last minute changes to the budget proposals.

## **PILLAR V. Predictability and control in budget execution**

Predictable and controlled budget execution is necessary to ensure that revenue is collected, and resources are allocated and used as intended by government and approved by the legislature. Effective management of policy and program implementation requires predictability in the availability of resources when they are needed, and control ensures that policies, regulations, and laws are complied with during the process of budget execution.

583. **There has been significant progress in providing taxpayers information on their rights and obligations, but there are still several areas requiring further improvements.** Tax Committee and Customs have not fully implemented a risk-based audit system. Audit methodologies require further improvements, including developing compliance improvement plans. Tax arrears collection has serious weaknesses: the stock of arrears at the end 2016 was 3.74% of the total collection of tax revenues for the year, while the tax arrears over 12 months equaled to 74.8% of the total amount of tax arrears. Revenue recording and accounting is satisfactory. Appeal arrangements need further improvements.

584. **All cash balances, excluding the Social Protection Fund, are held in TSA.** Consolidation of cash balances occurs daily. The Treasury does not make updates to its cash forecasts based on actual cash inflows and outflows (which undermines the quality of information given to budgetary units) and significant annual adjustments continue to take place to the budget expenditure in the process of execution, and these are only partially transparent. These adjustments affect budget reliability indicator PI-2.

585. **Tajikistan does not have a significant problem with arrears of overdue expenditure liabilities, which remain at below 2% of total actual expenditures.** However, there is no system in place to prevent the accumulation of new arrears.

586. **Lack of integrated personnel, payroll and payment systems combined with the existence of manual systems increases the risk related to payroll; extensive manual control activities are required to ensure the validity, completeness and timeliness of changes, and accuracy of the calculation.** Due to strengthening of internal control (PI-26), there is an improvement in oversight over the civil service payroll system. However, limited automation of processes does not guarantee protection from data manipulation. Payroll audit in all public institutions was conducted at least once in the past three years.

587. **Tajikistan has made significant improvements in its procurement ratings, mainly due to a significant increase in a number of contracts awarded using open competition methods.** There has been progress in strengthening the legal and institutional frameworks, developing e-procurement system and decentralization of processes. However, Tajikistan has no effective independent mechanism for resolution of administrative complaints.

588. **There is an extensive internal control on non-wage expenditure established by legislation.** A specific module of TFMIS ensures that no commitments are undertaken for which there is no provision in the approved budget, which prevents from incurring new expenditure commitments and arrears (PI-22). Questions of segregation of duties, receipt of goods, accounting and payment are clearly established.

589. **Some progress has been made with developing an internal audit function, but many challenges remain.** Internal audits are mainly focused on compliance with budget commitments and not on review and analysis of systems. Independence of internal auditors is poorly regulated by legislation. Audit is not risk-based. Regular reports are submitted to

management and the majority of planned audits take place with almost all responses taking place within a year of the report.

## PILLAR VI. Accounting and reporting

Timely, relevant and reliable financial information is required to support fiscal and budget management and decision-making processes.

590. **There has been progress with accounts reconciliation and financial data integrity, but weaknesses in fiscal reporting remain.** There is a high level of integrity in TFMIS due to the strong controls in place (PI-25.2), segregation of duties (PI-25.1) and regular banking reconciliation (PI-27.1). Reports include comprehensive data on public assets (PI-12) and external debt (PI-13). However, the reports cannot show comparisons with budget in detail, and are produced quarterly, whereas monthly reports would be more useful. All suspense accounts are closed (PI-27.2). Reconciliation of advance accounts takes place at least monthly, within a month from the end of each month (PI-27.3). Most advance accounts are cleared in a timely way. A unit in the Central Treasury responsible for access control of financial data was created with responsibility to conduct monthly reconciliations with budget organizations to ensure accuracy of financial data. Access and changes in the records of budget organizations are limited and recorded, and result in an audit trail. However, currently there is no arrangement for periodic auditing/testing IT system control in place.

591. While the annual financial statements reflect a cash-based approach to accounting and reporting, the compliance with IPSAS is poor (PI-29).

## PILLAR VII. External scrutiny and audit

Effective external audit and scrutiny by the legislature are enabling factors for holding the government's executive branch to account for its fiscal and expenditure policies and their implementation.

592. **The Chamber of Accounts' has been strengthening its capacities over the recent years, which is confirmed by the increased number of audits and audit opinions issued.** However, the Chamber of Accounts needs to continue adoption and implementation of INTOSAI standards. The main emphasis of audit is on the compliance rather than on performance of systems.

593. **The audit reports presented by the Chamber of Accounts are reviewed by the respective committees of the Parliament.** Members of the committee, representatives of the Chamber of Accounts and heads of audited entities take part in the process of the audit opinion review. There is a control unit under the Parliament that monitors the implementation of decisions taken. However, public does not have access to the process of audit reports' review (PI-9). The results of review are not published.

## 4.2. Effectiveness of the internal control framework

594. Internal control of non-salary expenditure scores B, which is an improvement on the situation in 2012. There are also significantly improved payroll controls (PI-23), and although this still only scores a C+.

595. Annex 2 provides a detailed commentary on the internal control framework. The improvements flow from a 2007 Government Strategy of Development of State Internal Financial Control. Though this is still an ongoing process, it has so far resulted in the improvements in the PEFA scores.

596. In particular, the improvements have resulted from:

- Regular reconciliation of payroll and Human Resource (HR) records;
- Improved expenditure commitment controls;
- Improved compliance with expenditure control procedures.

597. However, there are still significant gaps in internal controls.

598. On payroll, the requirement is for improved central control integrating payroll and HR records. Also, there continue to be problems recruiting and retaining appropriately qualified staff.

599. The lack of control over assets is noted under PI-12, which only scores a C+. In particular, the problems of maintaining and updating a register of fixed assets, and weak control over disposals are reported.

600. Internal controls over non-salary expenditure require further improvement. The lack of any formal risk management process, the fact that commitment controls are not fully implemented and the absence of independent audit reports on the internal controls all indicate the scope for improvements.

601. Below is brief information on key components of the control framework:

- **Control environment.** Legislation on internal control provides for specific roles for each player, including top management. The Ministry of Finance is in charge of implementing internal audit policy. The Ministry also provides methodological support to public sector entities. Each budget entity employing more than 800 staff must have an internal audit unit. The internal auditor reports to the head of organization (PI-26).
- **Risk assessment.** There is no formal risk management in place.
- **Control activities.** The Central Treasury and local treasury offices ensure that commitments and payment are consistent with budgetary appropriations. Duties in internal control process are well segregated by legislation. Access to information system, such as TFMIS is controlled through passwords. However, the TFMIS system has never



been audited which raises questions on its reliability. There is no centralized fixed assets database in the Ministry of Finance to maintain up to date additions, losses and disposals. Also, there is no centralized payroll system of staff of budget organizations. The Central Treasury conducts reconciliations of revenue accounts with the Tax Committee and the Customs Service on a monthly basis; reconciliations with the National Bank are performed on a daily basis (PI-27). Operations, processes and activities are reviewed by internal and external audit. Supervision is provided by the Ministry of Finance on internal audit issues and by the Chamber of Accounts on external audit issues.

- **Information and communication.** All budget entities are obligated to submit their annual internal audit report to the Ministry of Finance by April 1. The Ministry of Finance submits a consolidated internal audit report to the Government by May 1 (PI-26).
- **Monitoring.** All budget organizations are obligated to establish a financial control monitoring system. However, depending on budget organizations' capacities, monitoring systems differ from organization to organization (PI-26).

### 4.3. PFM strengths and weaknesses

#### *Aggregate fiscal discipline*

602. Aggregate fiscal discipline requires effective control of the total budget and management of fiscal risks. Maintaining the balance between revenues and expenditures, the debt level, and other fiscal aggregates requires setting firm limits, in advance, that drive the budget decisions on both the annual and medium-term basis.

603. At an aggregate level the government has met its fiscal targets, however fiscal discipline is undermined through large variances in expenditure composition by economic type. This relates principally to the frequent adjustment of budget and unanticipated costs of implementing large investment projects.

604. Improvements in the treasury function and control structure have effectively contained expenditures and avoided accumulation of expenditure arrears during the assessed period. Also, the recording of government debt and the inclusion of donor funded project bank accounts into the consolidation of government cash/bank balances is sound. However, the government remains exposed to unquantified fiscal shocks due to poorly developed monitoring of risks from SOEs.

#### *Strategic allocation of resources*

605. Strategic allocation of resources involves planning and executing the budget in line with government priorities aimed at achieving policy objectives. The allocation of resources requires evidence on the importance and effectiveness of government's activities and programs.

606. The technical aspects of the medium-term budget planning process are developed, but its implementation is poor. Only two out of five indicators concerned with 'policy-based fiscal

strategy and budgeting’, (PIs 14 to 18) received satisfactory ratings, which demonstrates that the processes to allocate budgetary resources in accordance with the government priorities is poor. There is progress in the budget preparation process, but macroeconomic forecasting, developing fiscal strategy and medium-term expenditure budgeting require further improvements.

607. Budget allocations reflect medium-term policy objectives and priorities as formulated in the line ministry submissions for the medium-term budget planning process. However, the strategic focus of the budget is reduced by varying availability of sector strategies to underpin the medium-term budget submissions.

608. Public investment management is weak and requires further improvement. A lack of an effective process of reviewing capital investment projects reduces their impact in supporting the government’s social and economic development objectives.

***Efficient use of resources for service delivery***

609. Efficient use of resources for service delivery requires using budgeted revenues to achieve the best levels of public services within available resources. Services are critical points of contact between citizens and government.

610. Lack of performance based budgeting, on the whole, makes it impossible for line ministries and the public to monitor performance. Significant budget reallocations over the fiscal year lack transparency and may result in a contraction of planned services. Public procurement practices are improving but it still requires further improvements to achieve the best value for money of government purchases. Internal and external audits are still focused on compliance rather than addressing systemic or performance issues.

**4.4. Performance changes since a previous assessment**

611. Table 35 below identifies all changes in assessment scores between 2012 and 2017.

**Table 35: Performance changes since last assessment**

Indicator/dimension		Current Assessment (2017)	Previous Assessment (2012)	Improvement ✓ or worsening X or new indicator
<b>PILLAR I – BUDGET RELIABILITY</b>				
PI-1	Aggregate expenditure outturn	A	A	No change

Indicator/dimension		Current Assessment (2017)	Previous Assessment (2012)	Improvement √ or worsening X or new indicator
<b>PILLAR II – TRANSPARENCY OF PUBLIC FINANCES</b>				
PI-7	Transfers to subnational governments	B	B	No change
PI-8	Performance information for service delivery	D	D	No change
PI-9	Public access to fiscal information	D	C	X
<b>PILLAR III – MANAGEMENT OF ASSETS AND LIABILITIES</b>				
PI-11	Public investment management	D+	-	New
PI-12	Public asset management	C+	-	New
PI-13	Debt management	A	B	√
<b>PILLAR IV – POLICY BASED FISCAL STRATEGY AND BUDGETING</b>				
PI-14	Macroeconomic and fiscal forecasting	C	C	No change
PI-15	Fiscal strategy	C+	-	New
PI-16.	Medium-term perspective in expenditure budgeting	D+	D+	No change
PI-18	Legislative scrutiny of budgets	B+	B+	No change
<b>PILLAR V - PREDICTABILITY AND CONTROL IN BUDGET EXECUTION</b>				
PI-19	Revenue administration	C+	C	√

Indicator/dimension		Current Assessment (2017)	Previous Assessment (2012)	Improvement √ or worsening X or new indicator
PI-20	Accounting for revenue	A	-	New
PI-21	Predictability of in-year resource allocation	C+	D+	√
PI-22	Expenditure arrears	C+	D+	√
PI-23	Payroll controls	C+	D+	√
PI-24	Procurement	B	C+	√
PI-25	Internal controls on non-salary expenditure	B+	C+	√
PI-26	PI - 26. Internal audit	C	C+	X
<b>PILLAR V1 – ACCOUNTABILITY AND REPORTING</b>				
PI-28	In-year budget reports	B+	C+	√
<b>PILLAR V11 – EXTERNAL SCRUTINY AND AUDIT</b>				
PI-30	External audit	C+	D	√
PI-31	Legislative scrutiny of audit reports	C+	D	√

612. This is the third PFM performance assessment for Tajikistan based on the PEFA framework. When considering comparing the aggregated performance at the indicator level between this assessment and the last assessment in 2012 there has been no change in performance for six indicators. In the case of ten indicators there is an improvement in performance and for two indicators a lower score was observed. Of those two indicators, the score for internal audit did not relate to a change in performance but to over-optimistic interpretation of the framework in 2011. A worsened score for public access to information is related to changes in methodology of scoring. Improvements are in the areas that government demonstrated high commitment to reforms: budget execution and control, revenue administration and external audit. Although budget preparation process also was one of the government PFM goals, the progress was ambiguous: improvements in budget preparation calendar and no changes in macroeconomic forecasting and forward planning. The latter areas

are technically harder to implement and require further government efforts to push these reforms. There is also no change in performance information for service delivery since budgeting in Tajikistan is not performance based.

## 5. GOVERNMENT PFM REFORM PROCESS

### 5.1. Approach to PFM reform

613. Tajikistan has, from an early stage, recognized that modernizing Public Financial Management is an important component of an overall strategy of public administrative reform. Such modernization is required to address the multiple challenges of poverty and the need to move towards a prosperous modern economy. The Republic of Tajikistan was the poorest country in the Soviet Union and remains the most impoverished nation in the region today, with many of the characteristics of a fragile state, thus emphasizing the need for reform. PFM reforms commenced in 1997 with the formation of the Treasury, then in 2001 with automation through the Treasury Information Management System (TIMS).

614. Prior to 2009, significant progress in PFM reform was achieved. Besides the formation and automation of the Treasury referred to above:

- The Treasury Single Account (TSA) for republican and local budget execution was opened at the National Bank of Tajikistan (NBT)
- Further improvements to the Treasury IT system TIMS 2
- A new budget classification (economic and functional segments) was developed in 2004 and a new organizational classification introduced in 2010. A Unified Chart of Accounts is currently in the final stages of development.
- The introduction of a Three-Year Budget in pilot sectors.
- Initiation of internal audit
- Progress on the legislative framework

615. Until 2009 the PFM reforms were largely ad-hoc and donor driven. To address these issues, in 2009, Government of Tajikistan adopted the Public Financial Management Strategy, which is based on weaknesses identified by the Tajikistan PEFA 2007 Assessment. This Strategy extends over the period 2009-2018 and guides PFM modernization. The Strategy envisaged seven reform elements sequenced over the 10 years to 2018 as summarized below.

**Table 36: PFM Reform Strategy 2009**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1. Budget stability, credibility, transparency and comprehensiveness										
2. Roles and responsibilities										
3. National PFM capacity										
4. Checks and balances										
5. Policy based budgeting										
6. Automation of PFM system, properly functioning TSA										
7. Development of fiscal decentralization										

616. PFM Council adopted the PFM Action Plan for 2012-14 in August 2011. This Action Plan provides a reform agenda for 2012-14 based on the PFM Reform Strategy as above. The Action Plan have seven components (these are not the same as the seven goals of the PFMRS) that relate to organizational and project structures:

- Improving strategic Planning and budget preparation system
- Budget execution and treasury operations
- Improving public sector accounting
- Internal and external audit
- Monitoring, evaluation and feedback
- Process automation and ICT modernization of MoF
- Institutional reforms and fiscal decentralization

617. A Simplified Monitoring Framework was developed based on the plan and this Framework.

618. Implementing the 2012-14 Action Plan provided a number of lessons:

- The key requirement that reforms are driven by GoRT
- The need for structured program and project management
- The requirement to identify a limited number of monitorable outputs and outcomes for each action
- The need for realism as to what can be achieved by what date
- Appropriate sequencing and timing of activities
- Recognition that many reforms are in fact a process that evolve over time
- Allocation of sufficient skilled staff for the various new tasks, including staff for training institutions

619. The design of the Action Plan 2015-2018 took account of these lessons and is organized under eight main categories:

1. Program and project management
2. Planning and budget
3. Debt and revenue management
4. Budget execution and treasury
5. Accounting and financial reporting
6. Governance and civil society
7. Financial management information systems
8. Institutional and human capacity

620. The reform action plan is linked to the PEFA Indicators and is set out in the table below. Note that the referenced PEFA Indicators refer to the pre-2016 PEFA Framework.

**Table 37: PFM Action Plan 2015 - 2018**

Issue	Target outcome	2015	2016	2017	2018
<b>1 Program and project management</b>	Effective PFM program and project management implemented throughout the action plan period	•	•	•	•
<b>2.1 Macroeconomic resource forecasts</b> Forecasting models already developed to be tested and staff trained. These need to be established as a system that provides sectoral resource forecasts as the basis for MTEF and budgeting	New macroeconomic forecasting models operational in MoF, NBT and MoEDT	•			
<b>2.2 MTEF</b> Rationalization of MABAs is critical to effective financial management.	MABAs rationalized to enable effective management of sector strategies	No target date - issue of GoRT policy			



Issue	Target outcome	2015	2016	2017	2018
These should be linked to the sectoral and program approach of the MTEF	Six pilot Ministries adopt sectoral approach to develop an MTEF	•			
	Sectoral approach and MTEF implemented across all Republican Level Ministries				•
<b>2.3 Budget Classification</b>					
Budget classification and Chart of Accounts should use identical codes	Identical codes for budget classification and UCOA program classification introduced for the budget and UCOA.		•	•	
<b>2.4 Capital (investment) and recurrent budget</b>					
A strategy for integrating investment planning and budgeting has been agreed. This needs to be implemented	Processes for investment (capital) budgeting integrated between MoEDT, MoF and other concerned agencies in accordance with developed strategy and using FMIS			•	
<b>2.5 Budget reporting and monitoring</b>					
Expanded functionality of the new FMIS and Treasury cash and commitment management should be used to enable automated budget reporting	Budget reports appropriate to the information needs of MABAs in terms of content, timing and format. The reports should be compliant as far as relevant with TPSFRS and generated by the FMIS	•			
	Reports integrate information on budget ceilings, commitments and expenditures using program budget reporting to enable a link to performance indicators				•
<b>2.6 Decentralization</b>					
Continuation of ongoing actions to achieve government policy of decentralization integrated with other PFM reforms	Design of rational basis for allocating funds to local levels of government based on roles and responsibilities	•			
	Actions initiated to enhance local level participation in the budget process		•		
	Collection and publication on the MoF web site of financial information for local level			•	
<b>3.1 Debt management</b>					
Actions to improve effectiveness of debt management and integrate with treasury cash management	Debt management strategy agreed and implemented	•			
	Enhanced debt management software implemented across all concerned agencies and utilized for debt management		•		
	Integrated debt and cash management				•

Issue	Target outcome	2015	2016	2017	2018
<b>3.2 Revenue management</b>	Reorganized Tax Committee and field offices to better utilize resources	•			
Required actions already identified - implementation now required.	Enhanced IT systems for tax collection and management	•			
This is the subject of a separate program of support and is not under the control of the MoF	Tax Committee staff trained to deliver improved service to taxpayers		•		
	Simplified payment system and reduced number of payments to reduce compliance costs for taxpayers		•		
	Tax arrears eliminated			•	
	Revenue yields increased to at least regional average				•
<b>4.1 Treasury Strategy</b>	SGB.Net made operational in Treasury and direct data entry in pilot MABAs/BOs	•			
Assumes MDCT restructured & staff trained by end 2014	Rollout of direct entry to all Republican level BOs & DFOs			•	
<b>4.2 Cash management</b>	Treasury staff trained in cash management procedures	•			
The principles of cash management have been agreed and need to be implemented	Expenditure and revenue profiling		•		
	Fully integrated cash management systems				•
<b>4.3 Commitment management</b>	Pilot commitment management system in selected ministries		•		
The principles of multiyear contractual commitment management have been established and need to be implemented	Presidential Decree requiring commitment management			•	
	Commitment management operating in all Republican level BOs				•
	Reports integrating budget, commitment and expenditure information				•
<b>5.1 TPSFRS and financial statements</b>	Pilot financial statements 2014 financial year compliant with Tranche 1 TPSFRS	•			
Tranche 2 will extend the incorporation of IPSAS into TPSFRS. Full adoption of IPSAS is not expected as TPSFRS will be completed within this period	Published financial statements 2015 financial year compliant with tranche 1 TPSFRS		•		
	Tranche 2 TPSFRS adopted				•

Issue	Target outcome	2015	2016	2017	2018
	Incorporate fixed asset valuations in 2017 financial statements				•
<b>5.2 Asset management</b>	Inventory of assets and liabilities completed and recorded within FMIS asset management module			•	
Inventory of all assets in order to make the financial statements reliable	Procedures for ongoing management and recording of assets and liabilities established				•
<b>5.3 Publicly available financial information</b>	Information published on MoF web site in accordance with PEFA requirements	•			
<b>6.1 Parliamentary oversight</b>	Parliamentary procedures for review of Chamber of Accounts audit reports established and reviews taking place	•			
The publication of audited financial statements provides an opportunity and requirement for Parliamentary review and action on such reports	Members of the Committee on Economy and Finance plus support staff trained on reviewing audit reports and financial statements from Government entities	•			
	Initiation of a system of public hearings with the relevant Ministers and officials to address issues raised in audit reports.		•		
<b>6.2 Civil Society Participation</b>	Plan for civil society participation with monitorable performance indicators	•			
<b>6.3 Public Internal Financial Control</b>	Internal audit units functioning in all MABAs and District Finance Offices in accordance with internal audit standards		•		
Much work has already been undertaken to initiate PIFC including internal audit and financial management control across government, and training of internal audit staff. The requirement is to extend and deepen these initiatives	Internal audit reports prepared on all BOs according to a fixed schedule and distributed to Head of Ministry, MoF and Chamber of Accounts			•	

Issue	Target outcome	2015	2016	2017	2018
	Revised Financial Management Control procedures to address changes resulting from new Treasury procedures, FMIS and TPSFRS developed and adopted by Presidential Decree		•		
	Staff in all BOs trained in new FMC procedures			•	
	Internal audit reports indicate adequate levels of FMC in BOs responsible for at least 90% of GoRT expenditure and revenues				•
<b>6.4 External audit by the Chamber of Accounts</b>	Chamber of Accounts audit standards consistent with INTOSAI standards adopted	•			
The Chamber of Accounts is a new body and there is much work to prepare credible audit reports that comply with international standards	Chamber of Accounts fully established with audit methodology, standards, systems and trained staff		•		
	First annual report to Parliament on government financial management in accordance with above standards			•	
	First audit report on GoRT Whole of Government Financial Statements			•	
	Published audit plan incorporating audit reports on financial statements and special audit reports				•
<b>7.1 FMIS</b>	MTEF module developed, tested, staff trained & operational	•			
The development and implementation of further modules to increase the functionality of FMIS	Commitments and cash management modules developed, tested, staff trained & operational		•		
	Financial and budget reporting modules developed			•	
	Accounts payable and receivable modules operational developed, tested, staff trained & operational		•		
	Asset management module operational developed, tested, staff trained & operational			•	

Issue	Target outcome	2015	2016	2017	2018
	Audit module developed, tested, staff trained and operational				•
<b>7.2 Payroll and HRM</b> A design study has been initiated	Conceptual design of payroll system approved	•			
	User requirements and bid documents		•		
	Tendering and selection			•	
	System implemented and operational across GoRT				•
<b>7.3 Management and operation of FMIS</b>	IT Centre and MoF IT Division combined into IFOSC acting as service provider for FMIS and all MoF IT systems	•			
<b>7.4 MoF Web Portal</b>	Web portal established for MoF allowing secure access to financial and other information and reports	•			
<b>7.5 Business Continuity</b>	Business Continuity Plan for MoF IT systems adopted		•		
	Business Continuity Plan implemented			•	
	Business Continuity Plan tested annually				•
<b>7.6 COTS acquisition</b> This sub-section only applies if a decision is made to proceed to acquisition of COTS	Appointment of consultant to support bid and selection of COTS and management of implementation	•			
	Amended conceptual design and specification for COTS		•		
	Initiation of COTS bid process			•	
	COTS system implementer contracted				•
<b>8.1 HRM Department</b> These outcomes require approval and implementation of the new HRM Department	HRM Department created as a result of restructuring	•			
	New HRM procedures documented and approved		•		
	Staff trained in new HRM procedures		•		
	HRM Department functioning effectively in modern HRM role			•	
<b>8.2 PFM Training</b> Assumes a new PFM Training	PFM Training Institute established with business plan		•		

Issue	Target outcome	2015	2016	2017	2018
Institute	PFM Training Institute operational and delivering training		•		
	All MoF staff involved in PFM provided with task related training			•	
	All PFM staff across GoRT provided with task related training				•
	Training evaluation initiated			•	
<b>8.3 Professionalization of PFM staff</b>	Professional body formed or GoRT staff engaged in finance functions			•	
To create a cadre of PFM specialists	Structured professional training for GoRT PFM specialists				•
<b>8.4 MoF Restructuring</b>	The Department of Accounting and Audit Methodology upgraded with additional senior PFM staff	•			
Key elements of restructuring plan should be implemented					

621. From the current PEFA Assessment, it is evident that the majority of targets established in PFM Action Plan for 2015-2018 will not be completed by the specified time. There are different reasons for non-compliance with deadlines, but the main reasons are i) over-ambitious set of targets to be implemented in a relatively short period, ii) lack of adequate technical and financial capacities to complete reforms, and iii) lack of political will to push reforms in some specific areas.

622. From the above set of PFM reform targets, only implementation of new financial reporting was completed in the specified time. Reforms on macroeconomic modeling, MTEF, budget classification, revenue management treasury modernization, internal and external audit, payroll and HRM, and FMIS are being implemented with different degrees of success. Reforms of capital investment budgeting, fiscal decentralization and assets management have not started yet.

623. Taking into account that the majority of targets established in PFM Reform Strategy for 2009-2018, most likely, will not be achieved by the specified deadline, the Government of Tajikistan should develop and approve a new PFM reform strategy for 2019 and beyond. The new strategy should be adjusted appropriately based on both lessons learned from implementation of the previous strategy and weaknesses identified by the current PEFA Assessment.

## **5.2. Institutional considerations**

624. The PFM Council under the Chairmanship of the Minister of Finance was formed to coordinate PFM reforms. However, the Council has not been active and there are proposals for enhanced PFM reform program management.

625. Under the reforms there has been significant legislative, institutional and system reform as summarized below.

### **Legislative reforms**

626. New laws relevant to PFM include:

- The Law of the Republic of Tajikistan “On Treasury” (2008);
- The Law of the Republic of Tajikistan “On State and State Guaranteed Borrowing and Debt” (1999);
- Law of the Republic of Tajikistan “On Internal Audit of the Public Sector” (2010);
- Law of the Republic of Tajikistan “On financial management and internal financial control in the public sector” (2010);
- Law of the Republic of Tajikistan “On Accounting and Financial Reporting” (2011);
- Law of the Republic of Tajikistan "On the Chamber of Accounts of the Republic of Tajikistan” (2011);
- Law of the Republic of Tajikistan “On Banking Activities” (2009);
- The Tax Code of the Republic of Tajikistan (2012);
- The Law of the Republic of Tajikistan “On Public Procurement of Goods, Works and Services”, of 24 February 2006, No. 184, (as amended by the Act of 16 April 2012, No. 815);
- Decree of the Government of the Republic of Tajikistan No. 500 dated October 2, 2010 “On approval of the Rules for opening of bid proposal for procurement of goods, works and services in state investment projects in the Republic of Tajikistan.

### **Institutional reforms**

627. Besides the formation of the PFM Reform Council institutional reforms have included:

- Reorganization of the State Treasury
- Creation of a PFM Reform Management Unit within the MoF
- Reorganization of various MoF Departments

## **System reforms**

628. The initial Treasury Information Management System (TIMS) was implemented at an early stage in the reforms to accommodate the modern role of the Treasury separate to the role of the central bank. Subsequently this was replaced by a new Financial Management Information System (FMIS) based on the Turkish PFM software. However, this system has been extensively redeveloped for use in Tajikistan.

## **Summary of PFM reforms**

629. In Tajikistan PFM reform is an ongoing process, with present reform plans going through to 2018. Key features include:

- Government driven – through the PFM Council and overall program management
- Coordination – provided by the PFM Council, although the effectiveness of this coordination requires improvement
- Sustainability – the level of local leadership and ownership in the reforms should ensure sustainability
- Transparency – the reform process was subject to regular monitoring and reporting, though this has not been as proactive over the last few years.



## Annex 1: Performance indicator summary

### Current Assessment (2017)

Indicator/dimension	Score	Description of requirements met	
<b>PILLAR I – BUDGET RELIABILITY</b>			
PI-1	Aggregate expenditure outturn	A	In the last 3-years the budget has deviated by more than 5% of the original budget in 2013 but less than 5% in two of the years (2014 and 2015).
PI-2	Expenditure composition outturn	D+	Variance in expenditure composition has deteriorated, but there has been a significant reduction in contingency expenditure.
2.1	Expenditure composition outturn by function	D	Variance in expenditure composition by functional classification was less than 15% only in 2014.
2.2	Expenditure composition outturn by economic type	C	Variance in expenditure composition by economic classification was less than 15% in two of the years 2013-15.
2.3	Expenditure from contingency reserves	A	The actual expenditure attributed to contingency reserves averaged 2.1% of the original budget over the years 2013-15.
PI-3	Revenue outturn	B	As in the 2012 assessment, the indicators of domestic taxes and fees correspond to the “A” rating, but the overall rating was reduced by the data on the receipt of special funds.
3.1	Aggregate revenue outturn	B	In all the years 2013 to 2015, the actual total revenues exceeded the original budget. In two of those years, total revenue was less than 112% of the budget.
3.2	Revenue composition outturn	B	The variance in revenue composition was less than 10% in two of the years 2013-15.

**Current Assessment (2017)**

<b>Indicator/dimension</b>	<b>Score</b>	<b>Description of requirements met</b>	
<b>PILLAR II – TRANSPARENCY OF PUBLIC FINANCES</b>			
PI-4	Budget classification	B	Budget formulation, execution, and reporting are based on administrative, economic, and functional classification, using standards compatible with GFS/COFOG.
PI-5	Budget documentation	A	The government’s budget documentation complies with 11 out of 12 of the elements of information required.
PI-6	Central government operations outside financial reports	A	The accounting system provides the government with detailed financial reports on extra-budgetary funds, including partner financing and grants. All extra-budgetary revenue and expenditure are included in the government financial reporting.
6.1	Expenditure outside financial reports	A	No actual expenditure outside government financial reports.
6.2	Revenue outside financial reports	A	No revenue outside government financial reports.
6.3	Financial reports of extra-budgetary units	A	Detailed financial reports of all extra-budgetary units are submitted to government annually within three months of the end of the fiscal year. Financial reporting includes special funds, loans, and grants. Full information on revenues/expenditures for donor-funded projects is included in the financial statements, with the exception of in kind contributions.
PI-7	Transfers to subnational governments	B	During the period under assessment, local authorities received timely information on the planned annual transfers, and the budgets of local public authorities were approved in a timely manner. Simultaneously, the practice of applying the per capita financing for basic social services is gradually expanding.

**Current Assessment (2017)**

<b>Indicator/dimension</b>	<b>Score</b>	<b>Description of requirements met</b>
7.1 System for allocating transfers	C	The horizontal allocation of 75 percent or more (by value) transfers to subnational governments from central government is determined by transparent, rule-based systems.
7.2 Timeliness of information on transfers	A	The process by which subnational governments receive information on their annual transfers is managed through the regular budget calendar. The budget calendar is common to all participants in the budget process, including local government authorities. Local authorities participate at all stages of the draft budget process and receive timely information about the planned annual transfers.
PI-8 Performance information for service delivery	D	Public authorities, through websites and magazines, have increased the volume of information about their planned activities. However, public information on the activity results is limited, with insufficient details to assess effectiveness, and audit reports are not published.
8.1 Performance plans for service delivery	D	Information is published annually on policy or program objectives, key performance indicators, outputs to be produced, and the outcomes planned for most ministries (75 percent or more by value), disaggregated by program or function.
8.2 Performance achieved for service delivery	D	Information is published annually on the activities performed for the majority of ministries (50 percent or more by value).
8.3 Resources received by service delivery units	C	Regular assessment of resources is held by the Ministry of Education in relation to one of the main types of services - school education.
8.4 Performance evaluation for service delivery	D*	A lack of publicly available audit reports means that effectiveness and efficiency of service delivery cannot be assessed.
PI-9 Public access to fiscal information	D	Access is provided to 2 basic and 3 additional items of the specified information. 4 basic elements are required for a C.

**Current Assessment (2017)**

<b>Indicator/dimension</b>	<b>Score</b>	<b>Description of requirements met</b>	
<b>PILLAR III – MANAGEMENT OF ASSETS AND LIABILITIES</b>			
PI-10	Fiscal risk reporting	C	Receipt of reports from public corporations and subnational governments is insufficient to justify higher than a C score. Most contingent liabilities are quantified.
10.1	Monitoring of public corporations	C	Government receives financial reports from most public corporations (75 percent or more by value) within nine months of the end of the fiscal year.  The government receives financial reports from all state enterprises, but placing annual financial statements for state enterprises in mass media has not yet become mandatory.
10.2	Monitoring of subnational governments	C	Unaudited reports on the financial position and performance of the majority of subnational governments (more than 50% by value) are published at least annually within nine months of the end of the fiscal year.
10.3	Contingent liabilities and other fiscal risks	C	Central government entities and agencies quantify most (75 percent or more by value) significant contingent liabilities in their financial reports.  These are submitted to the Parliament as part of the for the draft budget documentation for the next financial year.
PI-11	Public investment management	D+	The dimensions of this indicator are all ranked as C, giving an overall score of C.
11.1	Economic analysis of investment proposals	C	Economic analyses are conducted to assess some major investment projects (25 percent or more by value).
11.2	Investment project selection	D	Prior to their inclusion in the budget, some of the major investment projects (25 percent or more by value) are prioritized by a central entity.  Criteria for selection of investment projects are neither specified, nor standardized.

**Current Assessment (2017)**

<b>Indicator/dimension</b>	<b>Score</b>	<b>Description of requirements met</b>
11.3 Investment project costing	C	<p>Medium term forward recurrent (for operational and maintenance) costs and for the ongoing and new investment projects are not properly accounted and budgeted in the budget preparation process. Government should also be informed on the associated recurrent costs when taking decisions on new projects</p> <p>At sector level, recurrent and capital budgets are prepared separately, in most cases by two separate Departments (Budget department and Construction department) with low degree of coordination and integration between both.</p>
11.4 Investment project monitoring	C	<p>The total cost and physical progress of major investment projects are monitored by the implementing government unit. Information on implementation of major investment projects is prepared annually.</p> <p>Information is regularly published only on the projects implemented with external assistance.</p>
PI-12 <b>Public asset management</b>	C+	<p>The dimensions of this indicator are all ranked as C, giving an overall score of C.</p>
12.1 Financial asset monitoring	C	<p>Treasury maintains a record of the government's holdings in major categories of financial assets, but information on the status of the main categories of financial assets is not published.</p>
12.2 Nonfinancial asset monitoring	C	<p>The government maintains a register of its holdings of fixed assets, and collects partial information on their usage and age. Monitoring of nonfinancial assets is carried out by the relevant authorized bodies that perform accounting and monitoring in their own areas using specialized information systems, without publication in the media.</p>

**Current Assessment (2017)**

<b>Indicator/dimension</b>	<b>Score</b>	<b>Description of requirements met</b>
12.3 Transparency of asset disposal	B	All the necessary legislative and regulatory documents that regulate the process and procedures for the transfer or disposal of nonfinancial assets are developed and are functioning. Partial information on transfers and disposals is included in budget documents, financial reports, or other reports.
<b>PI-13 Debt management</b>	<b>A</b>	An A score has been awarded to dimensions 2 and 3, and dimension 1 is not far from an A.
13.1 Recording and reporting of debt and guarantees	B	Domestic and foreign debt and guaranteed debt records are complete, accurate, and updated quarterly. Most information (75% or more by value) is reconciled quarterly. Comprehensive management and statistical reports covering debt service, stock, and operations are produced at least annually.
13.2 Approval of debt and guarantees	A	Primary legislation grants authorization to borrow, issue new debt, and issue loan guarantees on behalf of the central government only to the Ministry of Finance. Documented policies and procedures provide guidance to borrow, issue new debt and undertake debt-related transactions, issue loan guarantees, and monitor debt management transactions by MOF. Annual borrowing must be approved by Parliament.
13.3 Debt management strategy	A	A medium-term debt management strategy covering existing and projected government debt, with a horizon of three years, is submitted to Parliament and publicly reported. The strategy includes target ranges for interest rates, refinancing, and foreign currency risks. Annual reporting against debt management objectives is provided to Parliament. The government's annual plan for borrowing is consistent with the approved strategy.

**Current Assessment (2017)**

<b>Indicator/dimension</b>	<b>Score</b>	<b>Description of requirements met</b>
<b>PILLAR IV – POLICY BASED FISCAL STRATEGY AND BUDGETING</b>		
<b>PI-14 Macroeconomic and fiscal forecasting</b>	<b>C</b>	The budget documentation submitted by the Government to the Parliament together with the draft Law on Budget includes annually updated key directions of the fiscal and tax policy for three years, but without explanation of the main differences from the forecasts made under the previous draft budget.
14-1 Macroeconomic forecasts	B	The government prepares forecasts of the main macroeconomic indicators for three years, which are included in the budget documentation for the draft budget submitted to Parliament. These forecasts are updated annually.
14.2 Fiscal forecasts	C	The budget documentation when submitting the Draft Law on the Budget to the Parliament includes the clarified key directions of the fiscal and tax policy for three years, but without explanation of the main differences from the forecasts made under the previous draft budget.
14.3 Macro-fiscal sensitivity analysis	D	If baseline data is available, different scenarios of fiscal forecasts are not generally developed and published.
<b>PI-15 Fiscal strategy</b>	<b>C+</b>	For this new indicator, the overall score, by method M2, is B.
15.1 Fiscal impact of policy proposals	C	When submitting the next financial year draft budget to the Parliament, a detailed explanatory note is provided as part of the budget documents, which assesses the financial impact of all proposed changes in the revenue and expenditure policy for the budget year and the next two fiscal years.
15.2 Fiscal strategy adoption	B	The current fiscal strategies (budget year and the following two fiscal years) of the Government were submitted to the Parliament as part of the budget documentation for the draft budget, with indication of quantitative fiscal objectives, but they were not published.

**Current Assessment (2017)**

<b>Indicator/dimension</b>	<b>Score</b>	<b>Description of requirements met</b>
15.3 Reporting on fiscal outcomes	C	An internal analytical report on the progress achieved in fiscal strategy implementation for the past year is prepared and reviewed by the Government annually, but it is not part of the annual report submitted to Parliament.
<b>PI-16. Medium-term perspective in expenditure budgeting</b>	<b>D+</b>	This indicator has been expanded from its original version, and the overall score, by method M2, is C.
16.1 Medium-term expenditure estimates	D	The annual budget of Tajikistan is an estimate of expenditures by administrative, economic and functional classifications for one budget year. Budget indicators for the next two fiscal years for the same types of budget classification are approved by the Parliament.
16.2 Medium-term expenditure ceilings	C	Aggregate expenditure ceilings for the budget year and the two following fiscal years are approved by the government before the main budget circular is issued.
16.3 Alignment of strategic plans and medium-term budgets	C	Medium-term strategic plans are prepared for some ministries (25% or more by value). Some expenditure policy proposals in the annual budget estimates align with the strategic plans.
16.4 Consistency of budgets with previous year's estimates	D	Due attention is not paid to the analysis of changes between the forecast indicators of the medium-term budget.
<b>PI-17 Budget preparation process</b>	<b>B</b>	There has been a deterioration of performance relating to use of the budget calendar, and possibly of budget circulars, but submission of the budget to Parliament has met the required deadlines.
17.1 Budget calendar	C	An annual budget calendar exists, and some budgetary units comply with it and meet the deadlines for completing estimates, but the budget calendar does not ensure the high-quality development of budget proposals and meeting the established deadlines.



**Current Assessment (2017)**

<b>Indicator/dimension</b>	<b>Score</b>	<b>Description of requirements met</b>
17.2 Guidance on budget preparation	C	A budget circular is issued to budgetary units, including budget ceilings for ministries, within sector ceilings. Total budget expenditure is covered for the full fiscal year. The budget estimates are reviewed and approved by Cabinet after they have been completed in every detail by budgetary units.
17.3 Budget submission to the legislature	A	The executive has submitted the annual budget proposal to the Parliament at least two months before the start of the fiscal year in each of the last three years.
<b>PI-18 Legislative scrutiny of budgets</b>	<b>B+</b>	Overall the legislative scrutiny of the budget meets best practice, apart from some detailed procedures, and the fact that public consultations are not held.
18.1 Scope of budget scrutiny	A	The Parliament reviews the Government's proposals on fiscal policy for the next year, the medium-term fiscal forecast, and medium-term priorities, detailed estimates of budget expenditures and revenues, and related issues.
18.2 Legislative procedures for budget scrutiny	B	The legislature's procedures to review budget proposals are approved by the legislature in advance of budget hearings and are adhered to. The procedures include internal organizational arrangements such as specialized review committees, technical support, and negotiation procedures, but public consultations are not held.
18.3 Timing of budget approval	A	The legislature has at least two months to review budget proposals and has approved the annual budget before the start of the year in each of the last three fiscal years.

**Current Assessment (2017)**

<b>Indicator/dimension</b>	<b>Score</b>	<b>Description of requirements met</b>
18.4 Rules for budget adjustment by the executive	A	<p>Clear rules exist for in-year budget adjustments by the executive. The rules set strict limits on the extent and nature of amendments and are adhered to in all instances.</p> <p>All decisions of the Government on adjustments to the budget are implemented strictly in accordance with the statutory limitations, with the submission of relevant information to the Parliament on a regular basis. In addition, the share of expenditures reserved in the budget for unforeseen cases, compared with the period of the previous assessment, has been reduced by two-thirds.</p>

**PILLAR V - PREDICTABILITY AND CONTROL IN BUDGET EXECUTION**

PI-19 <b>Revenue administration</b>	C+	There have been improvements in the information given to taxpayers concerning their rights and obligations. The good performance on the new dimension of revenue risk management has also helped to improve the overall score for this indicator.
19.1 Rights and obligations for revenue measures	B	With the introduction of the new Tax Code in 2013, and introduction of Single Window system, the Tax Committee and the Customs Service now use multiple channels to provide taxpayers with easy access to comprehensive and up-to-date information on the main revenue obligation areas and on rights including, as a minimum, redress processes and procedures.
19.2 Revenue risk management	B	The Tax Committee and the Customs Service of Tajikistan use a comprehensive, structured and systematic approach for assessing and prioritizing compliance risks for all categories of revenue and, as a minimum, for their large and medium revenue payers.

**Current Assessment (2017)**

<b>Indicator/dimension</b>	<b>Score</b>	<b>Description of requirements met</b>
19.3 Revenue audit and investigation	D	The Tax Committee and the Customs Service of Tajikistan undertake audits and fraud investigations using a compliance improvement plan and complete the majority of planned audits and investigations.  However, the number of tax audits of business entities has declined steadily since 2014.
19.4 Revenue arrears monitoring	C	The income arrears more than 12 months old exceeds the amount of income arrears for the year by 4.5 times.
PI-20 <b>Accounting for revenue</b>	A	The systems for accounting, cash management and reconciliation of tax are excellent, apparently.
20.1 Information on revenue collections	A	The Central Treasury obtains monthly revenue data from the Tax and Customs Committees, and from servicing banks. This information is broken down by revenue type and is consolidated into a report.
20.2 Transfer of revenue collections	A	The Tax and Customs Committees, and servicing banks that collect the overwhelming majority of budget revenues, transfer the collected revenues to the accounts of the Central Treasury on a daily basis.
20.3 Revenue accounts reconciliation	A	Central Treasury, working with the Tax and Customs Committees, and servicing banks, undertake complete reconciliation of assessments, collections, arrears, and transfers to Treasury on a monthly basis.
PI-21 <b>Predictability of in-year resource allocation</b>	C+	There has been a significant improvement in the information given to budgetary units on their quarterly commitment ceilings. This indicator also gains from an excellent performance on ‘consolidation of cash balances’, which was previously under another indicator.
21.1 Consolidation of cash balances	C	All bank and cash balances (90 percent or more by value) are consolidated by the Central Treasury on a daily basis.

**Current Assessment (2017)**

<b>Indicator/dimension</b>	<b>Score</b>	<b>Description of requirements met</b>
21.2 Cash forecasting and monitoring	C	Forecasts for cash flow are prepared for each fiscal year, but the Main Department of the Central Treasury does not make updates based on actual cash inflows and outflows.
21.3 Information on commitment ceilings	B	Budgetary units are provided with reliable information on commitment ceilings at least quarterly in advance.
21.4 Significance of in-year budget adjustments	C	Significant annual adjustments continue to take place to the budget expenditure in the process of execution, and these are partially transparent.
<b>PI-22 Expenditure arrears</b>	<b>C+</b>	The improvement in overall performance since 2012 is because of an improved score for dimension 22.2, monitoring of arrears.
22.1 Stock of expenditure arrears	A	The recorded liabilities on expenditures remained at a low level, below 2% of actual expenditures incurred in two of the three years under assessment.
22.2 Expenditure arrears monitoring	C	Data on the amounts and composition of expenditure arrears is generated only at the end of each financial year.
<b>PI-23 Payroll controls</b>	<b>C+</b>	The improvement in performance for this indicator results from an improved score on 23.1, integration of payroll and personnel records.
23.1 Integration of payroll and personnel records	B	Reconciliation of the payroll with personnel records takes place at least every six months. Staff hiring and promotion is checked against the approved budget prior to authorization.
23.2 Management of payroll changes	A	Personnel records and payroll are updated monthly and require a few retroactive adjustments.
23.3 Internal control of payroll	C	There are clearly defined powers and a defined basis for amending the records of personnel and the wage fund.
23.4 Payroll audit	B	The audit of wage fund in all public institutions was conducted at least once in the past three years.

**Current Assessment (2017)**

<b>Indicator/dimension</b>	<b>Score</b>	<b>Description of requirements met</b>
<b>PI-24 Procurement</b>	<b>B</b>	Improvement in this measure has taken place mainly because of a significantly higher number of contracts awarded using open competition methods (dimension 24.2).
24.1 Procurement monitoring	B	Databases or records are maintained for contracts including data on what has been procured, value of procurement and who has been awarded contracts. The data is accurate and complete for <b>most</b> procurement methods for goods, services and works.
24.2 Procurement methods	A	In 2013-2015, on average, more than 96% of the total number of contracts awarded through the Procurement Agency involved tenders with unlimited participation in competition.
24.3 Public access to procurement information	B	The four key elements of procurement information are complete and reliable for government organizations and are made available to the public: 1) the procurement regulatory framework 2) information on bidding and opportunities for participation in bidding, 3) the results of conducted procurement, and 4) annual procurement statistics.
24.4 Procurement complaints management	D	Lack of independent mechanism for administrative complaints resolution.
<b>PI-25 Internal controls on non-salary expenditure</b>	<b>B+</b>	Performance has generally improved in the dimensions of this indicator.
25.1 Segregation of duties	B	Segregation of duties is prescribed throughout the expenditure process. Responsibilities are clearly laid down for <b>most</b> key steps while further details may be needed in a few areas.
25.2 Effectiveness of expenditure commitment controls	A	Expenditure commitment controls are in place and effectively limit commitments to projected cash availability and approved budget allocations for <b>most</b> types of expenditure.
25.3 Compliance with payment rules and procedures	B	Most payments (75% or more by value) are compliant with regular payment procedures. The majority of exceptions are properly authorized and justified.

**Current Assessment (2017)**

<b>Indicator/dimension</b>	<b>Score</b>	<b>Description of requirements met</b>
PI-26 <b>PI - 26. Internal audit</b>	C	There is good coverage of internal audit in Tajikistan, which accounts the improvement in this indicator. However, the internal audit, as in 2012, is mainly focused on compliance with financial obligations. Independence of internal auditors is poorly regulated by legislation.
26.1 Coverage of internal audit	C	Internal audit is operational in Tajikistan for central government entities representing most total budgeted expenditures (more than 75% by value) and for central government entities collecting most budgeted government revenue (more than 75% by value).
26.2 Nature of audits and standards applied	C	Internal audits, as in 2012, are mainly focused on compliance with financial obligations, which is confirmed by the excessive number of audits for the budget organization.
26.3 Implementation of internal audits and reporting	C	All functioning internal audit units of ministries, departments and local government authorities develop and approve annual audit programs; the vast majority of programmed audits are completed. Audit is not risk-based.
26.4 Response to internal audits	C	Following the recommendations of internal audit, heads of budgetary organizations, for the majority of entities audited, take appropriate measures within the recommended terms. All issues relating to financial losses are resolved or reimbursed by reducing the budget.

**PILLAR V1 – ACCOUNTABILITY AND REPORTING**

PI-27 <b>Financial data integrity</b>	B+	This indicator has continued at a good level for bank reconciliations, but with some improvements still required for advance accounts and checks of financial integrity.
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**Current Assessment (2017)**

<b>Indicator/dimension</b>	<b>Score</b>	<b>Description of requirements met</b>
27.1 Bank account reconciliation	A	Since 2015, all republican budget accounts and since 2016 on accounts of local budgets are reconciled with the bank at least once a week at the aggregate and detail level, within one week from the end of each week. Up to 2015, reconciliation of accounts was performed on a monthly basis.
27.2 Suspense accounts	NA	With the transition to the Single Treasury Account in 2008, the Central Treasury does not have blocked accounts, which is why this dimension cannot be rated.
27.3 Advance accounts	B	The reconciliation of advance accounts takes place at least once a month, within a month from the end of each month. Most (more than 75% by value) of advance accounts are cleared in a timely manner.
27.4 Financial data integrity processes	B	Access and changes in records are limited and recorded and results in an audit trail.  There is a unit within the MDCT responsible for checking the integrity of financial data. However, currently there is no arrangement for periodic auditing/testing IT system control in place.
PI-28 <b>In-year budget reports</b>	B+	Improved accuracy of the financial reports has improved this indicator. There is still scope for improvement on coverage and timing of the reports.
28.1 Coverage and comparability of reports	B	The scope and classification of these performance reports can be compared with the original budget with partial aggregation. Treasury expenditure reports reflect information at the stage of obligations and payments. Expenses related to transfers to decentralized units of the central government are included in the reports.
28.2 Timing of in-year budget reports	B	Budget performance reports are submitted to the Government on a quarterly basis, cumulatively for four weeks from the end of each quarter. The reports are published in the periodic collections of the Agency on Statistics, on the website of the Ministry of Finance and in the magazine “Molia”.

**Current Assessment (2017)**

<b>Indicator/dimension</b>	<b>Score</b>	<b>Description of requirements met</b>
28.3 Accuracy of in-year budget reports	A	There are no material concerns regarding data accuracy. An analysis of the budget execution is provided on at least a half-yearly basis by Treasury. Information on expenditure is covered at both commitment and payment stages.
<b>PI-29 Annual financial reports</b>	<b>D+</b>	There has been some improvement in the use of accounting standards, but information is mainly limited to a cash flow statement and statement of financial assets.
29.1 Completeness of annual financial reports	C	The government's consolidated report is prepared annually and includes full information on revenues, expenditures and financial assets/liabilities, with some exceptions, which is associated with incomplete process of public sector accounting reforms.
29.2 Submission of reports for external audit	C	The deadlines for the submission of annual budget performance reports in Tajikistan are legislatively established over 6 months after the fiscal year end, which according to the methodology of 2016 corresponds to score "C".
29.3 Accounting standards	D	The accounting standards applied to all financial statements correspond to the legal system of the country. The majority of international standards have been incorporated into the national standards. (Variations between international and national standards are disclosed and any gaps are explained) The standards used in preparing annual financial reports are disclosed.

**PILLAR V11 – EXTERNAL SCRUTINY AND AUDIT**

<b>PI-30 External audit</b>	<b>C+</b>	The operations of the Chamber of Accounts have improved, but the organization is not a truly independent external auditor.
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**Current Assessment (2017)**

<b>Indicator/dimension</b>	<b>Score</b>	<b>Description of requirements met</b>
30.1 Audit coverage and standards	C	The regulations of the Chamber of Accounts, national audit standards, and international standards are used when conducting audits. Data for recent years shows an increase in the number of audits of central government authorities, representing the majority of budget expenditures and revenues. The audits have highlighted any relevant significant issues.
30.2 Submission of audit reports to the legislature	A	Audit opinions on the Government annual reports on the state budget execution were submitted by the Chamber of Accounts to the Parliament within a period of less than three months from the receipt of financial reports, but given that this work began only in 2014, i.e., proper performance was ensured in two out of three estimated years, this dimension is rated “B”.
30.3 External audit follow-up	B	A formal response was made by the executive or the audited entity on audits for which follow up was expected.
30.4 Supreme Audit Institution independence	C	Independence of the Chamber of Accounts from the executive power is guaranteed by the Law “On the Chamber of Accounts of the Republic of Tajikistan”. The Chamber of Accounts has unlimited and timely access to all necessary documents. However, the independence of the Chamber of Accounts is compromised by its inability to primarily determine its annual work plan based on an independent risk assessment as required by INTOSAI standards and guidelines. Determination is made based on the prioritized work program of the State Agency on Fighting Corruption.
PI-31 <b>Legislative scrutiny of audit reports</b>	C+	There has been significant improvement in the timing of Parliament’s scrutiny of the audit report, and the recommendations that it makes, but the public are not yet able to access any of this information.
31.1 Timing of audit report scrutiny	A	The external auditors’ opinions to the Annual Report of the Government of the Republic of Tajikistan on the state budget execution are reviewed by the legislature within one month on average.

**Current Assessment (2017)**

<b>Indicator/dimension</b>	<b>Score</b>	<b>Description of requirements met</b>
31.2 Hearings on audit findings	C	The Parliament holds in-depth hearings with representatives of some ministries, departments and organizations related to the opinions and recommendations of the Chamber of Accounts, the management of the Chamber of Accounts and audited organizations, on individual opinions.
31.3 Recommendations on audit by the legislature	B	The legislature issues recommendations on actions to be implemented by the executive and follows up on their implementation. There is a control unit within the Parliament that monitors the implementation of decisions taken.
31.4 Transparency of legislative scrutiny of audit reports	D	The public representatives do not have access to the audit reports review process; the results of review held by the Parliament of the Accounting Chamber's opinions on the audit results of budget organizations are not published.

## Annex 2: Summary of observations on the internal control framework

Internal control components and elements	Summary of observations
<b>1. Control environment</b>	
1.1 The personal and professional integrity and ethical values of management and staff, including a supportive attitude toward internal control constantly throughout the organization	In 2007 the Government adopted a Strategy of Development of State Internal Financial Control, which provided for adoption of the Law on Internal Financial Control and the Law on Internal Audit. Both laws comply with international standards. All public entities carry out internal financial control function in compliance with the above legislation.
1.2 Commitment to competence	Competence in rural areas is weaker than in cities. To bridge the gap, regular training for field staff is provided.
1.3 The “tone at the top” (i.e. management’s philosophy and operating style)	Legislation provides specific roles for each player, including top management. In general, top management tries to be in compliance with legislation.
1.4 Organizational structure	The Ministry of Finance is in charge of implementing internal audit policy. The Ministry also provides methodological and consultative support to public sector entities. Each budget entity, which employs more than 800 staff, must have an internal audit unit. The internal auditor reports to the head of organization. All internal audit information is analyzed by the Ministry of Finance and published annually.
1.5 Human resource policies and practices	Legislation requires that all technical positions in the Civil Service should be filled based on a competitive selection process. However, existing practice shows that this rule is not observed in many cases by public sector organizations.
<b>2. Risk assessment</b>	
2.1 Risk identification	
2.2 Risk assessment (significance and likelihood)	

Internal control components and elements	Summary of observations
2.3 Risk evaluation	There is no formal risk management process in place which, in some degree, diminishes efficiency of internal financial control overall.
2.4 Risk appetite assessment	
2.5 Responses to risk (transfer, tolerance, treatment or termination)	
<b>3. Control activities</b>	
3.1 Authorization and approval procedures	The Central Treasury and local treasury offices of the Ministry of Finance ensure that commitments and payments are consistent with budgetary appropriations (Rospis) as registered in the Treasury system and available cash.
3.2 Segregation of duties (authorizing, processing, recording, reviewing)	Duties are well segregated by the Law on Internal Financial Control, the Law on Treasury and the Tajik Financial Management Information System (TFMIS).
3.3 Controls over access to resources and records	Access to electronic data such as the TFMIS system is controlled through passwords. Documents produced in hard-copy format are filed in offices at budget organizations. The effectiveness of this raises questions since the TFMIS has never been audited.
3.4 Verifications	There is no centralized fixed assets database in the Ministry of Finance to maintain up to date additions, losses and disposals. Also, there is no a centralized payroll system of staff of budget organizations. Wages are paid by each budget entity. The Ministry of Finance has limited control over this process.

Internal control components and elements	Summary of observations
3.5 Reconciliations	The Central Treasury of the Ministry of Finance conducts reconciliations of revenue accounts with the Tax Committee and the Customs Service on a monthly basis; reconciliations with the National Bank of Tajikistan are performed on a daily basis. In addition, on the first day of the month following the reporting period, the tax authorities carry out reconciliations with the Treasury for the repayable amounts of taxes and other mandatory payments for the reporting month for each budget classification code on revenues.
3.6 Reviews of operating performance	This function is poorly developed.
3.7 Reviews of operations, processes and activities	External and internal audit carry out these functions. Budget entities, usually, make timely reports to audit authorities on actions being undertaken to address audit recommendations.
3.8 Supervision (assigning, reviewing and approving, guidance and training)	Supervision is provided by the Ministry of Finance on internal audit issues and by the Chamber of Accounts on external audit issues.
<b>4. Information and communications</b>	
4.1 Information and communication	All budget organizations are obligated to submit their annual internal audit report to the Ministry of Finance by April 1. The Ministry of Finance submits a consolidated internal audit report to the Government by May 1.
<b>5. Monitoring</b>	
5.1 Ongoing monitoring	All budget organizations are obligated to establish financial control monitoring systems. However, depending on the budget organization's capacities, monitoring systems differ from organization to organization.
5.2 Evaluations	No significant progress in this area.
5.3 Management responses	Within a specified time, budget entities respond to internal and external audit findings.

## Annex 3: Sources of Information

### 3A Surveys and analytical work

#### Websites

- Official website of the President of the Republic of Tajikistan: [www.president.tj](http://www.president.tj)
- Official website of the Parliament of the Republic of Tajikistan: [www.parlament.tj](http://www.parlament.tj)
- Official website of the Chamber of Accounts of the Republic of Tajikistan: <http://www.sai.tj/index.php>
- Official website of the Ministry of Finance of the Republic of Tajikistan: [www.minfin.tj](http://www.minfin.tj)
- Official website of the Ministry of Justice of the Republic of Tajikistan: <http://www.minjust.tj/>
- Official website of the Agency on Statistics under President of the Republic of Tajikistan: [www.stat.tj](http://www.stat.tj)
- Official website of the Ministry of Economic Development and Trade of the Republic of Tajikistan [www.medt.tj](http://www.medt.tj)
- Official website of the Ministry of Health of the Republic of Tajikistan: [www.health.tj](http://www.health.tj)
- Official website of the Ministry of Education of the Republic of Tajikistan: <http://www.education.tj>
- Official website of the State Committee on Investments and State Property Management of the Republic of Tajikistan: [www.amcu.gki.tj](http://www.amcu.gki.tj)
- Official website of the Agency for Public Procurement of Goods, Works and Services under the Government of the Republic of Tajikistan: <http://www.zakupki.gov.tj/>
- Official website of the Committee of Taxation under the Government of the Republic of Tajikistan <http://www.andoz.tj/>
- Official website of the Customs Service under the Government of the Republic of Tajikistan: [www.customs.tj](http://www.customs.tj)
- Official website of the National Bank of Tajikistan: [www.nbt.tj](http://www.nbt.tj)
- Official website of the Agency under the State financial control and a fight against corruption of Republic of Tajikistan: <http://www.anticorruption.tj>
- Official website of the SUE “Registration of Immovable Property” <http://www.kdfbmmg.com/korhonaru.php>

**Strategic Documents:**

- National Development Strategy of the Republic of Tajikistan for the period until 2015 (NDS), approved by the Resolution of Majlisi Namoyandagon Majlisi Oli of the Republic of Tajikistan dated June 28, 2007 #704;
- Economic Development Program of the Republic of Tajikistan for the period until 2015, approved by the Government Decree of the Republic of Tajikistan dated March 1, 2004 #86 (as amended 03.08.2007 #419);
- Public Finance Management Strategy of the Republic of Tajikistan for 2009-2018, Approved by the Decree of the President of the Republic of Tajikistan on “20” March 2009, # 639;
- Anti-Corruption Strategy in the Republic of Tajikistan for 2013-2020, approved by the Decree of the President of the Republic of Tajikistan of August 30, 2013, # 1504;
- Financial Risk Management Strategy, approved by the President Decree of the Republic of Tajikistan on September 15, 2016 #755;
- Public Debt Management Strategy of the Republic of Tajikistan for 2012 – 2014, by the Government Decree of the Republic of Tajikistan on April 30, 2012 #199;
- Public Debt Management Strategy of the Republic of Tajikistan for 2015 – 2017, by the Government Decree of the Republic of Tajikistan on March 31, 2014 #214;
- Targeted Comprehensive Program on Extensive Use of Renewable Energy Sources, such as the energy of small rivers, the sun, wind, biomass, groundwater energy for 2007-2015, approved by the Government Decree of Republic of Tajikistan #. 41 dated February 2, 2007;
- National Health Strategy of the Republic of Tajikistan for 2010 –2020, approved by the Government Decree of the Republic of Tajikistan dated August 2, 2010, #368;
- Strategy of the Republic of Tajikistan on Science and Technology for 2011-2015, approved by the Government Decree of the Republic of Tajikistan dated March 3, 2011 # 114;
- Labor Market Development Strategy of the Republic of Tajikistan for the period to 2020, approved by the Government Decree of the Republic of Tajikistan dated June 2, 2011 #277;
- Program for Efficient Use of Hydropower Resources and Energy Saving for 2012-2016, approved by the Government Decree of the Republic of Tajikistan dated 2 November 2011 # 551;
- National Strategy for Education Development of the Republic of Tajikistan for the period to 2020, approved by the Government Decree of the Republic of Tajikistan dated June 30, 2012, #334;

- Action Plan for the Modernization of the PFM for 2009-2011, approved by the PFM Council on August 25, 2009;
- Action Plan for the Modernization of the PFM for 2012-2014, approved by the PFM Council on August 26, 2011;
- Action Plan for the Modernization of the PFM for 2015-2018, approved by the PFM Council on August 11, 2015;
- Accounting System Improvement Strategy in the Public Sector of Tajikistan for 2011-2018, approved by the PFM Council on August 26, 2011;
- Strategic plan for the Development of Main Department of the Central Treasury of the Ministry of Finance of the Republic of Tajikistan for 2011-2016, approved by the PFM Council on August 26, 2011;
- The Concept for Risk Management System in the Customs Bodies of the Republic of Tajikistan approved by the Order of Customs Service under the Government of the Republic of Tajikistan dated 04.08.2008, #126.

## **Laws**

- The Constitution of the Republic of Tajikistan, November 6, 1994 (as amended as a result of referendum dated 26.09.1999, 22.06.2003);
- The Constitutional Law “On the Government of the Republic of Tajikistan” dated May 12, 2001, #28 (as amended by the Constitutional Laws of the Republic of Tajikistan dated 22.04.2003 #22, 05.01.2008 #346, 03.12.2009 #575, 23.07.2016 #1325, 18.07.2017 #1455);
- The Constitutional Law of the Republic of Tajikistan “On local government bodies” dated May 17, 2004 #28 (as amended by the Constitutional Laws of the Republic of Tajikistan dated 21.11.2006 #211, 03.12.2009 #576, 29.12.2010 #653, 19.03.2013 #960, 22.07.2013 #1012, 30.05.2017 #1411);
- The Law of the Republic of Tajikistan “On self-governance bodies of towns and townships” dated August 5, 2009 #549 (as amended by the Laws of the Republic of Tajikistan dated 16.04.2012 #827, 01.08.2012 #899, 23.11.2015 #1243, 30.05.2017 #1431);
- The Law “On Joint Stock Companies” dated March 5, 2007 #237 (as amended by the Law of Republic of Tajikistan dated 6.10.2008 #431, dated 19.05.2009 #510, dated 5.08.2009 #541, dated 12.01.2010 # 585, dated 29.12.2010 #657, dated 26.12.2011 #780, dated 14.11.2016 #1374);
- The Law of the Republic of Tajikistan “On Privatization of State Property in the Republic of Tajikistan” dated May 16, 1997 #464 (as amended by the Laws of Republic of Tajikistan dated 22.05.2002, #4, 08.12.2003 #71, 26.03.2009 #497, 23.07.2016 #1352, 24.02.2017 #1402);



- The Law of the Republic of Tajikistan “On Land Valuation” dated May 12, 2001, #18 (as amended by the Law of Republic of Tajikistan dated 12.05.2007, #262);
- The Law of the Republic of Tajikistan “On Public Finances” dated June 28, 2011 #723 (as amended by the Law of Republic of Tajikistan dated 19.03.2013 #946, dated 12.11.2013 #1027, dated 14.05.2016 #1316);
- The Law of the Republic of Tajikistan “On Treasury” dated 18.06.2008 #396;
- The Law of the Republic of Tajikistan “On State and State Guaranteed Borrowing and Debt” dated December 11, 1999, #887;
- The Law of the Republic of Tajikistan “On Internal Audit of the Public Sector” dated July 21, 2010, #631 (as amended by the Law of Republic of Tajikistan dated 23.07.2016, #1354);
- The Law of the Republic of Tajikistan “On financial management and internal financial control in the public sector dated July 21, 2010 #626”;
- The Law of the Republic of Tajikistan “On Accounting and Financial Reporting” dated March 25, 2011 #702 (as amended by the laws of the Republic of Tajikistan dated 14.03.2014 # 1074, 24.02.2017 #1400);
- The Law of the Republic of Tajikistan “On Chamber of Accounts of the Republic of Tajikistan” dated June 28, 2011 #749 (as amended by the laws of the Republic of Tajikistan dated 30.05.2017 #1425, 30.05.2017 #1426);
- The Law of the Republic of Tajikistan “On the National Bank of Tajikistan” dated 28.06.2011 #722 (as amended by the law of Republic of Tajikistan dated 26.07.2014 #1112, dated 26.07.2014 #1113);
- The Law of the Republic of Tajikistan “On Banking Activities” dated May 19, 2009 #524 (as amended by the laws of Republic of Tajikistan dated 21.07.2010 #623, 26.12.2011 #782, 12.11.2013 #1029, 27.11.2014 #1154);
- The Law of the Republic of Tajikistan “On the State Financial Control in the Republic of Tajikistan” dated December 2, 2002 #6 (as amended by the law of Republic of Tajikistan dated 30.07.2007 #324 dated 12.01.2010 #583);
- The Law of the Republic of Tajikistan “On Investments” dated May 12, 2007 #260;
- The Law of the Republic of Tajikistan “On State Registration of Legal Entities and Individual Entrepreneurs” dated May 19, 2009 #508 (as amended by the laws of Republic of Tajikistan dated 29.12.2010 #669, 28.12.2012 #912, 23.11.2015 #1251, 14.05.2016 #1319);
- The Law “On licensing of separate types of activity” dated May 17, 2004 #37 (as amended by the laws of Republic of Tajikistan dated 01.03.2005 #81, 28.07.2006 #195, 13.06.2007 #277, 05.01.2008 #349, 18.06.2008 #399, 06.10.2008 #435, 26.03.2009 #485, 19.05.2009 #519, 05.10.2009 #551, 29.12.2010 #662, 28.12.2012 #911, 19.03.2013 #950, 12.11.2013

#1030, 26.07.2014 #1110, 27.11.2014 #1157, 18.03.2015 #1184, 18.03.2015 #1191, 23.11.2015 #1246, 14.05.2016 #1318, 23.07.2016 #1353, 14.11.2016 #1369, 30.05.2017 #1434);

- The Law of the Republic of Tajikistan “On state procurement of goods, works and services”, dated February 24, 2006, #184, (as amended by the law dated April 16, 2012, #815);
- The Law of the Republic of Tajikistan “On Introducing Amendments and Addenda to the Law Covering Complaints Mechanisms” dated April 16, 2012, #815;
- The Law of the Republic of Tajikistan “On State Registration of Immovable Property and Rights to it” dated March 20, 2008 #375 (as amended on July 22, 2013, # 997);
- The Law of the Republic of Tajikistan “On Information” dated May 10, 2002 #55 (as amended by the Laws of the Republic of Tajikistan dated 03.07.2012 # 848, 27.11.2014 # 1164);
- The Law of the Republic of Tajikistan “On State Secret” (2003);
- The Tax Code of the Republic of Tajikistan approved by the Decree of the Majlisi Namoyandagon Majlisi Oli of the Republic of Tajikistan on September 17, 2012 #901 (as amended by #1045, #1046 dated December 28, 2013, #1188 dated 03/18/2015, 11,124 dated 11/23/2015, 23.11. 2015 # 1245, dated March 15, 2016 # 1297, dated 14.11.2016 #1367);
- The Customs Code of the Republic of Tajikistan dated December 3, 2004 (as amended by the Laws of the Republic of Tajikistan dated March 03, 2006 # 169, July 30, 2007 # 319, June 18, 2008 # 401, October 6, 2008 # 437, 06/28/2011 #747, 16.04.2012 #800, 03.07.2012 #845, 03.07.2012 #874, 01.08.2012 # 881, December 28, 2012 # 906, December 28, 2013 #1035, 03/18/2015 #1189, 03/15/2016 #1298, 07/23/2016, #1347, 11/14/2016, # 1366, May 30, 2017 # 1421, May 30, 2017 # 1422);
- The Civil Code of the Republic of Tajikistan dated June 30, 1999 (as amended by Laws of the Republic of Tajikistan dated 06.08.2001 #41, 03.05.2002 #5, 01.03.2005 #85, 29.04.2006 #180, 12.05.2007 #247, 11.03.2010 #601, 29.12.2010 #640, 03.07.2012 #850, 28.12.2012 #928, 22.07.2013 #976, 18.03.2015 #1178, 23.07.2016 #1334);
- The Law “On State Budget of the Republic of Tajikistan for 2013”, dated November 19, 2012, #904;
- The Law “On State Budget of the Republic of Tajikistan for 2014”, dated October 31, 2013, #1025;
- The Law “On State Budget of the Republic of Tajikistan for 2015”, dated November 24, 2014, #1132;
- The Law “On State Budget of the Republic of Tajikistan for 2016”, dated November 25, 2015, #1257.

- The State External Borrowings Program of the Republic of Tajikistan for 2013-2015, approved by the Decree of the Majlisi Namoyandagon Majlisi Oli of the Republic of Tajikistan dated November 28, 2012, # 984.
- The State External Borrowings Program of the Republic of Tajikistan for 2014-2016, approved by the Decree of the Majlisi Namoyandagon Majlisi Oli of the Republic of Tajikistan dated October 23, 2013 # 1310.
- The State External Borrowings Program of the Republic of Tajikistan for 2016-2018, approved by the Decree of the Majlisi Namoyandagon Majlisi Oli of the Republic of Tajikistan dated November 18, 2015 # 225.

#### **Government Decrees:**

- Decree of the Government of the Republic of Tajikistan dated December 29, 2012, #753 “On measures for implementing the Law of the Republic of Tajikistan “On the State Budget of the Republic of Tajikistan for 2013”;
- Decree of the Government of the Republic of Tajikistan dated January 3, 2014, # 4 “On measures for implementing the Law of the Republic of Tajikistan “On the State Budget of the Republic of Tajikistan for 2014”;
- Decree of the Government of the Republic of Tajikistan of December 31, 2014, # 796 “On measures for implementing the Law of the Republic of Tajikistan “On the State Budget of the Republic of Tajikistan for 2015”;
- Decree of the Government of the Republic of Tajikistan dated 26 January 2016, # 8 “On the results of the socio-economic development of the Republic of Tajikistan in 2015 and tasks for 2016”;
- Decree of the Government of the Republic of Tajikistan dated December 30, 2016, # 531 “On the results of social and economic development of the Republic of Tajikistan in 2016 and tasks for 2017”;
- Decree of the Government of the Republic of Tajikistan dated September 21, 2000 #385 “On approval of Procedure for selection of investment projects to provide state guarantees, use, repayment, accounting and registration of foreign borrowings (loans), as well as sovereign loans forming the sovereign external debt of the Republic of Tajikistan”;
- Decree of the Government of the Republic of Tajikistan dated November 2, 2012 # 608 “On approval of the State program of investments, grants and capital construction for 2013-2015”;
- Decree of the Government of the Republic of Tajikistan dated August 2, 2010 #389 “On approval of the Rules for attracting, use, coordination and monitoring of foreign aid in the Republic of Tajikistan”;

- Decree of the Government of the Republic of Tajikistan dated October 4, 2011 #483 “On approval of the Rules for Formulating and Coordination of the List of Facilities Constructed from the State Budget”;
- Decree of the Government of the Republic of Tajikistan dated August 1, 2011 #370 “On approval of the Rules for preparation of investment projects and implementation of medium-term programs of public investments, grants and capital construction in the Republic of Tajikistan”;
- Decree of the Government of the Republic of Tajikistan dated August 1, 2012, # 387 “On approval of the Instruction on procedure and methods for assessing the value of state property and privatized facilities”;
- Decree of the Government of the Republic of Tajikistan dated August 2, 2010 # 391 “On approval of the procedure for the public sale of state property as an independent privatization object”;
- Decree of the Government of the Republic of Tajikistan dated August 2, 2010 # 392 “On approval of the Procedure for reorganization of a state enterprise and its structural units into an open joint stock company”;
- Decree of the Government of the Republic of Tajikistan dated November 2, 2011, # 537 “On approval of the procedure for leasing public property”;
- Decree of the Government of the Republic of Tajikistan dated March 1, 2004, # 98 “On approval of the Regulations on the sale of public property objects at auctions and tenders”;
- Decree of the Government of the Republic of Tajikistan dated April 17, 1998, #129 (as amended on July 4, 2006 # 320, dated December 28, 2006, # 590) “On approval of the procedure for transferring property of state enterprises, organizations, institutions, buildings and constructions”;
- Decree of the Government of the Republic of Tajikistan dated August 12, 1997, # 366 (as amended on October 5, 2001 # 463, dated 30.04.2004 # 192, dated 2.11.2007, # 550) “On approval of the Regulation on sale of unfinished construction projects and the Regulations on the Commission on Issues of Construction in Progress”;
- Decree of the Government of the Republic of Tajikistan dated March 2, 2013, # 392 “On Approval of the Procedure for the Transfer of Facilities of Republican and Communal Ownership”;
- Decree of the Government of the Republic of Tajikistan dated April 30, 2012, # 184 “On approval of the Procedure for writing-off of publicly owned fixed assets”;
- Decree of the Government of the Republic of Tajikistan dated September 1, 2005, #342 “On approval of the Rules for allocation of land for legal entities and individuals”;
- Decree of the Government of the Republic of Tajikistan dated November 30, 2007, #570 “On approval of the Rules for the transfer of land from one category to another”;

- Decree of the Government of the Republic of Tajikistan dated July 1, 2007 #319 (as amended on December 30, 2010, # 715 and 04.03.2015, #135) “On the establishment of a Qualification Commission to determine and grant the status of “qualified procuring entity”
- Decree of the Government of the Republic of Tajikistan dated October 2, 2010 # 500 “On the development of rules for opening bidding proposals for the purchase of goods, works and services in public investment projects of the Republic of Tajikistan”;
- Decree of the Government of Tajikistan dated December 29, 2012, # 769 “On approval of the e-Procurement Program in the Republic of Tajikistan for 2013-2015”;
- Decree of the Government of the Republic of Tajikistan dated October 3, 2006, # 447 “On Approval of the Rules for the Maintenance of the State Land Cadaster”.

**Branch instructions:**

- Instruction “On Accounting and Reporting on the Execution of the State Budget in the Treasury”, approved by the Minister of Finance of the Republic of Tajikistan on January 10, 2005;
- Instruction “On the procedure for drafting and submission of annual and periodic financial statements in accordance with financial reporting standards of the public sector of Tajikistan (FRSPS) by budgetary organizations”, approved by the Order of the Minister of Finance of the Republic of Tajikistan on April 09, 2009 # 204;
- Instruction on accounting and reporting of special funds by state budget institutions and organizations, approved by the order of the Ministry of Finance of the Republic of Tajikistan on February 3, 2010 # 16;
- The following approved by the Order of the Minister of Finance of the Republic of Tajikistan # 173 dated January 26, 2015:
  1. Classification of budget revenues and expenditures:
    - 1.1. State revenues and grants;
    - 1.2. Functional budget classification;
    - 1.3. Analytical budget classification;
    - 1.4. Analytical sub-items of the Economic Budget Classification, used in the treasury system in the budget execution;
  2. Instructions on the application of budget classification:
    - 2.1. Instruction on the application of state revenues and grants;
    - 2.2. Instruction on the application of the functional budget classification;
    - 2.3. Instruction on the application of the economic budget classification;

- 2.4. Instructions for the use of analytical sub-items of EBC used in the treasury system in the execution of the budget;
  3. A Unified Chart of Accounts for accounting in budget institutions, organizations and the treasury.
  4. Instruction on the application of a Unified Chart of Accounts in budget institutions, organizations and the treasury.
- Instruction on the formulating key directions of the financial policy and the State Budget of the Republic of Tajikistan for 2015-2017 (Phase I), approved by the Minister of Finance of the Republic of Tajikistan on January 31, 2014;
  - Instruction on drafting the State Budget for 2015 and the forecast of the State Budget indicators for 2016-2017 (Phase 2), approved by the Minister of Finance of the Republic of Tajikistan on July 1, 2014.
  - The system of tax risks assessment, approved by the Order of the Chairman of the Tax Committee of the Republic of Tajikistan on January 23, 2012 # 12;
  - Lists of risk indicators, criteria for their identification and assignment of goods, foreign economic transactions and persons to risk groups, approved by the Customs Service Order of May 27, 2008;
  - Regulations on measures of customs officials in drafting and review of the risk profiles, application of risk profiles for customs control, their mainstreaming and abolishing, approved by the Customs Service Order # 2-f dated January 5, 2009;
  - Provisions on public procurement procedures with 16 Annexes approved by the Decree of the Ministry of Economic Development and Trade of the Republic of Tajikistan on January 17, 2008, registered with the Ministry of Justice of the Republic of Tajikistan on February 11, 2008, # 357;
  - Public procurement procedures guidelines, approved by the Order of the Ministry of Economic Development and Trade of the Republic of Tajikistan on January 17, registered with the Ministry of Justice of the Republic of Tajikistan on February 11, 2008, # 357;
  - Instructions “On the procedure for conducting the audit of the state budget execution and preparation of the Accounting Chamber’s opinion for the annual report of the Government of the Republic of Tajikistan on the state budget execution in the fiscal year”, approved by the decision of the Accounting Chamber’s Board of the Republic of Tajikistan dated April 19, 2013, # 7.1.

### 3B Persons interviewed for the PFM Performance Report

Full Name	Position held
<b>Ministry of Finance</b>	
Jamshed Karimzoda	First Deputy Minister
Saivali Safarov	Head of Main Department of the State Budget
Rano Zabirova	Head of Department for Republican Budget Consolidation
Sarvar Kurbanov	Head of Health Financing Division/Acting head of department for republican budget consolidation
Davlatoli Elnazarov	Head of local budgets division of Main Department of the State Budget
Abubakr Nazarov	Specialist, Macroeconomic Division of Main Department of the State Budget
Ismatullo Hakimov	First Deputy Director of Main Department of Central Treasury (MDCT)
Lola Saidova	Deputy Director of MDCT
Askarali Borotov	Head of reports consolidation division, MDCT
Alisher Shukurov	Head of methodology division, MDCT
Isroil Mirzoev	Head of IFRSPS financial reporting division, MDCT
Ahliddin Nuriddinzoda	Head of Main Department of State Debt and Attraction of State Investments
A. Mirzoev	Acting Head of internal audit and control department
Olim Mirzoev	Head of methodology of financial management, monitoring of risk management, control and internal audit division
<b>Ministry of Economic Development and Trade</b>	
Umed Davlatzod	Deputy Minister
Askar Sherali Nuralizoda	Head of department on public investment programs development and centralized capital investments
<b>State Committee on Investment and Management of State Property</b>	
Kahhorzoda Faizidding Sattor	Chairman
Najmiddizoda Anvar Yusufi	Deputy Chairman

<b>Full Name</b>	<b>Position held</b>
Ahmadzoda Orzu	Head of Public Property Department
Kurbonzoda Safarali	Head of Main Department for Investments and Coordination of Foreign Aid
<b>Tax Committee</b>	
Solehzoda Ayubjon Maruf	First Deputy Chairman
Safarzoda Lola	Deputy Chairman
Jabborov Rustam Tukhtasinovich	Deputy Chairman
Vazirov Sobir Zokirovich	Head of tax administration division
Melikov Kahbatullo Nazrulloevish	Head of account department
<b>Agency for State Procurement of Goods, Works and Services</b>	
Karimov Ravshan Karchievich	Deputy Director
Akramov Mansur Valievich	Head of state procurement arrangement and implementation department
<b>State Committee on Land Management and Geodesy</b>	
Mirzoev Nazar Zardakovich	Head of land cadaster department
Rahimov S.M.	Chairman of the Committee on Economy and Finance
Boboev O.	Member of the Committee on Economy and Finance
<b>Chamber of Accounts of the Republic of Tajikistan</b>	
Azimi Zafar Ismoilovich	Deputy Chairman
Madaminzoda Ravshan Kimovich	Assistant to Chairman
Ahmadzoda Faizali Zardak	Chief Auditor
Nazarov Jumanazar	Acting head of standards of analysis, development and international cooperation



Full Name	Position held
<b>The World Bank</b>	
Rustam Babaev	Project Coordinator, PFM Modernization Project, II Phase
Asadov Faridun	Component Coordinator, “Strengthening of External Audit”, PFM Modernization Project
<b>European Union</b>	
Vladimir Krivenkov	Consultant, Technical Assistance Project on Monitoring of State Owned Enterprises
Vanya Tomeva	Team Leader, Support to Public Internal Financial Control Project
Gulmira Hamrokulova	Expert, Support to Public Internal Financial Control Project
Yury Renchko	Team Leader, Supporting Specific Areas of PFM reforms project
Galina Kurlyandskaya	Expert, Supporting Specific Areas of PFM reforms project
Saodat Sayfutdinova	Expert, Supporting Specific Areas of PFM reforms project
Zebo Tuchieva	Expert, Supporting Specific Areas of PFM reforms project
<b>British DFID</b>	
Hasanov R.	Project Manager, “Support to Parliamentary Control in PFM and Budget Transparency in Tajikistan”
Borunova L.	Project Consultant, “Support to Parliamentary Control in PFM and Budget Transparency in Tajikistan”
Grdilyan G.	Project Consultant, “Support to Parliamentary Control in PFM and Budget Transparency in Tajikistan”
<b>NGO “Center for Social and Economic Education and Development”</b>	
Karimova Mavzuna Timurovna	Director

### 3C Sources of information used to extract evidence for scoring each indicator

Indicator/dimension	Data Sources
<b>I. Budget reliability</b>	
<b>PI-1. Aggregate expenditure outturn</b>	<ul style="list-style-type: none"> <li>Annual Budget Law</li> </ul>
1.1 Aggregate expenditure outturn	<ul style="list-style-type: none"> <li>Annual Budget Execution Report</li> </ul>

Indicator/dimension	Data Sources
<b>PI-2. Expenditure composition outturn</b>	<ul style="list-style-type: none"> <li>• Annual Budget Law</li> <li>• Annual Budget Execution Report</li> </ul>
2.1. Expenditure composition outturn by function	
2.2. Expenditure composition outturn by economic type	
2.3. Expenditure from contingency reserves	
<b>PI-3. Revenue outturn</b>	<ul style="list-style-type: none"> <li>• Annual Budget Law</li> <li>• Annual Budget Execution Report</li> </ul>
3.1 Aggregate revenue outturn	
3.2 Revenue composition outturn	
<b>II. Transparency of public finances</b>	
<b>PI-4. Budget classification</b> 4.1 Budget classification	<ul style="list-style-type: none"> <li>• Budget classifications</li> <li>• Unified Chart of Accounts</li> <li>• Interviews with the Ministry of Finance Officials</li> </ul>
<b>PI-5. Budget documentation</b> 5.1 Budget documentation	<ul style="list-style-type: none"> <li>• Last annual budget proposal submitted to the parliament</li> <li>• Supporting documentation for the budget</li> </ul>
<b>PI-6. Central government operations outside financial reports</b> 6.1 Expenditure outside financial reports 6.2 Revenue outside financial reports 6.3 Financial reports of extra-budgetary units	<ul style="list-style-type: none"> <li>• Interview with the Central Treasury officials</li> </ul>
<b>PI-7. Transfers to subnational governments</b> 7.1 System for allocating transfers 7.2 Timeliness of information on transfers	<ul style="list-style-type: none"> <li>• The Public Finance Law</li> <li>• Annual Budget Execution Reports</li> <li>• Interview with the Central Treasury and the Budget Department officials</li> <li>• Interview with the Department on Local Budget officials</li> </ul>

Indicator/dimension	Data Sources
<b>PI-8.</b> Performance information for service delivery	<ul style="list-style-type: none"> <li>• Annual budget document and supporting budget documentation.</li> <li>• Interview with the Ministry of Finance officials</li> </ul>
8.1 Performance plans for service delivery	
8.2 Performance achieved for service delivery	
8.3 Resources received by service delivery units	
8.4 Performance evaluation for service delivery	
<b>PI- 9 Public access to fiscal information</b>	<ul style="list-style-type: none"> <li>• Ministry of Finance website</li> </ul>
9.1 Public access to fiscal information	
<b>III. Management of assets and liabilities</b>	
<b>PI- 10 Fiscal risk reporting</b>	<ul style="list-style-type: none"> <li>• Interview with the Fiscal Risks Monitoring Department staff</li> <li>• Report on Fiscal Risks Associated with SOE</li> </ul>
10.1 Monitoring of public corporations	
10.2 Monitoring of subnational government (SNG)	
10.3 Contingent liabilities and other fiscal risks	
<b>PI- 11: Public investment management</b>	<ul style="list-style-type: none"> <li>• Interview with the Ministry of Finance officials</li> <li>• Interview with the Ministry of Economic Development and Trade officials</li> <li>• Interview with the State Agency on Managing Public Property and Investment</li> <li>• Government Resolution #370 on Preparation of Investment Projects, August 1, 2011</li> </ul>
11.1 Economic analysis of investment proposals	
11.2 Investment project selection	
11.3 Investment project costing	
11.4 Investment project monitoring	
<b>PI-12: Public asset management</b>	<ul style="list-style-type: none"> <li>• Law on Accounting, 2011</li> <li>• Tax Code, 2013</li> <li>• Interview with the Central Treasury officials</li> <li>• Interview with Accounting Methodology and Reporting officials, Ministry of Finance</li> </ul>
12.1 Financial asset monitoring	
12.2 Nonfinancial asset monitoring	
12.3 Transparency of asset disposal	
<b>PI-13: Debt management</b>	<ul style="list-style-type: none"> <li>• Ministry of Finance</li> </ul>

Indicator/dimension	Data Sources
13.1 Recording and reporting of debt and guarantees	<ul style="list-style-type: none"> <li>The National Bank</li> </ul>
13.2 Approval of debt and guarantees	
13.3 Debt management strategy	
<b>IV. Policy-based fiscal strategy and budgeting</b>	
<b>PI-14: Macroeconomic and fiscal forecasting</b>	<ul style="list-style-type: none"> <li>Interviews with the Ministry of Economic Development and Trade and the Ministry of Finance officials</li> </ul>
14.1 Macroeconomic forecasts	
14.2 Fiscal forecasts	
14.3 Macro-fiscal sensitivity analysis	
<b>PI-15 Fiscal strategy</b>	<ul style="list-style-type: none"> <li>MTEF</li> <li>Budget Circular for respective years</li> </ul>
15.1 Fiscal impact of policy proposals	
15.2 Fiscal strategy adoption	
15.3 Reporting on fiscal outcomes	
<b>PI-16 Medium-term perspective in expenditure budgeting</b>	<ul style="list-style-type: none"> <li>MTEF</li> <li>Budget Circular for respective years</li> <li>Public Finance Law, 2007</li> </ul>
16.1 Medium-term expenditure estimates	
16.2 Medium-term expenditure ceilings	
16.3 Alignment of strategic plans and medium-term budgets	
16.4 Consistency of budgets with previous year's estimates	
<b>PI-17: Budget preparation process</b>	<ul style="list-style-type: none"> <li>MTEF</li> <li>Budget Circular for respective years</li> <li>Public Finance Law, 2007</li> </ul>
17.1 Budget calendar	
17.2 Guidance on budget preparation	
17.3 Budget submission to the legislature	
<b>PI-18: Legislative scrutiny of budgets</b>	<ul style="list-style-type: none"> <li>MTEF</li> <li>Budget Circular for respective years</li> <li>Public Finance Law, 2007</li> </ul>
18.1 Scope of budget scrutiny	
18.2 Legislative procedures for budget scrutiny	

Indicator/dimension	Data Sources
18.3 Timing of budget approval	
18.4 Rules for budget adjustments by the executive	
<b>V. Predictability and control in budget execution</b>	
<b>PI-19 Revenue administration</b>	
19.1 Rights and obligations for revenue measures	<ul style="list-style-type: none"> <li>• The Tax Code, 2013</li> <li>• Interview with the Tax Committee officials</li> <li>• The Central Treasury, Ministry of Finance</li> </ul>
19.2 Revenue risk management	
19.3 Revenue audit and investigation	
19.4 Revenue arrears monitoring	
<b>PI-20 Accounting for Revenues</b>	
20.1 Information on revenue collections	<ul style="list-style-type: none"> <li>• The Tax Code</li> <li>• Interview with the Tax Committee officials</li> <li>• The Central Treasury, Ministry of Finance</li> </ul>
20.2 Transfer of revenue collections	
20.3 Revenue accounts reconciliation	
<b>PI-21 Predictability of in-year resource allocation</b>	
21.1 Consolidation of cash balances	<ul style="list-style-type: none"> <li>• The Central Treasury, Ministry of Finance</li> </ul>
21.2 Cash forecasting and monitoring	
21.3 Information on commitment ceilings	
21.4 Significance of in-year budget adjustments	
<b>PI-22 Expenditure arrears</b>	
22.1 Stock of expenditure arrears	<ul style="list-style-type: none"> <li>• The Central Treasury, Ministry of Finance</li> </ul>
22.2 Expenditure arrears monitoring	
<b>PI-23 Payroll controls</b>	
23.1 Integration of payroll and personnel records	<ul style="list-style-type: none"> <li>• The Central Treasury, Ministry of Finance</li> <li>• The Civil Service Agency</li> </ul>
23.2 Management of payroll changes	
23.3 Internal control of payroll	
23.4 Payroll audit	

Indicator/dimension	Data Sources
<b>PI-24 Procurement</b>	<ul style="list-style-type: none"> <li>• The Public Procurement Agency</li> <li>• Law on Public Procurement of Goods, Services and Works, 2012</li> <li>• The Public Procurement Agency website</li> <li>• The Central Treasury, Ministry of Finance</li> </ul>
24.1 Procurement monitoring	
24.2 Procurement methods	
24.3 Public access to procurement information	
24.4 Procurement complaints management	
<b>PI-25 Internal controls on non-salary expenditure</b>	<ul style="list-style-type: none"> <li>• The Treasury Law, 2008</li> <li>• The Internal Audit Law, 2010</li> <li>• Interview with the Central Treasury officials</li> </ul>
25.1 Segregation of duties	
25.2 Effectiveness of expenditure commitment controls	
25.3 Compliance with payment rules and procedures	
<b>PI-26 Internal audit</b>	<ul style="list-style-type: none"> <li>• The Internal Audit Law, 2010</li> <li>• Interview with the Central Treasury officials</li> </ul>
26.1 Coverage of internal audit	
26.2 Nature of audits and standards applied	
26.3 Implementation of internal audits and reporting	
26.4 Response to internal audits	
<b>VI. Accounting and reporting</b>	
<b>PI-27 Financial data integrity</b>	<ul style="list-style-type: none"> <li>• The Treasury Law, 2008</li> <li>• Interview with the Central Treasury officials</li> </ul>
27.1 Bank account reconciliation	
27.2 Suspense accounts	
27.3 Advance accounts	
27.4 Financial data integrity processes	
<b>PI-28 In-year budget reports</b>	<ul style="list-style-type: none"> <li>• The Treasury Law, 2008</li> <li>• Interview with the Central Treasury officials</li> <li>• Interview with the Chamber of Accounts officials</li> </ul>
28.1 Coverage and comparability of reports	
28.2 Timing of in-year budget reports	
28.3 Accuracy of in-year budget reports	
<b>PI-29 Annual financial reports</b>	<ul style="list-style-type: none"> <li>• Interview with the Central Treasury</li> </ul>

Indicator/dimension	Data Sources
29.1 Completeness of annual financial reports	officials; • Interview with the Chamber of Accounts officials
29.2 Submission of the reports for external audit	
29.3 Accounting standards	
<b>VII. External scrutiny and audit</b>	
<b>PI-30 External audit</b>	
30.1 Audit coverage and standards	• Law on Chamber of Accounts, 2011 • Public Finance Law, 2007 • Interview with the Chamber of Accounts officials
30.2 Submission of audit reports to the legislature	
30.3 External audit follow up	
30.4 Supreme Audit Institution independence	
<b>PI-31 Legislative scrutiny of audit reports</b>	
31.1 Timing of audit report scrutiny	• The Public Finance Law, 2007 • Interview with the Parliament officials
31.2 Hearings on audit findings	
31.3 Recommendations on audit by the legislature	
31.4 Transparency of legislative scrutiny of audit reports	





## Annex 4. Assessment Comparison 2012 and 2017

Table A4.1. 2012 and 2017 Assessment Comparison – Based on 2011 Framework

Indicators/Dimension	2012 score using 2011 PEFA framework (previous Assessment)	2017 score using 2011 PEFA Framework (Current Assessment)	Explanation of score in the current assessment	Explanation of change
<b>A: BUDGET CREDIBILITY</b>				
PI-1 (M1) Aggregate expenditure out-turn compared to original approved budget	A	A	Performance did not change. Aggregate expenditure outturn excluding donor funded projects was between 95% and 105% of the approved aggregate budgeted expenditure: 100.5% in 2013, 98.6% in 2014 and 97.7 in 2015.	No change

<p>PI-2 (M1) Composition of expenditure out-turn compared to original approved budget</p> <p>(i) Extent of variance in expenditure composition during last three years, excluding contingency items;</p> <p>(ii) The average amount of expenditure charged to contingency vote over the last three years</p>	<p>C+</p> <p>C</p> <p>B</p>	<p>D+</p> <p>D</p> <p>A</p>	<p>Analysis of the expenditures composition by functional and economic classification, conducted on the basis of the PEFA assessment methodology, showed that, as in the 2012 assessment, there are still significant differences between the original plan and the actual allocation of funds.</p> <p>The composition variance between the expenditures outturn by function and the budgeted expenditure was below 15 percent in all the three years of assessment: 11.8 % in 2013, 10.7% in 2014 and 12.4% in 2015.</p> <p>At the same time, the establishment of a legislative framework for the size of the Government's Contingency Fund, led to a sharp reduction in the overall level of contingency expenditures.</p>	<p>Although there are improvements in managing the level of contingency expenditure, deterioration in composition of expenditure by functional classification has led to lower rating for this indicator compared to 2012 assessment.</p>
<p>PI-3 (M1) Aggregate revenue out-turn compared to original approved budget</p> <p>(i) Aggregate revenue outturn compared to</p>	<p>B</p> <p>B</p>	<p>B</p> <p>B</p>	<p>As in the 2012 assessment, the indicators of domestic taxes and fees correspond to the "A" rating, but the overall rating was reduced by the data on the receipt of special funds. The variance in the composition of actual revenue from the approved plan did not</p>	<p>No change</p>

original approved budget			exceed 10%, in two out of three evaluated years.	
<p>PI-4 (M1) Stock and monitoring of expenditure payment arrears</p> <p>(i) Stock of expenditure payment arrears (as % of actual total expenditure for the corresponding fiscal year) and any recent change in the stock</p> <p>(ii) Availability of data for monitoring the stock of expenditure payment arrears</p>	<p>D+</p> <p>A</p> <p>D</p>	<p>C+</p> <p>C</p> <p>A</p>	<p>In the period considered by this assessment, the recorded liabilities on expenditures remained at a low level, below 2% of actual expenditures in two of the estimated three years. In 2013-2015, the Central Treasury continued to perform additional monitoring of salaries and accruals. In general, the information provided on the fulfillment of liabilities on expenditures for 2013-2015, as well as in the previous assessment, corresponds to score "A".</p> <p>At the same time, according to the preliminary results of 2016, due to a decrease in revenue receipts, the level of recorded liabilities on expenditures was 15.4%, with of almost 9 times increase as compared to the average for the previous three years.</p> <p>The Central Treasury, at the end of each year, consolidates data on the liabilities to be paid on expenses. Data on amounts, terms and composition of liabilities on expenditures is not prepared on a quarterly basis.</p>	<p>Improvements in expenditure arrears management and monitoring</p>

<b>B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency</b>				
PI-5/ M1 Classification of the budget	B	B	During 2013-2015 significant work was accomplished on qualitative expansion of the functionality of the types of budget classification used, taking into account the implementation of the Unified Chart of Accounts, classification of revenues and expenditures, functional budget classification, economic budget classification, the application of the functional and economic classification of the budget and analytical sub-items of the economic budget classification, Unified Chart of Accounts in budget institutions, and instructions on their use, were updated, and were used in the treasury system in the process of budget execution. Currently, budget formulation, execution and reporting are based on administrative, economic and functional classification, using GFS/COFOG standards.	New economic classification and UCOA were introduced. However, lack of program classification does not allow to assign a higher score.

			At the same time, the program classification is yet to be implemented, which makes it impossible to give all the accomplished work a higher score.	
PI-6/ M1 Comprehensiveness of information included in budget documentation	A	A	The annual budget documentation submitted by the Government to the Parliament of Tajikistan meets 12 requirements out of 12 information criteria specified in the PEFA 2016 Performance Assessment, including all key elements.	No change
PI-7/ M1 Extent of unreported government operations	B+	A	All public expenditure and revenue are included into the government financial reports.  All public expenditure is included in the government financial reports	Improved control over extra-budgetary funds
(i) The level of extra-budgetary expenditure (other than donor-funded projects) which is unreported	B	A	All public revenue is included into the government financial reports	

<p>(ii) i.e. not included in fiscal reports Income/expenditure information on donor-funded projects which is included in fiscal reports</p>	<p>A</p>	<p>A</p>		
<p>PI-8/ M2 Transparency of Inter-Governmental Fiscal Relations</p> <p>(i) Transparent and rules based systems in horizontal allocation among SN governments of unconditional and conditional transfers from central government (both budgeted and actual allocation</p> <p>(ii) Timeliness of reliable information on SN governments on their</p>	<p>B+</p> <p>B</p> <p>B</p>	<p>A</p> <p>B</p> <p>A</p>	<p>During the period under assessment, local authorities received timely information on the planned annual transfers, and the budgets of local public authorities were approved in a timely manner. Simultaneously, the practice of applying the per capita financing for basic social services is gradually expanding.</p> <p>The budget calendar is common to all participants in the budget process, including local government authorities, and accordingly, local authorities participate at all stages of the draft budget process and receive timely information about the planned annual transfers. Laws on the state budget are adopted in a timely manner, before the beginning of a new financial year. Budgets of local public authorities are also approved in a timely manner.</p>	<p>Improvements are due to positive changes in implementation of budget preparation calendar.</p>

<p>allocations from central government for the coming year</p> <p>(iii) Extent to which consolidated fiscal data (at least on revenue and expenditure) is collected and reported for general government according to sectoral categories</p>	<p>A</p>	<p>A</p>	<p>Fiscal information from sector and SN level are consistent with central government fiscal reporting of SN government expenditure and is consolidated into annual reports within 6 months of the end of the fiscal year.</p>	
<p>PI-9/ M1</p> <p>Oversight of aggregate fiscal risk from other public sector entities</p> <p>(i) Extent of central government monitoring of AGAs and Pes;</p>	<p>C+</p> <p>A</p> <p>C</p>	<p>B+</p> <p>B</p> <p>A</p>	<p>All major AGA/Pes submit fiscal reports to central government at least nine-monthly, as well as annual audit accounts, and central government consolidates fiscal risk issues into report at least annually.</p>	<p>The change in score is not because of some improvements in this area, but because of wrong scoring of dimension (ii) of this indicator. Under PEFA 2011 Framework inability of subnational governments to generate fiscal risks to central</p>

(ii)	Extent of central government monitoring of SN government's fiscal position			Most local government authorities publish annual reports on the budgets execution in mass media within nine months of the end of fiscal year, but publishing verified annual reports is limited. Reports on fiscal risks, where the information on all significant contingent liabilities and other fiscal risks of the central government is analyzed and summarized, are prepared annually by the Monitoring Department of Major State Enterprises of the Ministry of Finance	government, which is the case in Tajikistan should be rated A. However, C was assigned.
PI-10/ M1	Public access to key fiscal information	C	C	Public has access to two out of six basic elements of public finance data.	No change
<b>C. BUDGET CYCLE</b>					
<b>C (i) Policy-Based Budgeting</b>					
PI-11/ M2	Orderliness and participation in the annual budget process	B+	B	The Ministry of Finance issues budget circulars for stage 1 and stage 2 of the budget preparation process, which provide a clear guidance for budget organizations on budget process and cover entire budget for upcoming year. However, budget circulars do not set	Deterioration in performance due to reduced time provided to budget entities to produce



<p>(i) Existence of and adherence to a fixed budget calendar</p> <p>(ii) Clarity/comprehensiveness of and political involvement in the guidance on the preparation of budget submissions (budget circular or equivalent)</p> <p>(iii) Timely budget approval by the legislature or similarly mandated body (within the last three years)</p>	<p>B</p> <p>B</p> <p>A</p>	<p>C</p> <p>C</p> <p>A</p>	<p>budget ceilings, which are set by the Ministry of Finance at a later stage by sectors and line ministries. This, sometimes, causes last-minute changes to budget proposals.</p> <p>For the period under assessment, there were no violations of the deadline requirements for the draft budget submission by the Government to the Parliament.</p>	<p>high-quality budget proposals and meeting the established deadlines.</p>
<p>PI-12/ M2</p> <p>Multi-year perspective in fiscal planning, expenditure policy and budgeting</p> <p>(i) Preparation of multi-year fiscal forecasts and functional allocations</p> <p>(ii) Scope and frequency of debt sustainability analysis</p>	<p>D+</p> <p>C</p> <p>B</p> <p>D</p>	<p>C</p> <p>D</p> <p>A</p> <p>C</p>	<p>The budget is approved on an annual basis. Budget forecasts for the next two fiscal years are approved by the Parliament. No link between forward forecasts and subsequent budget estimates is provided.</p> <p>Around 25% of ministries and at least 25% of their budget funds are aligned with costed strategic plans.</p> <p>Expenditure ceilings by sectors for the budget year and the next two fiscal years are approved by the government before the release of the main budget</p>	<p>Improvements in public debt monitoring and management and developing and costing sector strategies by some ministries.</p>

<p>(iii) Existence of sector strategies with multi-year costing of recurrent and investment expenditure</p> <p>(iv) Linkages between investment budgets and forward expenditure estimates</p>	<p>D</p>	<p>D</p>	<p>circular. Due attention is not paid to the analysis of changes between the forecast indicators of the medium-term budget.</p>	
<p><b>C (ii) Predictability &amp; Control in Budget Execution</b></p>				
<p><b><i>Revenue Administration</i></b></p>				
<p>PI-13/ M2</p> <p>Transparency of taxpayer obligations and liabilities</p> <p>(i) Clarity and comprehensiveness of tax liabilities</p> <p>(ii) Taxpayers access to information on tax liabilities and administrative procedures</p>	<p>B</p> <p>B</p> <p>B</p> <p>B</p>	<p>A</p> <p>A</p> <p>A</p> <p>A</p>	<p>With the introduction of the new Tax Code in 2013 and Customs Code, the Tax Committee and the Customs have made serious efforts to expand coverage, improve the quality and availability of all the necessary information for taxpayers. The legislative base for taxes of all types is comprehensive, clear, and readily accessible to taxpayers through Tax Committee’s and Customs’ websites and other means of communication. The tax laws define the base, rate, application, administrative procedures, for the taxes in force and the methods of payment. In addition, the Call Center has a hotline,</p>	<p>Improved taxpayer services.</p>

(iii) Existence and functioning of a tax appeal mechanism			where requested information is answered in due time.	
PI-14/ M2 Effectiveness of measures for taxpayer registration and tax assessment  (i) Controls in the taxpayer registration system  (ii) Effectiveness of penalties for non-compliance with registration and declaration obligations	C  C  C  C	C  C  C  C	In the 2012 assessment, this dimension was rated “C” due to lack of evidence of proper functioning of the audit plan based on a real risk assessment. Since 2014, the number of audits of business entities to verify the accuracy of tax settlements and payments began to decline steadily, which, however, cannot be considered as a confirmation of the proper functioning of audit plans.  Failure by a taxpayer to pay on time results in imposition of interest and penalties and, for some taxpayers, legal debt recovery action. Penalties are applied where the taxpayer does not meet the due dates	No change

<p>(iii) Planning and monitoring of tax audit and fraud investigation programs</p>			<p>In the 2012 assessment, this dimension was rated “C” due to lack of evidence of proper functioning of the audit plan based on a real risk assessment. Since 2014, the number of audits of business entities to verify the accuracy of tax settlements and payments began to decline steadily, which, however, cannot be considered as a confirmation of the proper functioning of audit plans.</p>	
<p>PI-15/ M1 Effectiveness in collection of tax payments</p> <p>(i) Collection ratio of gross tax arrears, being the percentage of tax arrears at the beginning of fiscal year (average of last two fiscal years)</p> <p>(ii) Effectiveness of transfer of tax collections to the Treasury by the revenue administration</p>	<p>D+</p> <p>D</p> <p>A</p>	<p>D+</p> <p>D</p> <p>A</p>	<p>Collection ratio of gross tax arrears was less than 60% and total amount of tax arrears is around 10% of total collection.</p> <p>Transfers of collected revenues from organizations that collect the overwhelming majority of budget</p>	<p>With introduction of electronic information systems and online connection of the Ministry of Finance, Tax Committee and Customs Service the management of tax collection has significantly improved. However, low effectiveness in collection of tax arrears resulted in D+ as a total score for that indicator.</p>

<p>(iii) Frequency of complete accounts reconciliation between tax assessments, collections, arrears records and receipts by the Treasury</p>	<p>D</p>	<p>A</p>	<p>revenues to the accounts of the Central Treasury are performed on a daily basis. Tax Committee and the Customs collecting <i>most</i> central government revenue undertake complete reconciliation of assessments, collections, arrears, and transfers to Treasury on a monthly basis on the first day of the month following the reporting period for the reporting month for each budget classification code on revenues.</p>	
<p><b><i>Budget Execution &amp; Cash/Debt Management</i></b></p>				
<p>PI-16/ M1 Predictability in the availability of funds for commitment of expenditures</p> <p>(i) Extent to which cash flows are forecast and monitored</p> <p>(ii) Reliability and horizon of periodic in-year information to MDA on ceilings of</p>	<p>D+</p> <p>C</p> <p>D</p>	<p>C+</p> <p>C</p> <p>B</p>	<p>Forecasts for cash flow are prepared for each fiscal year, but the Main Department of the Central Treasury did not make quarterly updates based on actual cash inflows and outflows.</p>	<p>Improvements in reliability of periodic in-year information to budget organizations on ceilings of expenditure commitments.</p>

<p>expenditure commitment</p> <p>(iii) Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of MDA</p>	<p>C</p>	<p>C</p>	<p>Budgetary units are provided reliable information on commitment ceilings at least quarterly in advance. Actual resources for commitments are available.</p> <p>In general, significant annual adjustments continue to take place to the budget expenditure in the process of its execution.</p>	
<p>PI-17/ M2</p> <p>Recording and management of cash balances, debt and guarantees</p> <p>(i) Quality of debt data recording and reporting</p>	<p>C+</p> <p>C</p>	<p>B</p> <p>B</p>	<p>Accounting for external and internal debts of Tajikistan is performed by the Main Department of the State Debt and State Financial Assets of the Ministry of Finance. Data on external debt covers direct government obligations and sovereign loans, including loans and guarantees for state-owned and privatized enterprises which, at the time of borrowing or obtaining guarantees,</p>	<p>Improvements in the debt data recording and reporting as well as improved legislature on issuance of debt and debt guarantees. There is no real deterioration in PI-17 (ii). In 2012 Assessment reconciliation of the Social Protection Fund balances was not considered,</p>

<p>(ii) Extent of consolidation of the government cash balances</p>	<p>A</p>	<p>C</p>	<p>were public. Domestic and foreign debt and guaranteed debt records are complete, accurate, and updated quarterly. <i>Most</i> information is reconciled quarterly. Comprehensive management and statistical reports covering debt service, stock, and operations are produced at least annually.</p> <p>Most part of cash balances is in the Treasury Single Account held at the National Bank, and managed by the MoF Central Treasury. Consolidation of funds at TSA takes place daily. Only Social Protection Fund offices manage their budget separately, similar to the treasury. Social Protection Fund has separate accounts in the Amonat Bank at the central and local levels. Monthly reports on payments are sent to the Central Treasury.</p>	<p>which led to over-scoring for this dimension.</p>
<p>(iii) Systems for contracting loans and issuance of guarantees</p>	<p>C</p>	<p>A</p>	<p>On behalf of the Government, authorizations for borrowing, issuing new debts and issuing guarantees on loans are provided only by the Ministry of Finance. The projected volumes of</p>	

			<p>borrowing are considered and approved by the Parliament. Information on an annual borrowing to finance budget deficit are included in the Annual Budget Law, which is approved by the Parliament.</p>	
<b>Internal Controls</b>				
<p>PI-18/ M1 Effectiveness of payroll controls</p>	<p>D+</p>	<p>C+</p>	<p>Payroll is supported by documentation for all changes made to personnel records on a monthly basis and is checked on the basis of data on wages for the previous month, and the selection and promotion of personnel is controlled by a list of approved positions.</p>	<p>Improvements in integration and reconciliation between personnel records and payroll data due to some automation of the civil service registry.</p>
<p>(i) Degree of integration and reconciliation between personnel records and payroll data</p>	<p>D</p>	<p>C</p>	<p>The necessary changes in personal records and payroll of budget organizations are updated on a monthly basis, usually during payments for the next month; retroactive payments are rare, but limited automation of the processes reduces the score.</p>	



(ii) Timeliness of changes to personnel records and the payroll	B	B	There are clearly defined roles and a defined basis for amending the records of personnel and the wage fund. The current practice of payroll control in all budget organizations is identical.	
(iii) Internal control of changes to personnel records and the payroll	B	B	Changes in personal records and payroll of all budgetary organizations of Tajikistan are made on a monthly basis, and as a rule, during payments for the next month.	
(iv) Existence of payroll audits to identify control weaknesses and/or ghost workers	B	B	The audit of wage fund in all public institutions was conducted at least once in the past three years. However, lack of integrated personnel, payroll and payment systems combined with the existence of manual systems increases the risk related to payroll.	
PI-19/ M2 Competition, value for money and controls in procurement	C+	B		Improvement in legislation and its application, which provides for more open competition and transparency in the public procurement
(i) Transparency, comprehensiveness and competition in the	B	B	Information on the results of bidding - a database containing data on procuring	

<p>legal and regulatory framework</p> <p>(ii) Use of competitive procurement method</p> <p>(iii) Public access to complete, reliable and timely procurement information</p>	<p>C</p> <p>B</p>	<p>A</p> <p>B</p>	<p>entity's name, the subject of procurement, the amounts of contracts and names of the winners is maintained for most methods of procurement of goods, services and works.</p> <p>In 2013-2015, on average, more than 96% of the total number of contracts awarded through the Procurement Agency involved tenders with unlimited participation.</p> <p>When contracts are awarded by method other than open competition, they are justified by legislation (Art. 9 of regulation on Public Procurement Procedures, January 17, 2008).</p> <p>The four key elements of procurement information are complete and reliable for government organizations and are made available to the public: 1) the procurement regulatory framework 2) information on bidding and opportunities for participation in bidding, 3) the results of conducted procurement, and 4) annual procurement statistics.</p>	
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(iv) Existence of an independent administrative procurement complaint system	D	D	Lack of an independent mechanism for administrative complaints resolution.	
<p>PI-20/ M1</p> <p>Effectiveness of internal controls for non-salary expenditures</p> <p>(i) Effectiveness of expenditure commitment control</p> <p>(ii) Comprehensiveness, relevance and understanding of other internal control rules/procedures</p> <p>(iii) Degree of compliance with rules for</p>	<p>C+</p> <p>C</p> <p>A</p>	<p>B+</p> <p>B</p> <p>A</p>	<p>The internal control procedures meet the requirements and include an integrated and cost-effective set of control measures with generally understood instructions, handbooks and manuals. With the introduction of electronic PFM systems, the existing internal control systems have improved significantly. Duties are prescribed, segregated and responsibilities are clear.</p> <p>Compliance monitoring is in place and expenditure commitment control limits commitments to projected cash availability and approved budget allocations for all types of expenditure</p>	<p>Introduction of an automated information system has resulted in improvements in expenditure commitment control and application of internal control procedures.</p>

processing and recording transactions	C	B	Most payments correspond to the usual payment procedures. Most of the exceptions are duly authorized and justified.	
PI-21/ M1 Effectiveness of internal audit	C+	C+		No change.
(i) Coverage and quality of internal audit function	C	C	Internal audit covers the central government institutions representing most expenditures and central government authorities that collect most government revenue. Systems review audits quality is uncertain.	
(ii) Frequency and distribution of reports	B	B	Reports are issued regularly for most audited entities and distributed to the audited entity, and to the ministry of finance	
(iii) Extent of management response to internal audit findings	C	C	Recommendations on internal audit, including necessary actions or comprehensive measures, are implemented by the management of the	

			majority of audited organizations within twelve months of the report being produced. However, a substantial part of the recommended measures are punitive, and do not address the underlying cause of the problems	
<b>C (iii) Accounting, Recording and Reporting</b>				
PI-22/ M2 Timeliness and regularity of accounts reconciliation	B+	A		Improvement is due to shorter time of reconciliation (weekly). Improved management of advanced accounts.
(i) Regularity of bank reconciliation	A	A	Bank reconciliation for <i>all</i> active central government bank accounts takes place at least weekly at aggregate and detailed levels, usually within one week from the end of each week.	
(ii) Regularity and reconciliation and clearance of suspense accounts and advances	B	A	Reconciliation of advance accounts takes place at least monthly, within a month from the end of each month. There is no suspense accounts.	
PI-23				Improvement is due to better data

<p>Availability of information on resources received by service delivery units</p> <p>(i) Collection and processing of information to demonstrate the resources that were actually received by the most common front-line service delivery unit</p>	<p>D</p>	<p>B</p> <p>B</p>	<p>Regular assessment of resources is held by the Ministry of Education in relation to one of the main types of services - school education</p>	<p>collection and assessment by the Ministry of Education on resources received by primary schools</p>
<p>PI-24/ M1</p> <p>Quality and timeliness of in-year budget reports</p> <p>(i) Scope of reports in terms of coverage and compatibility with budget estimates</p> <p>(ii) Timeliness of the issue of reports</p>	<p>C+</p> <p>C</p> <p>A</p>	<p>C+</p> <p>C</p> <p>A</p>	<p>Classification of data allows direct comparison to the original budget. Information includes all items of budget estimates. Expenditure is covered only at payment stages.</p> <p>Budget performance reports are submitted to the Government on a quarterly basis, cumulatively for four weeks from the end of each quarter. The</p>	<p>Improvements in coverage and accuracy of budget reports</p>

(iii) Quality of information	B	A	<p>reports are published in the periodic collections of the Agency on Statistics, on the website of the Ministry of Finance</p> <p>Taking into account monthly reconciliations with budget organizations carried out by the Treasury on the accuracy of financial data, the information on budget execution, covering both the stage of commitment of expenditures and the stage of payment, is considered reliable.</p>	
<p>PI-25/ M1</p> <p>Quality and timeliness of annual financial statements</p> <p>(i) Completeness of financial statements</p>	C+	D+	<p>The consolidated Government report is prepared annually and includes full information on revenues, expenditures and financial assets/liabilities. However, the set of presently applied accounting standards are not sufficiently consistent with the full set of International Public Sector Accounting Standards (IPSAS). Also, those standards have not been</p>	<p>Improvements in timeliness of submission of annual financial statement.</p> <p>Although there is some progress with implementing international accounting standards, there is no evidence that standards are disclosed.</p>

<p>(ii) Timeliness of submission of the financial statements</p>	<p>B</p>	<p>A</p>	<p>regularly updated in tandem with IPSAS.</p> <p>The deadlines for the submission of annual budget performance reports in Tajikistan are legislatively established over 6 months after the fiscal year end, which corresponds to score “A” on PEFA 2011 Framework.</p>	
<p>(iii) Accounting standards used</p>	<p>C</p>	<p>D</p>	<p>Statements are presented in consistent format over time, but there is no evidence that standards are disclosed.</p>	
<p><b>C (iv) External Scrutiny and Audit</b></p>				
<p>PI-26/ M1</p>	<p>D</p>	<p>C+</p>		<p>There are improvements in all dimensions,</p>
<p>Scope, nature and follow-up of external audit</p> <p>(i) Scope/nature of audit performed (including adherence to audit standards)</p>	<p>D</p>	<p>C</p>	<p>In 2014-2016, the Chamber of Accounts conducted audits of 70 central government authorities that are the main</p>	<p>including the scope of audit, timeliness of submission of audit report to legislature, and</p>



<p>(ii) Timeliness of submission of audit reports to legislature</p> <p>(iii) Evidence of follow up on audit recommendations</p>	<p>NA</p> <p>NA</p>	<p>A</p> <p>A</p>	<p>administrators of budget funds, which accounts for 54% of their total number. Together those organizations represent about 55% of the total budget revenue and expenditure.</p> <p>Auditors' opinions on the government's annual reports on the state budget execution were submitted by the Chamber of Accounts to the Parliament within a period of less than three months from the receipt of financial reports.</p> <p>Formal, comprehensive, and timely response was made by the executive or the audited entity on audits for which follow-up was expected during the last three completed fiscal years (2013-2015).</p>	<p>follow up on audit recommendations</p>
<p>PI-27/ M1</p> <p>Legislative scrutiny of the annual budget law</p> <p>(i) Scope of the legislature's scrutiny</p>	<p>B+</p> <p>B</p>	<p>A</p> <p>A</p>	<p>In all three years under assessment and 2016, the Parliament reviews the Government's proposals on fiscal policy</p>	<p>Improvements in the scope of budget scrutiny and rules for budget amendments by the legislature</p>

			for the following year, the medium-term fiscal forecast, medium-term priorities, detailed estimates of budget expenditures and revenues, and related issues.	
(ii)	Extent to which the legislature's procedures are well established and respected	A	A	The procedures for the draft budget review by the Parliament are regulated by legislative and regulatory documents, well established, comprehensive and duly respected.
(iii)	Adequacy of time for the legislature to provide a response to budget proposals	A	A	For the period under assessment, there were no violations of the deadline requirements for the draft budget submission by the Government to the Parliament. The Parliament has at least two months to review budget proposals.
(iv)	Rules for in-year amendments to the budget without ex-ante approval by the legislature	B	A	All decisions of the Government on adjustments to the budget are implemented strictly in accordance with the statutory limitations, with the submission of relevant information to the Parliament on a regular basis. .
PI-28/ M1		D	C+	In previous assessment the Chamber of

<p>Legislative scrutiny of external audit reports</p> <p>(i) Timeliness of examination of audit reports by the legislature (for reports received within the last three years)</p> <p>(ii) Extent of hearings on key findings undertaken by the legislature</p> <p>(iii) Issuance of recommended actions by the legislature and implementation by the executive</p>	<p>D</p> <p>NA</p> <p>NA</p>	<p>A</p> <p>C</p> <p>B</p>	<p>During the period considered by this assessment, all audit reports of the Chamber of Accounts were considered by the legislature on average within one month.</p> <p>The Parliament holds in-depth hearings with representatives of a few ministries, departments and organizations related to the opinions and recommendations of the Chamber of Accounts, the management of the Chamber of Accounts and audited organizations, on individual opinions.</p> <p>There is a control unit within the Parliament that monitors the implementation of decisions taken.</p>	<p>Accounts did not exist and audit reports were not prepared and submitted to the legislature. Establishment of the Chamber of Accounts, developing audit reports and their review by the legislature contributed to positive changes on this indicator.</p>
<p><b>D. DONOR PRACTICES</b></p>				
<p>D-1/ M1</p>	<p>C</p>	<p>C</p>	<p>The deviation of actual budget support from forecast only in 2015 was more</p>	<p>No change</p>

Predictability of Direct Budget Support			than 15% and the in-year disbursement delays were significant and have major effects on government activities and service delivery.	
D-2/ M1 Financial information provided by donors for budgeting and reporting on project and program aid	C	C	At least half of donors (including the five largest) provide complete budget estimates for disbursement of project aid at stages consistent with the government's budget calendar and with a breakdown consistent with the government's budget classification	No change
D-3/ M1 Proportion of aid that is managed by use of national procedures	D	D	Proportion of aid managed through national systems is less than 50%	No change

**Results matrix using PEFA 2011 methodology**

year	for PI-1 total exp. Outturn	for PI-2.1 composition variance	for PI-2.3 contingency share
2013	100.5%	11.8%	
2014	98.6%	10.7%	2.4%
2015	97.7%	12.4%	

<b>Table 5 - Results Matrix</b>			
year	total revenue deviation	composition variance	
2013	108.7%	6.2%	
2014	112.8%	6.6%	
2015	102.4%	11.4%	

Table A4.2: 2007, 2012 and 2017 Dimensions Results by 2011 PEFA Framework

<b>A: BUDGET CREDIBILITY</b>		<b>Score 2007 PEFA</b>	<b>Score 2012 PEFA</b>	<b>Score 2017 PEFA</b>
PI-1 (M1)	Aggregate expenditure out-turn compared to original approved budget	<b>B</b>	<b>A</b>	<b>A</b>
PI-2 (M1)	Composition of expenditure out-turn compared to original approved budget	<b>C</b>	<b>C+</b> (i) C (ii) B	<b>D+</b> (i) D (ii) A
PI-3 (M1)	Aggregate revenue out-turn compared to original approved budget	<b>A</b>	<b>B</b>	<b>B</b>
PI-4 (M1)	Stock and monitoring of expenditure payment arrears	<b>C+</b> (i) A (ii) C	<b>D+</b> (i) A (ii) D	<b>C+</b> (i) C (ii) A
<b>B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency</b>		<b>Score 2007 PEFA</b>	<b>Score 2012 PEFA</b>	<b>Score 2017 PEFA</b>
PI-5/ M1	Classification of the budget	<b>D</b>	<b>B</b>	<b>B</b>
PI-6/ M1	Comprehensiveness of information included in budget documentation	<b>A</b>	<b>A</b>	<b>A</b>
PI-7/ M1	Extent of unreported government operations	<b>C+</b> (i) B (ii) C	<b>B+</b> (i) B (ii) A	<b>A</b> (i) A (ii) A

PI-8/ M2	Transparency of Inter-Governmental Fiscal Relations	<b>B</b> (i) C (ii) C (iii) A	<b>B+</b> (i) B (ii) B (iii) A	<b>A</b> (i)B (ii) A (iii)A
PI-9/ M1	Oversight of aggregate fiscal risk from other public sector entities	<b>C</b> (i) C (ii) C	<b>C+</b> (i) A (ii) C	<b>B+</b> (i)B (ii)A
PI-10/ M1	Public access to key fiscal information	<b>D</b>	<b>C</b>	<b>C</b>
<b>C. BUDGET CYCLE</b>		<b>Score</b> <b>2007</b> <b>PEFA</b>	<b>Score</b> <b>2012</b> <b>PEFA</b>	<b>Score</b> <b>2017</b> <b>PEFA</b>
<b>C (i) Policy-Based Budgeting</b>				
PI-11/ M2	Orderliness and participation in the annual budget process	<b>B</b> (i) B (ii) D (iii) A	<b>B+</b> (i) B (ii) B (iii) A	<b>B</b> (i)C (ii)C (iii)A
PI-12/ M2	Multi-year perspective in fiscal planning, expenditure policy and budgeting	<b>D+</b> (i) C (ii) C (iii) C (iv) D	<b>D+</b> (i) C (ii) B (iii) D (iv) D	<b>C</b> (i)D (ii)A (iii)C (iv)D

<b>C (ii) Predictability &amp; Control in Budget Execution</b>				
<i>Revenue Administration</i>				
PI-13/ M2	Transparency of taxpayer obligations and liabilities	<b>C</b> (i) C (ii) C (iii) C	<b>B</b> (i) B (ii) B (iii) B	<b>A</b> (i)A (ii)A (iii)A
PI-14/ M2	Effectiveness of measures for taxpayer registration and tax assessment	<b>D+</b> (i) D (ii) C (iii) C	<b>C</b> (i) C (ii) C (iii) C	<b>C</b> (i)C (ii)C (iii)C
PI-15/ M1	Effectiveness in collection of tax payments	<b>NR</b> (i) NR (ii) D (iii) D	<b>D+</b> (i) D (ii) A (iii) D	<b>D+</b> (i)D (ii)A (iii)A
<i>Budget Execution &amp; Cash/Debt Management</i>				
PI-16/ M1	Predictability in the availability of funds for commitment of expenditures	<b>D+</b> (i) B (ii) B (iii) D	<b>D+</b> (i) C (ii) D (iii) C	<b>C+</b> (i)C (ii)B (iii)C
PI-17/ M2	Recording and management of cash balances, debt and guarantees	<b>C+</b> (i) C (ii) C (iii) C	<b>C+</b> (i) C (ii) A (iii) C	<b>B</b> (i)B (ii)C (iii)A



<i>Internal Controls</i>				
PI-18/ M1	Effectiveness of payroll controls	<b>D+</b> (i) D (ii) C (iii) C (iv) B	<b>D+</b> (i) D (ii) B (iii) B (iv) B	<b>C+</b> (i)C (ii)B (iii)B (iv)B
PI-19/ M2	Competition, value for money and controls in procurement	<b>C</b> (i) (ii) (iii) (iv) C	<b>C+</b> (i) B (ii) C (iii) B (iv) D	<b>B</b> (i)B (ii)A (iii)B (iv)D
PI-20/ M1	Effectiveness of internal controls for non-salary expenditures	<b>C+</b> (i) B (ii) B (iii) C	<b>C+</b> (i) C (ii) A (iii) C	<b>B+</b> (i)B (ii)A (iii)B
PI-21/ M1	Effectiveness of internal audit	<b>D+</b> (i) D (ii) C (iii) C	<b>C+</b> (i) C (ii) B (iii) C	<b>C+</b> (i)C (ii)B (iii)C
<b>C (iii) Accounting, Recording and Reporting</b>				
PI-22/ M2	Timeliness and regularity of accounts reconciliation	<b>B</b> (i) B (ii) B	<b>B+</b> (i) A (ii) B	<b>A</b> (i)A (ii)A

PI-23	Availability of information on resources received by service delivery units	<b>C</b>	<b>D</b>	<b>B</b>
PI-24/ M1	Quality and timeliness of in-year budget reports	<b>C+</b> (i) C (ii) A (iii) B	<b>C+</b> (i) C (ii) A (iii) B	<b>C+</b> (i)C (ii)A (iii)A
PI-25/ M1	Quality and timeliness of annual financial statements	<b>D+</b> (i) C (ii) D (iii) D	<b>C+</b> (i) B (ii) B (iii) C	<b>C</b> (i)C (ii)C (iii)C
<b>C (iv) External Scrutiny and Audit</b>				
PI-26/ M1	Scope, nature and follow-up of external audit	<b>D+</b> (i) D (ii) D (iii) C	<b>D▲</b> (i) D (ii) D (iii) D	<b>C+</b> (i)C (ii)A (iii)A
PI-27/ M1	Legislative scrutiny of the annual budget law	<b>C</b> (i) C (ii) C (iii) A (iv) C	<b>B+</b> (i) B (ii) A (iii) A (iv) B	<b>A</b> (i)A (ii)A (iii)A (iv)A
PI-28/ M1	Legislative scrutiny of external audit reports	<b>D</b> (i) D (ii) D	<b>D</b> (i) D (ii) D	<b>C+</b> (i)A (ii)C

		(iii) D	(iii) D	(iii)B
<b>D. DONOR PRACTICES</b>		<b>Score 2007 PEFA</b>	<b>Score 2012 PEFA</b>	<b>Score 2017 PEFA</b>
D-1/ M1	Predictability of Direct Budget Support	<b>D+</b> (i) C (ii) D	<b>D+</b> (i) C (ii) D	<b>C</b>
D-2/ M1	Financial information provided by donors for budgeting and reporting on project and program aid	<b>D+</b> (i) D (ii) C	<b>C</b> (i) C (ii) C	<b>C</b>
D-3/ M1	Proportion of aid that is managed by use of national procedures	<b>D</b>	<b>D</b>	<b>D</b>

## Annex 5. CALCULATION SHEET TEMPLATES FOR PI-1, PI-2 AND PI-3

<b>Table 2 (Somon thousand)</b>						
<b>Data for year 2013</b>						
	<b>budget</b>	<b>actual</b>	<b>adjusted budget</b>	<b>deviation</b>	<b>absolute deviation</b>	<b>percent</b>
administrative or functional head						
State power and administration	686,688.50	940,963.10	1,155,463.3	-214,500.2	214,500.2	18.6%
Defence, police, courts	1,023,131.40	1,092,010.60	1,141,682.6	-49,672.0	49,672.0	4.4%
Education	2,039,981.70	2,111,605.90	2,324,163.1	-212,557.2	212,557.2	9.1%
Health	860,074.30	836,468.40	894,088.0	-57,619.6	57,619.6	6.4%
Social protection	2,170,730.40	2,088,969.30	2,242,257.4	-153,288.1	153,288.1	6.8%
Housing	931,816.10	1,083,211.10	1,206,614.3	-123,403.2	123,403.2	10.2%
Culture	382,142.50	469,233.30	560,695.9	-91,462.6	91,462.6	16.3%
Energy	1,712,988.30	1,149,761.80	1,701,052.1	-551,290.3	551,290.3	32.4%
Agriculture	308,749.60	247,808.90	338,627.2	-90,818.3	90,818.3	26.8%
Mining and construction	89,539.80	92,748.00	96,832.8	-4,084.8	4,084.8	4.2%
Transport and communication	1,167,737.70	861,772.80	1,204,121.0	-342,348.2	342,348.2	28.4%
Other economic activities	29,842.50	35,796.40	36,798.7	-1,002.3	1,002.3	2.7%
Other expenses	355,440.80	130,054.70	34,476.1	95,578.6	95,578.6	277.2%
allocated expenditure	11,758,863.60	11,140,404.30	12,936,872.5	-1,796,468.2	1,987,625.4	
interests						
contingency	250,700.00	219,100.00				
total expenditure	12,009,563.60	11,359,504.30				
aggregate outturn (PI-1)						94.6%
composition (PI-2) variance						15.4%
contingency share of budget						1.9%
<b>Table 3</b>						
<b>Data for year = 2014</b>						
	<b>budget</b>	<b>actual</b>	<b>adjusted budget</b>	<b>deviation</b>	<b>absolute deviation</b>	<b>percent</b>
Administrative or functional head						
State power and administration	829,221.40	1,083,163.2	1,353,993.9	-270,830.7	270,830.7	0.200024
Defence, police, courts	1,199,231.30	1,162,523.90	1,233,580.7	-71,056.8	71,056.8	0.057602
Education	2,436,516.20	2,353,900.40	2,670,065.8	-316,165.4	316,165.4	0.118411
Health	981,142.90	974,753.60	1,068,452.4	-93,698.8	93,698.8	0.087696
Social protection	2,690,672.00	2,444,472.60	2,644,340.3	-199,867.7	199,867.7	0.075583
Housing	1,087,395.10	1,331,296.80	1,518,943.5	-187,646.7	187,646.7	0.123538
Culture	468,316.50	476,059.90	490,090.6	-14,030.7	14,030.7	0.028629
Energy	1,838,958.40	1,492,057.00	1,843,958.9	-351,901.9	351,901.9	0.19084
Agriculture	336,347.30	274,094.00	365,231.4	-91,137.4	91,137.4	0.249533
Mining and construction	140,754.40	134,258.10	136,094.8	-1,836.7	1,836.7	0.013496
Transport and communication	1,134,356.50	754,632.30	1,215,867.2	-461,234.9	461,234.9	0.379346
Other economic activities	36,064.50	37,723.20	39,562.5	-1,839.3	1,839.3	0.046491
Other expenses	378,795.70	60,003.80	170,320.2	-110,316.4	110,316.4	0.6477
allocated expenditure	13557772.2	13,190,559.50	14,750,502.2	-2,171,563.4	2,171,563.4	
interests						
contingency	299,600.00	294,400.00				
total expenditure	14,198,719.40	13,484,959.50				
aggregate outturn (PI-1)						95.0%
composition (PI-2) variance						14.7%
contingency share of budget						2.1%
<b>Table 4</b>						
<b>Data for year = 2015</b>						
	<b>budget</b>	<b>actual</b>	<b>adjusted budget</b>	<b>deviation</b>	<b>absolute deviation</b>	<b>percent</b>
administrative or functional head						
State power and administration	922,587.80	1,521,054.80	1,926,188.9	-405,134.1	405,134.1	0.210329
Defence, police, courts	1,391,274.70	1,275,887.60	1,439,251.5	-163,363.9	163,363.9	0.113506
Education	2,736,480.70	2,539,341.50	2,976,007.4	-436,665.9	436,665.9	0.146729
Health	1,222,686.70	1,037,242.00	1,150,138.5	-112,896.5	112,896.5	0.098159
Social protection	2,888,914.90	2,637,384.80	3,045,487.8	-408,103.0	408,103.0	0.134003
Housing	1,133,418.10	1,183,340.80	1,416,145.4	-232,804.6	232,804.6	0.164393
Culture	534,605.80	574,315.40	684,133.3	-109,817.9	109,817.9	0.160521
Energy	1,993,074.90	2,923,110.20	2,016,076.6	907,033.6	907,033.6	0.4499
Agriculture	337,420.30	353,415.10	363,465.8	-10,050.7	10,050.7	0.027652
Mining and construction	176,527.60	429,156.90	237,272.3	191,884.6	191,884.6	0.80871
Transport and communication	964,465.40	986,975.70	1,030,569.1	-43,593.4	43,593.4	0.0423
Other economic activities	37,475.30	25,290.10	39,801.9	-14,511.8	14,511.8	0.364601
Other expenses	610,463.20	100,450.90	127,906.6	-27,455.7	27,455.7	0.214654
allocated expenditure	15,540,569.10	15,586,965.8	16,452,445.1	-865,479.3	3,063,315.7	
interests						
contingency	337,300.00	335,100.00				
total expenditure	15,877,869.10	16,185,071.60				
aggregate outturn (PI-1)						101.9%
composition (PI-2) variance						18.6%
contingency share of budget						2.1%
<b>Table 5 - Results Matrix</b>						
Year	for PI-1 Total exp. outturn		for PI-2.1 Composition variance		for PI-2.3 Contingency share	
2013	94.6%		15.4%			
2014	95.0%		14.7%		2.0%	
2015	101.9%		18.6%			

<b>Table 2</b>						
<b>Data for year =</b>		<b>2013</b>				
Economic head	<b>budget</b>	<b>actual</b>	adjusted budget	deviation	absolute deviation	percent
Compensation of employees	2,822,148.00	2,711,460.60	2,811,140.1	-99,679.5	99,679.5	3.5%
Use of goods and services	3,781,585.40	3,071,130.70	3,930,425.0	-859,294.3	859,294.3	21.9%
Consumption of fixed capital	2,790,400.70	3,093,073.70	3,853,426.6	-760,352.9	760,352.9	19.7%
Interest	252,362.20	191,920.90	254,532.7	-62,611.8	62,611.8	24.6%
Subsidies	2,158,816.40	2,013,114.50	2,183,938.3	-170,823.8	170,823.8	7.8%
Other expenses	205,913.00	291,750.50	255,899.5	35,851.0	35,851.0	14.0%
<b>Total expenditure</b>	<b>12011225.7</b>	<b>11372450.9</b>	<b>13,289,362.2</b>	<b>-1,916,911.3</b>	<b>1,988,613.3</b>	
composition variance						15.0%

<b>Table 3</b>						
<b>Data for year =</b>		<b>2014</b>				
Economic head	<b>budget</b>	<b>actual</b>	adjusted budget	deviation	absolute deviation	percent
Compensation of employees	3,320,181.40	3,208,744.10	3,408,138.1	-199,394.0	199,394.0	5.9%
Use of goods and services	4,069,650.40	3,030,252.40	4,240,433.4	-1,210,181.0	1,210,181.0	28.5%
Consumption of fixed capital	3,186,884.70	3,632,836.50	4,111,919.9	-479,083.4	479,083.4	11.7%
Interest	277,092.20	252,965.60	279,219.8	-26,254.2	26,254.2	9.4%
Subsidies	106,438.20	99,334.70	105,747.9	-6,413.2	6,413.2	6.1%
Other expenses	2,874,617.50	2,672,026.10	2,904,263.0	-232,236.9	232,236.9	8.0%
<b>Total expenditure</b>	<b>13834864.4</b>	<b>12,920,559.40</b>	<b>15,049,722.1</b>	<b>-2,153,562.7</b>	<b>2,153,562.7</b>	
composition variance						14.3%

<b>Table 4</b>						
<b>Data for year =</b>		<b>2015</b>				
Economic head	<b>budget</b>	<b>actual</b>	adjusted budget	deviation	absolute deviation	percent
Compensation of employees	3,621,130.60	3,356,309.50	3,654,058.8	-297,749.3	297,749.3	8.1%
Use of goods and services	4,773,214.40	5,206,561.80	4,655,731.2	550,830.6	550,830.6	11.8%
Consumption of fixed capital	3,334,840.50	4,192,751.50	4,858,872.4	-666,120.9	666,120.9	13.7%
Interest	253,873.60	263,005.80	264,424.3	-1,418.5	1,418.5	0.5%
Subsidies	98,952.50	101,481.80	102,675.0	-1,193.2	1,193.2	1.2%
Other expenses	3,121,257.50	2,822,197.70	3,171,107.6	-348,909.9	348,909.9	11.0%
<b>Total expenditure</b>	<b>15203269.1</b>	<b>15942308.1</b>	<b>16,706,869.3</b>	<b>-764,561.2</b>	<b>1,866,222.4</b>	
composition variance						11.2%

**Table 5 - Results Matrix**

year	composition variance
2013	15.0%
2014	14.3%
2015	11.2%

**Table 2 Somoni million**

<b>Data for year = 2013</b>						
Economic head	<b>budget</b>	<b>actual</b>	adjusted budget	deviation	absolute deviation	percent
Tax revenues						
Taxes on income, profit and capital gains	1,546.40	1,616.50	1,584.9	31.6	31.6	2.0%
Taxes on property	176.7	185.5	153.4	32.1	32.1	20.9%
Taxes on goods and services	322.4	339.3	327.0	12.3	12.3	3.8%
Taxes on international trade and transactions	428.6	462.6	428.6	34.0	34.0	7.9%
Sales tax	134.5	119.9	134.5	-14.6	14.6	10.9%
Value added tax	4,011.70	4,127.80	4,028.6	99.2	99.2	2.5%
Tax under simplified regime	324.10	310.00	322.7	-12.7	12.7	3.9%
Excises	350.40	284.00	345.8	-61.8	61.8	17.9%
Social contributions						
Social security contributions	1,177.40	1,004.10	1,177.4	-173.3	173.3	14.7%
Grants						
Grants	180	195.4	180.0	15.4	15.4	8.6%
Other revenue						
Property income	208	146.2	208.0	-61.8	61.8	29.7%
Fines, penalties and forfeits	214.3	277.2	214.3	62.9	62.9	29.4%
Sum of rest	990.50	1,868.10	1,941.4	-73.3	73.3	3.8%
<b>Total revenue</b>	<u>10065</u>	<u>10936.6</u>	11,046.6	-110.0	685.0	
overall variance						108.7%
composition variance						6.2%

**Table 3 Somoni million**

<b>Data for year = 2014</b>						
Economic head	<b>budget</b>	<b>actual</b>	adjusted budget	deviation	absolute deviation	percent
Tax revenues						
Taxes on income, profit and capital gains	1,888.50	1,901.00	1,912.2	-11.2	11.2	0.6%
Taxes on property	190.5	181.4	177.5	3.9	3.9	2.2%
Taxes on goods and services	370.6	413.7	399.8	13.9	13.9	3.5%
Taxes on international trade and transactions	600	521.3	600.0	-78.7	78.7	13.1%
Sales tax	146.8	85.5	146.8	-61.3	61.3	41.8%
Value added tax	4,884.80	5,157.80	4,913.7	244.1	244.1	5.0%
Tax under simplified regime	376.2	408.2	390.7	17.5	17.5	4.5%
Excises	301.7	364.5	302.2	62.3	62.3	20.6%
Social contributions						
Social security contributions	1,432.30	1,377.30	1,432.3	-55.0	55.0	3.8%
Grants						
Grants	130	31.5	130.0	-98.5	98.5	75.8%
Other revenue						

Government of Tajikistan - PEFA Assessment 2017

Property income	216	219.7	216.0	3.7	3.7	1.7%
Fines, penalties and forfeits	275	473.1	275.0	198.1	198.1	72.0%
Sum of rest	1,109.30	2,307.50	2,279.9	27.6	27.6	1.2%
Total revenue	11921.7	13442.5	13,176.1	266.4	875.8	
overall variance						112.8%
composition variance						6.6%
Table 4 Somoni million						
Data for year =	2015					
Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Tax revenues						
Taxes on income, profit and capital gains	2,279.90	2,306.90	2,295.3	11.6	11.6	0.5%
Taxes on property	211.3	207	199.9	7.1	7.1	3.6%
Taxes on goods and services	452.2	437.7	431.4	6.3	6.3	1.5%
Taxes on international trade and transactions	655.3	450.6	555.3	-104.7	104.7	18.9%
Sales tax	134.2	114.9	134.2	-19.3	19.3	14.4%
Value added tax	5,356.80	4,944.00	5,301.9	-357.9	357.9	6.8%
Tax under simplified regime	483.6	489.4	472.8	16.6	16.6	3.5%
Excises	361.9	327.2	362.8	-35.6	35.6	9.8%
Social contributions						
Social security contributions	1,575.50	1,416.40	1,575.5	-159.1	159.1	10.1%
Grants						
Grants	100	410	100.0	310.0	310.0	310.0%
Other revenue						
Property income	225	286	225.0	61.0	61.0	27.1%
Fines, penalties and forfeits	360	672.1	360.0	312.1	312.1	86.7%
Sum of rest	1,220	1,671	1,847.5	-176.5	176.5	9.6%
<b>Total revenue</b>	<u>13415.7</u>	<u>13733.2</u>	13,861.6	-128.4	1,577.8	
overall variance						102.4%
composition variance						11.4%

Table 5 - Results Matrix

year	total revenue deviation	composition variance
2013	108.7%	6.2%
2014	112.8%	6.6%
2015	102.4%	11.4%

## Annex 6. Organizational Structure of the Ministry of Finance

