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KYRGYZ REPUBLIC

PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTABILITY (PEFA) PERFORMANCE ASSESSMENT REPORT

August 2021

Final report

PEFA was initiated and is supported by the seven international partners:





Kyrgyz Republic

Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report

The quality assurance process followed in the production of this report satisfies all the requirements of the PEFA Secretariat and hence receives the '**PEFA CHECK**'.

PEFA Secretariat,
August 16, 2021

Country's currency and indicative exchange rates

Kyrgyz Som (KGS)

One US Dollar = 79.6KGS

Fiscal year

1 January – 31 December

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Abbreviations and acronyms

AC	Accounts Chamber
AGAs	Autonomous Government Agencies
CG	Central Government
CoA	Chart of Accounts
COFOG	Classification of Functions of Government (UN)
DBS	Direct Budget Support
DFID	UK Department for International Development
EEU	Eurasian Economic Union
EU	European Union
FSU	Former Soviet Union
GFS	Government Financial Statistics (IMF)
GKR	Government of Kyrgyz Republic
HRMIS	Human Resources Management Information System
IA	Internal Audit
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
ISSAI	International Standards of Supreme Audit Institutions
JK	Jogorku Kenesh (Parliament)
KR	Kyrgyz Republic
LSGs	Local Self-Governments
MDAs	Ministries, Departments, Agencies
MHIF	Mandatory Health Insurance Fund
MoE	Ministry of Economy
MoF	Ministry of Finance
NBKR	National Bank of the Kyrgyz Republic
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PIP	Public Investment Programme
RB	Republican Budget
SAHR	State Agency for Human Resources
SECO	Swiss Economic Cooperation Office
SOEs	State-Owned Enterprises
SPC	State Property Committee
STS	State Tax Service

TMIS
WB

Treasury Management Information System
World Bank

Executive summary

Introduction

1. The Kyrgyz Republic is a relatively small mountainous country with limited developed resources. The balance of the economy and the well-being of its population of 6.5 million are heavily dependent on remittances from its citizens working in Russia and Kazakhstan, which provide about 30 per cent of the national income. As a result, its economy is very exposed to difficulties arising from developments in the world economy outside its control and from fluctuations in the production of gold which is its principal export. Government revenue and expenditure absorb a larger share of GDP than in neighbouring countries, while there has generally been a fiscal deficit much of which has been filled by external financing on concessional terms.

Purpose and management of the assessment

2. During the last decade the country has received continuing support from development partners in maintaining external balance and in efforts to improve its economy. A key element has been a series of Extended Credit Facility programmes with the IMF which have kept the fiscal deficit within limits, while the World Bank, European Union and others have supported efforts to improve public financial management (PFM). A first Capacity Building programme managed by the World Bank and financed by a multi-donor trust fund was implemented between 2009 and 2015, and a successor programme has been running since 2018. Previous PEFA assessments of the central government took place in 2009 (using the original 2005 Framework) and in 2014 towards the end of the CB1 programme (using the criteria in the 2011 PEFA Framework), and this current assessment (using the revised 2016 Framework) has been commissioned as part of the CB2 programme in order to take stock of the current situation and review progress since 2015. In order to obtain a full picture of PFM at both central and local government levels, parallel assessments are being made of a large city (Jalalabad) and two smaller local settlements. The assessments are managed by the CB2 Programme Implementation Unit (PIU) in the Ministry of Finance (MoF).

Scope, coverage and timing

3. This assessment like its predecessors mainly focuses on the main budget of the central government – the Republican Budget – although it also has regard to other activities (social benefits and health services

provided through extra-budgetary social insurance funds) and bodies (public enterprises providing electricity, transport and communications, and other services) which the government ultimately controls. The Republican Budget and the sum of local budgets together make up the State Budget. Total General Government Expenditure (GGE) also includes the expenditure of the Social and Mandatory Health Insurance Funds which are partly financed by employers' and employees' contributions as well as by transfers from the Republican Budget. These are the only extra-budgetary units in the Kyrgyz Republic. The assessments were launched in January 2020, but have subsequently been delayed by the impact of the Covid19 crisis. Where the assessment depends on past performance over a three-year period, the years covered are 2017-19. It also takes into account developments up to November 2020, which is the cut-off date. The fact that the evidence has had to be collected on-line, rather than through in-country fieldwork has limited the extent to which findings could be cross-checked with people outside the government.

Impact of PFM on budgetary and fiscal outcomes

4. The 2010 revolution resulted in the replacement of an essentially Presidential regime by a constitution in which the ultimate power rests largely with the Parliament (Jogorku Kenesh) which appoints the government. The structure of politics is rather fragmented, resulting in a series of unstable coalition governments during the last decade. The country has been characterized by relatively free elections, and government activity has become increasingly transparent. The Parliament has a direct impact on government decision-making, having a role in the planning of the overall fiscal stance as well as the selection of investments and other details of government revenue and expenditure. New government legislation has to be negotiated with the Parliament, which may be reluctant to approve necessary but unpopular measures: thus the government has been unable on occasion to give effect to commitments it has undertaken in the context of IMF programmes.

5. The continuing dependence of the country on some degree of support from development partners has ensured that a sufficient degree of aggregate financial discipline has been maintained. But the continuing need to adapt to external forces, including the impact on revenues and external balance resulting from fluctuations in remittances from citizens working in other countries, has reduced the stability of resource allocation and the scope for improvements in the efficiency of service delivery. The heavy burden of public service pay and the need to absorb the losses from the supply of electricity to domestic consumers below cost have preempted resources from being devoted to urgent investment needs; if changes in these areas could be achieved, at least 2-3 percentage points of GDP could become available for increases in public

investment. Although detailed medium-term projections of revenue and expenditure have been produced, these have not resulted in sufficient continuity in planning the use of resources in different public services needed to achieve specific objectives in terms of service delivery. External debt has been kept within manageable limits, but represents a serious risk if the exchange rate weakens, as has happened during the Covid19 crisis, while the scope for increased reliance on domestic borrowing is limited by the small size of the local financial market and the need to pay relatively high interest rates.

6. Procedures for setting and executing the budget generally work well. There is full and transparent consideration in Parliament of the Government's budget proposals. Administration of the tax system has been improving, and the volume of tax arrears is relatively small. But the intention stated in the Government's concept for Fiscal Policy 2015-20 to establish a separate Tax Court and to levy additional taxes on luxury products was not carried through. Almost all receipts and payments – at local as well as at central government level – take place through the Treasury Single Account. Procurement is transparent and competitive. But satisfactory administrative arrangements are not sufficient in themselves to ensure the best possible allocation of resources or efficient delivery of services.

Performance changes since 2015 and prospects for further improvement

7. The two CB programmes (see paragraph 2 above) and other efforts by the World Bank, European Union and other development partners have supported a range of PFM improvements since 2015. Transparency at every stage of budget preparation and execution has increased. New instructions for managing public investment have been issued. A degree of central management and control has been established over the employment of staff in central and local government. The coverage of internal audit across government has been considerably extended, and the harmonization unit in MoF is monitoring the appropriate responses to audit findings. An independent body has been established to deal with procurement complaints. All of these developments are reflected in performance changes as measured by the PEFA Indicators. Following a consultancy, arrangements have recently (late 2020) been put in place for the regular monitoring of payment arrears. A current consultancy is seeking to make the medium-term planning of expenditure more effective in securing improvements in the quality of public service provision. A major programme funded by the International Development Association affiliate of the World Bank has recently been initiated to improve the functioning of the tax system, and make it more user-friendly. However, despite these improvements in PFM, the performance of the Kyrgyz economy continues to be adversely affected by the obstacles to the growth of businesses created by the tax system, and the lack of trust by investors in the judicial system.

Table 1: Overview of the scores of the PEFA indicators

PFM performance indicator		Scoring method	Dimension score				Overall score
			i.	ii.	iii.	iv.	
Pillar I. Budget reliability							
PI-1	Aggregate expenditure outturn	M1	B				B
PI-2	Expenditure composition outturn	M1	D	B	A		D+
PI-3	Revenue outturn	M2	B	D			C
II. Transparency of public finances							
PI-4	Budget classification	M1					A
PI-5	Budget documentation	M1	A				A
PI-6	Central government operations outside financial reports	M2	C	A	B		B
PI-7	Transfers to subnational governments	M2	A	B			B+
PI-8	Performance information for service delivery	M2	C	C	A	D	C+
PI-9	Public access to fiscal information	M1	D				D
III. Management of assets and liabilities							
PI-10	Fiscal risk reporting	M2	C	C	NA		C
PI-11	Public investment management	M2	C	C	D	A	C+
PI-12	Public asset management	M2	B	C	A		B
PI-13	Debt management	M2	A	A	A		A
IV. Policy-based fiscal strategy and budgeting							
PI-14	Macroeconomic and fiscal forecasting	M2	D	B	D		D+
PI-15	Fiscal strategy	M2	A	A	D		B
PI-16	Medium-term perspective in expenditure budgeting	M2	A	A	D	D	C+
PI-17	Budget preparation process	M2	B	B	A		B+
PI-18	Legislative scrutiny of budgets	M1	B	A	A	B	B+
V. Predictability and control in budget execution							
PI-19	Revenue administration	M2	B	C	D	A	C+
PI-20	Accounting for revenue	M1	A	A	A		A
PI-21	Predictability of in-year resource allocation	M2	C	A	C	A	B+
PI-22	Expenditure arrears	M1	D*	D			D
PI-23	Payroll controls	M1	B	A	B	B	B+
PI-24	Procurement management	M2	A	A	A	A	A
PI-25	Internal controls on non-salary expenditure	M2	A	A	A		A
PI-26	Internal audit	M1	B	B	C	B	C+
VI. Accounting and reporting							

PFM performance indicator		Scoring method	Dimension score				Overall score
			i.	ii.	iii.	iv.	
PI-27	Financial data integrity	M2	C	A	C	A	B
PI-28	In-year budget reports	M1	A	B	B		A
PI-29	Annual financial reports	M1	A	B	C		C+
VII. External scrutiny and audit							
PI-30	External audit	M1	B	B	A	A	B+
PI-31	Legislative scrutiny of audit reports	M1	A	A	A	A	A

1. Introduction

1.1 Rationale and purpose

This third PEFA reassessment has been commissioned by the Kyrgyz Government as part of the second Capacity Building for Public Financial Management (PFM) project (CB2) managed by the World Bank with finance from a multi-donor Trust Fund supported by the European Union (EU) and the Swiss Economic Cooperation Office (SECO). (It should also be acknowledged that the Kyrgyz Government facilitated a pilot of the 2005 PEFA Framework and a test of selected Indicators for the 2016 Framework.) The objective is to measure the changes in PFM since the previous PEFA in 2015 and the conclusion in 2015 of the first CB project which was managed and financed in the same way as its successor, and to draw on the findings in planning further improvements in PFM. Since this assessment employs the revised PEFA framework which became effective in 2016, it also establishes a new baseline for reviewing future PFM progress. This report on PFM at the level of the central government is complemented in the same contract by reports on three local self-governments (LSGs) prepared by a separate assessment team, so as to provide a representative view covering both central and local government in the Kyrgyz Republic.

1.2 Assessment management and quality assurance

BOX 1.1: Assessment management and quality assurance arrangements

PEFA assessment management organization

- **Oversight Team —**

Ministry of Finance	Mr Mirlan Baigonchokov, Deputy Minister of Finance , Project Co-ordinator, CB PFM Project Board Member (Chair)
Prime Minister's Office	Mr Kylybek Djanykulov, Head of Finance Unit, CB PFM Project Board Member
Swiss Embassy	Ms Danielle Meuwly Monteleone, Mr Lucien Aegerter, Swiss Economic Cooperation Office, CB PFM Project Board Members
EU Delegation	Ms Charlotte Adriaen, Mr Robert Brrudzinski, CB PFM Project Board Members
World Bank	Mr Gregory Kisunko, Task Team Leader, Ms Lilia Saetova
PEFA Secretariat	Mr Martin Bowen
Jalal-Abad City Municipality	Mr Mairambek Abdylbekov, First Vice-Mayor

Saz Local Self-Government	Ms Saule Karamurzinova, Head of Finance and Economic Unit
Krupskii Local Self-Government	Ms G. Tulinova, Head of Finance and Economic Unit

- Assessment Manager: [Maria Gutierrez, Project Manager DT Global]

Assessment Team Leader and Team Members: Mr John Wiggins	International PFM Consultant (UK) Overall Team Leader, Leader of PEFA Assessment at central government level
Mr David Biggs	International PFM Consultant (UK), central government PEFA
Mr Kadyrbek Kalkanov	Local PFM Consultant, central government PEFA
Ms Elena Morachiello	International PFM Consultant (Italy), Leader of subnational government assessments
Ms Elisaveta Teneva	International Consultant (Bulgaria), Subnational government assessments
Ms Gulira Borubaeva	Local PFM Consultant, Subnational government assessments

Review of concept note and/or terms of reference

- Date of reviewed draft concept note and/or terms of reference: 8 November 2018
- Invited reviewers: Mr Oleksii Balabushko, Senior Public Finance Specialist, World Bank
- Mr Martin Bowen, Senior Public Finance Specialist, PEFA Secretariat
- Mr Lucien Aegerter, Programme Manager, SECO/Swiss Embassy, Bishkek
- Mr Robert Brudzinski, Project Manager, EU Delegation, Bishkek
- Mr Sh. Moldokanov, Advisor to the Minister of Finance
- Reviewers who provided comments: List as above
- Date(s) of final concept note and/or terms of reference: 7 February 2019

Review of the assessment report

- Date(s) of reviewed draft report(s): 21 March 2021
- Invited reviewers: Mr Gregory Kisunko, World Bank, Mr Reto Weyermann, SECO, Mr Stylianos Dendrinis, EUD, Bishkek, PEFA Secretariat

Reviewers who provided comments:

- Mr Stylianos Dendrinis, Economist- Project Manager, EU Delegation, Bishkek and Mr Robert Brudzinski, EUD, Kazakhstan
- Mr Reto Weyermann, SECO
- Mr Gregory Kisunko, World Bank
- PEFA Secretariat

Assessment methodology

1. Scope and coverage of the assessment

The report is primarily concerned with the activities of the central government as comprised by the Republican Budget (RB). The RB together with the consolidated budgets of LSGs form the State Budget (SB); the RB amounts to more than 85 per cent of the total SB. Total General Government revenue and expenditure (as defined by the IMF's Government Financial Statistics (GFS)) also includes the revenue and expenditure of the government's social insurance system, which is taken into account as required by the PEFA Framework, as are the public corporations controlled by the central government. The Social Fund and the Mandatory Health Insurance Fund are the only extra-budgetary units controlled by the central government. The numerous Public Corporations owned by the Government are covered as required by the PEFA Framework (see particularly PIs 10-12).

2. When performance is assessed

The fieldwork for this assessment began in January 2020; because of the problems created by Covid19 it was not completed on-line until November 2020. Where the assessment depends on fiscal statistics for a previous period of three years, data from 2017-19 are used, with 2019 the most recent completed fiscal year. Information is taken into account up to the cut-off date of 30 November 2020.

3. Sources of information

The assessment is mainly based on documentation available on Ministry of Finance (MoF) or other Government websites. It also takes into account evidence supplied by a range of Ministries and other central government bodies, and the reports produced by the Accounts Chamber (AC), the country's Supreme Audit Institution. To the extent possible it also reflects the views and experience of taxpayers, government contractors and suppliers and the wider public, although the scope for such "triangulation" has been limited by the inability of the assessment team to collect evidence on the spot during the global health emergency.

4. Other methodological issues for the preparation of the report

All 31 Performance Indicators included in the 2016 PEFA Framework have been assessed for the purposes of the central government PEFA. In order to provide a comparison with the results of the 2015 PEFA assessment, the recent PFM performance of the Kyrgyz Government has been assessed using the criteria

in the 2011 PEFA Framework; the results are shown in Annex 4 to this Report. Given that the subject matter of the D Indicators in the 2011 Framework has not been retained in the 2016 Framework, and that externally financed investment projects are fully controlled and managed by the Kyrgyz Government, no attempt has been made to evaluate these Indicators in 2020.

2. Country background information

2.1 Country economic situation

Country context

1. The Kyrgyz Republic is a relatively small land-locked country in Central Asia. Much of it is extremely mountainous, with difficult communications, particularly in winter. It is a small open economy, with relatively few resources, heavily dependent on external flows from its citizens working abroad and from official sources. Economic growth averaged about 4 per cent over the decade to 2019, but with a relatively young and rising population income per head has grown only slowly. On the national measure about 25 per cent of the population were in poverty in 2017, but according to the 2018 World Bank Diagnostic Report about a third of the population were living on less than US\$2.50 a day; moreover, a further substantial proportion of the population is not far above the poverty level and constantly at risk of falling below it. The economy remains precariously balanced, dependent for around 30 per cent of the national income on remittances from its citizens working in Russia and Kazakhstan. Over the last 20 years manufacturing has made relatively little progress, and economic growth has largely been based on the movement of labour from low productivity agriculture into urban-based services. The share of agriculture in GDP (30 per cent in 2007) has continued to fall from an average of 16 per cent in 2011-13 to about 12 per cent in 2017-19. The largest element in industrial production and exports (up to 40 per cent in some years) is gold produced from the Kumtor mine, in which the government has a 30 per cent shareholding; output fluctuates depending on weather and geological conditions encountered at 4,000 metres above sea level. Overall, mining accounts for about 10 per cent of GDP, and a similar percentage of tax revenue. Kumtor is subject to a special tax regime, and paid 7.5bn KGS in 2019.

The government's main economic challenges and government-wide reforms

2. Throughout the decade to 2020 the Kyrgyz Government has sought with the assistance of development partners to improve its PFM. During most of this period it operated in accordance with Extended Credit Facility programmes agreed with the IMF, which made it possible to maintain external equilibrium on condition of following cautious fiscal policies. IMF support, together with grants and soft loans from EU, Russia and other development partners, enabled external public debt to be kept under control, and even to be reduced as a percentage of GDP as the local currency appreciated against the US dollar in 2016-18. Substantial progress has been made towards greater fiscal transparency and more effective internal

control and audit, but the country has not managed to attract the inward investment required to develop its mineral and hydrological resources, and the ambition to achieve 7 per cent a year economic growth as set out in the Government’s Sustainable Development Strategy 2013-17 was not achieved. Available resources have continued to be preempted by public consumption; General Government expenditure on wages and salaries amounted to more than 10 per cent of GDP in 2019, as compared with 6 per cent or less in neighbouring countries. Because of this, the country remains dependent for much of its public investment on the availability of grants and soft loans from development partners.

3. Many of the challenges identified in the 2013-17 Sustainable Development Strategy remain unaddressed. Resources have not been available to deal with the backlog of maintenance of deteriorating infrastructure. Inward investment is held back by a lack of confidence in the rule of law and a widespread perception of corruption. The tax system, including social contributions, operates as a disincentive to movement out of the informal economy. Although education absorbs a relatively large share of public expenditure, standards of educational achievement are low.

TABLE 2.1: Selected economic indicators

	2017	2018	2019
GDP (KSG billions)	530.5	569.4	619.1
GDP (US\$ millions)	7,703	8,271	8,870
Population (millions)	6.2	6.3	6.4
GDP per capita (US dollars)	1,255	1,364	
Real GDP growth (%)	4.7	3.8	1,430
Real GDP growth excluding gold (%)	5.1	3.7	4.6
CPI (end of period % change)	3.7	0.5	4.1
Gross government debt (% of GDP)	58.8	54.8	3.1
Current account balance US\$ million)	-477	-997	54.1
Current account balance (% of GDP)	-6.2	-12.1	-771
Workers’ remittances (net) (US\$ million)	2,263	2,375	-9.1
Workers’ remittances (% of GDP)	29.4	28.7	2,417
Gross Official Foreign Exchange reserves (US\$ millions)	1,971	1,919	28.6
Total public external debt (% of GDP)	53.0	47.0	1,832
			45.5

Source: IMF cr20/158 and MoF

4. The improving picture shown in this table has been overtaken by the Covid19 emergency. The economy is estimated to have contracted by 8.6 per cent in 2020, inflation is estimated to have increased to 9.7 per

cent as the currency has depreciated, and public debt is estimated to amount to 68 per cent of GDP. There will inevitably be a significant adverse impact on real living standards. During the work on the assessment, the unrest following the October 2020 Parliamentary election, whose results were subsequently annulled, resulted in the resignation of the President and the appointment of a new Government. The leader of the new Government was elected President in January 2021, and a new Constitution giving greater authority to the President was endorsed by a referendum on 11 April 2021.

2.2 Fiscal and budgetary trends

Fiscal performance

5. The country's fiscal balance improved considerably during 2017-19, reflecting the policies pursued under the IMF's Extended Credit Facility arrangement 2015-18. Tax revenue increased, while current expenditure was contained and capital expenditure fell below expected levels, partly as a result of delays in negotiations with lenders. As a result there was a substantial reduction in the fiscal deficit between 2017 and 2018, followed by only a marginal overall fiscal deficit in 2019. External borrowing to finance investment in public enterprises is undertaken directly by the Government as part of the Public Investment Programme; thus the overall public debt figures shown below include all public sector external liabilities.

TABLE 2.2: Aggregate fiscal data

General government actuals (in percent of GDP)			
	2017	2018	2019
Total revenue	33.3	32.5	34.0
—Tax revenue	19.3	20.2	20.6
_ Social contributions	5.5	5.4	5.5
-Other revenue	6.0	5.2	5.7
—Grants	2.5	1.7	2.2
Total expenditure	37.1	33.1	34.2
—Noninterest current expenditure	28.0	27.6	28.0
—Interest expenditure	0.9	1.0	0.9
-Capital expenditure (incl. capital transfers to SOEs)	9.1	5.5	6.2
Aggregate deficit (incl. grants)	-3.7	-0.6	-0.1
Primary deficit/surplus	-2.9	+0.4	+0.8
Net financing	3.7	0.6	0.1
—External	3.2	-0.2	-0.7
—Domestic	0.5	0.8	0.8
Total public debt	58.8	55.0	54.2
- External	53.0	47.0	45.5
_ Domestic	5.8	8.0	8.7

Source: IMF cr20/90 and MoF

Structure of General Government Expenditure (GGE)

6. The Republican Budget (RB) – the budget of central government – accounts for about 70 per cent of GGE, including its transfers to Local Self-Governments (LSGs) and the Social and Mandatory Health

Insurance Funds. The State Budget is the sum of RB and LSG budgets. GGE is the sum of the State Budget and the social insurance funds.

The different amounts for 2017-19 and the 2020 initial Budget are shown in KGS billions and percentages of GDP in Tables 2.3 and 2.4 below.

Table 2.3 General Government Expenditure (KGS billions)

	2017 actual	2018 actual	2019 actual	2020 initial budget
Total RB expenditure	163.1	147.6	149.3	163.0
Total RB transfers to LSGs	5.8	4.5	3.4	3.4
Total RB transfers to SF and MHIF	27.5	30.6	31.8	33.3
Total LSG expenditure	19.5	20.1	21.7	21.6
Total State Budget	176.8	163.2	167.5	181.2
Total SF and MHIF expenditure	59.6	64.0	68.1	75.3
Total GGE	208.9	196.6	203.8	223.2

Source: MoF

Table 2.4 General Government Expenditure as Percentage of GDP

	2017 actual	2018 actual	2019 actual	2020 initial budget
Total RB expenditure	30.7	25.9	24.1	25.1
Total RB transfers to LSGs	1.1	0.8	0.6	0.5
Total RB transfers to SF and MHIF	5.2	5.4	5.4	5.1
Total LSG expenditure	3.7	3.5	3.7	3.3
Total State Budget	33.3	28.6	27.2	27.9
Total SF and MHIF expenditure	11.2	11.2	11.0	11.6
Total GGE	39.3	34.4	32.9	34.4

Source: MoF

7. As the tables show, total expenditure fell back between 2017 and 2018, partly as a result of expenditure restraint agreed in the context of the IMF Extended Facility Programme then in force, and partly as a result of delays in the implementation of public investment projects. The small and declining share of transfers to LSGs reflects the decision to increase the share of tax revenue automatically accruing to LSGs.

Allocation of resources

8. There is very little room within the resources available to the Government for the capital investment which could enhance infrastructure and increase the growth prospects of the economy. Resources are preempted by the requirements to pay the current staff and maintain the current level of services. Much of the country's infrastructure – power supplies, roads, irrigation networks – has not been adequately

maintained since independence in 1991, and satisfying the urgent need for improvement depends very considerably on the availability of external grants and soft loans. There is little headroom for additional external borrowing without the country's external debt position becoming very difficult to sustain, and the Government has accordingly maintained its policy of only undertaking new external loans if there is a 35 per cent grant equivalent allowed for in the terms. Because of this capital expenditure has fluctuated from year to year depending on the timing of grant availability and the progress of loan negotiations. The relative shares of education and social protection increased significantly between 2017 and 2018 while that of economic services fell sharply as investment declined. The breakdown by economic classification shows the rising share absorbed by public service pay, while expenditure on goods and services fell back alongside capital expenditure.

TABLE 2.5: Republican Budget allocations by function

Actual budgetary allocations by sectors (as a percentage of total RB expenditures)			
	2017	2018	2019
General Public Services	8.8	9.0	13.4
Defence and Public Order	12.5	13.3	8.3
Economic Services	24.9	17.8	15.9
Environment Protection	0.6	0.7	0.5
Housing and Utilities	1.1	1.1	1.2
Health	10.5	9.7	9.8
Recreation, Culture, Religion	2.9	2.5	2.2
Education	18.8	20.8	21.8
Social Protection (excluding benefits paid from contributions)	16.3	20.1	21.4
Total Republican Budget (KGS billions)	163,068	147,624	149,336

Source: MoF

TABLE 2.6: Republican Budget allocations by economic classification

Actual budgetary allocations by economic classification (as a percentage of total expenditures)			
	2017	2018	2019
Current expenditures	70.4	79.5	81.8
—Wages and salaries	28.0	30.4	34.2
—Goods and services	17.9	12.7	10.6
—Interest	3.6	4.8	5.1
--Subsidies	1.7	1.5	1.4
—Grants	3.6	10.3	9.5
—Social benefits	15.4	19.3	20.7
Other expenditure	0.3	0.4	0.5
Capital expenditures	29.6	20.5	18.2

2.3 Legal and regulatory arrangements for PFM

10. Following the 2010 revolution, a new Constitution was adopted by Referendum, which replaced a mainly Presidential regime with an essentially Parliamentary system of governance. The President is elected for a non-renewable 6-year term. He/she is commander of the country's defence forces, and its representative in international relations. The President nominates the Chairperson of the National Bank, and one third of the members of the Chamber of Accounts (the country's Supreme Audit Institution). He/she may refer back any new law voted by the Jogorku Kenesh (JK - Parliament) apart from budget and tax matters which he must approve; a two-thirds majority is required to over-rule his veto on other matters. If the President resigns (as in 2020), the Speaker of the JK or the Prime Minister take over in a temporary capacity pending a new election which should take place within 3 months.

11. The strongest role is assigned to the 120 members of the JK, who are elected for 5 years on the basis of party lists and proportional representation. No party may hold more than 65 of the seats. The Parliamentary majority elects the Prime Minister, who must secure JK approval for the membership and programme of the Government. Both the Government and JK Deputies may put forward proposals for new legislation, which is considered by the JK in three readings. Legislation which would increase Government expenditure may only be adopted if the Government has identified the source of finance. No party has secured a majority in the JK, and Governments since 2010 have been rather unstable coalitions. Although it is up to the Government to put forward budgetary and other legislation, the JK retains the last word and may frustrate the Government's intentions. The details of the Government's budget proposals have to be agreed with the JK, which must also approve the terms of any new external borrowing by the Government. The lead in considering the annual budget law and legislation on other aspects of PFM is taken by the JK committee on Budget and Finance, which may authorise changes in expenditure allocations during the course of budget execution.

12. The country is divided into 40 rayons (districts) and 484 local self-government units (LSGs). LSGs include the two main cities (Bishkek and Osh), 29 other cities and 453 local settlements (ayl okmotu). Each LSG has its elected council, but the rayon offices through which LSG budgets are executed are branches of central government. LSGs have limited responsibilities for the delivery of services; they are responsible for local infrastructure, but most expenditure on the main education and health services is borne by the

central government (Including the Mandatory Health Insurance Fund (MHIF)). Most LSG revenue accrues through the assignment of tax revenue collected locally; in recent years the LSG share of personal income tax revenue set by the annual budget law has been increased, while the share of sales tax revenue was reduced. For 2020 LSGs should receive 85 per cent of personal income tax and 25 per cent of sales tax, and for 2021 100 per cent of personal income tax while all sales tax revenue accrues to the Republican Budget (RB). Total budgeted LSG expenditure for 2019 was 21.7bn KGS, 12.7 per cent of State budget expenditure or 3.7 per cent of GDP; 2.0bn KGS was financed from equalization transfers from central government, and 1.06bn KGS from targeted transfers to meet specific local expenditures. The equalization transfers are calculated according to a complex formula intended to enable a comparable level of services to be provided throughout the country.

13. Pension and other long-term social benefits are mainly paid through the Social Fund which is financed by earnings-related contributions (about 60 per cent of income) and subsidies from the RB (about 40 per cent of income). Social benefits in total absorb about 25 per cent of total General Government Expenditure (GGE) (200bn KGS in 2019). Employers pay 17.25 per cent of the wage bill in social contributions, and employees 10 per cent (plus a further 10 per cent personal income tax). This burden discourages enterprises from expanding beyond the small scale where only simplified income taxes apply. Since the costs of the minimum pension entitlement for increasing numbers of pensioners, together with those of preferential arrangements for military pensions, are rising more rapidly than contribution income, the proportion of total expenditure met from the RB subsidy has continued to rise. About three quarters of total government expenditure on health services (19.9bn KGS in 2019) is administered through the MHIF which receives 2 percentage points of employers' 17.25 per cent social contributions, but is mainly financed by transfers from the RB (11.1bn KGS in 2019). Social contributions are now collected by the State Tax Service, and MHIF transactions are integrated into the national Treasury system, but Social Fund payments are still made through the commercial banking system.

14. Article 88(6) of the 2010 Constitution requires the Government to submit its annual budget and its report on budget execution to Parliament; other sections of this Article provide the basis for the Government's control of the tax system and the exploitation of public property. Most aspects of PFM are based on the provisions of the revised Budget Code enacted in 2015, which took effect at the beginning of 2017. This provides for medium-term fiscal planning, and for the use of programme budgeting in the planning and management of public services. It ensures that the budgets of the Social Fund and the MHIF

are considered alongside the Republican Budget, and provides clearly for the operation of internal control and internal audit throughout government. It also requires the prompt publication of budgets and budget execution reports, including a simplified explanation of budget proposals. Taxation is regulated by the Tax Code which came into force in 2009, while the 2015 Public Procurement Law requires transparent and competitive procurement throughout the public sector.

2.4 Institutional arrangements for PFM

15. At the time of the assessment (beginning in January 2020) the Kyrgyz public sector consisted of the 15 Ministries and 8 State Committees or Agencies whose operations make up the Republican Budget (RB), together with the 484 Local Self-Governments (LSGs) which together with the RB constitute the State Budget. In addition, there are two social insurance funds – the Social Fund which administers most benefits paid to individuals, and the Mandatory Health Insurance Fund (MHIF) which manages healthcare provision for the general population. There are also 7 enterprises engaged in the generation and supply of electricity, which are loss-making, 49 profitable enterprises, and another 55 smaller bodies which either make losses or aim only to break even. The 484 LSGs all receive funding directly from the central government; this applies equally to the city of Bishkek with a population of 1.05 million and to village settlements with populations of only one thousand. Following the abortive Parliamentary election in October 2020, when public dissatisfaction with the results led to the resignation of the country's President, the Government has been restructured, including the amalgamation of the Ministries of Economy and Finance, and a new Constitution giving more power to the President has been adopted by a referendum in April 2021. The Government has now been further reorganized, being led by the Chairman of the Cabinet of Ministers, and containing 14 Ministries and 2 State Committees.

Table 2.7 Structure of the Public Sector

Year 2019	Public sector				
	Government subsector		Social security funds	Public corporation subsector	
	Budgetary unit	Extrabudgetary units		Nonfinancial public corporations	Financial public corporations
Central	15 Ministries 8 State Committees and Agencies (149.3bn KGS)	-	Social Fund and Mandatory Health Insurance Funds (68.1bn KGS)	7 loss-making electricity suppliers 38bn KGS costs, 5bn KGS Losses (124bn KGS debts), 49 profitable enterprises (8.9bn KGS revenues) and 55 others (2.4bn KGS turnover)	NBKR and 2 banks with majority of shares publicly owned
Subnational Governments	484 LSGs (21.7bn KGS)				

TABLE 2.8: Financial structure of central government—budget estimates (in KGS billions) 2019

Year	Central government			
	Budgetary unit	Extrabudgetary units	Social security funds	Total aggregated 1/
Revenue	151.8	-	70.3	190.3
Expenditure	161.9	-	68.8	198.9
Transfers to (-) and from (+) other units of general government's	-35.4		+31.8	
Liabilities at end 2018	311.8			
Financial assets				
Nonfinancial assets				

Source: MoF

TABLE 2.9: Financial structure of central government – actual expenditure (in KGS billions) 2019

Year	Central government			
	Budgetary unit	Extrabudgetary units	Social security funds	Total aggregated 1/
Revenue	148.5	-	68.1	184.8
Expenditure	149.3	-	68.1	185.6
Transfers to (-) and from (+) other units of general government'	-35.4		+31.8	
Liabilities at end 2019	331.7			
Financial assets				
Nonfinancial assets				

Source: MoF

16. The main responsibility for Public Financial Management (PFM) rests with the Ministry of Finance (MoF). Following the Government reorganization of February 2021 this is now the Ministry of Economy and Finance.) The principal legislation providing for PFM is the revised Budget Code enacted in 2015, which came into effect at the beginning of 2017. The Code prescribes how the budget is to be structured, prepared, enacted, executed and reported. In addition to the Republican (central government) Budget, it regulates the budgets of all Local Self-Governments and those of the Social Fund and the Mandatory Health Insurance Fund. Specific provisions cover the management of public debt (Articles 60-67), and provide the framework for public internal financial control and audit (Articles 120-122). Operational procedures are set out in Government Decrees within the framework of the Code. MoF has overall responsibility for fiscal policy, including budget preparation and execution, debt management and the planning of externally-financed public investment, and the Treasury system through which all central and local government transactions pass and which provides the basis for internal control and financial reporting. The Treasury includes 40 district offices throughout the country all linked to the integrated electronic payment and accounting system. MoF also has the responsibility to ensure the proper functioning of public procurement throughout the public sector (including public enterprises) and to supervise and monitor the operation of internal control and internal audit across general government. Each main function is supervised by a Deputy Minister The 2020 MoF Organisation Chart is attached at Annex 7.

17. Internal audit is regulated by the 2009 Internal Audit law as amended in May 2018. A Council on Internal Audit was established and ethical standards were promulgated in 2013, followed in 2014 by the promulgation of operational standards. Technical guidance and coordination is provided by the Division of Methodology of Internal Audit and Accounting, which is part of the Treasury. An Examinations and Accreditation Commission established in 2018 manages the certification of internal auditors. Internal audit is now operational in 30 Ministries and other public bodies accounting for 85 per cent of budget expenditures.

18. The Ministry of Economy covers macro-economic planning and forecasting, the overall planning of public investment, and taxation policy. The administration, collection and enforcement of taxes is undertaken by the State Tax and Customs Services which function as self-standing units of government. In addition to revenue from taxation allocated through the budget, Ministries may collect their own revenues directly through the provision of services or in other ways; such revenue are considered to be “special means” whose spending is not subject to control by MoF in the same way as budget allocations.

Despite this, expenditure out of special means is fully included in budget estimates and execution statements. Each Ministry (including State Committees and other central government agencies) is responsible for establishing effective internal control arrangements and also internal audit units which report to the Head of the organization. Salaries, conditions of employment, and overall staff numbers in central government and LSGs is coordinated by State Personnel Service. The National Bank of the Kyrgyz Republic manages the country's currency and external reserves, and operates the Single Treasury Account

19. External audit of central and local government, the social insurance funds and public enterprises (including enterprises in which the government has a controlling shareholding) is undertaken by the Chamber of Accounts (AC), the country's Supreme Audit Institution. The independence of the AC is anchored in the Constitution, and the Chamber has the right to put its own expenditure proposals separately to the Parliament if it cannot reach agreement with MoF. The Republican Budget is subject to a comprehensive audit every year, but LSGs are audited only every second year looking back over the period since the previous audit. The AC's report on RB budget execution during the previous year is required to be submitted to the parliament by 1 September each year, so that it can be taken into account during discussion of the budget proposals for the next fiscal year. Audit practice has been substantially developed over the last five years in accordance with International Standards of Supreme Audit Institutions (ISSAIs), with audit extending beyond compliance with laws and regulations to assess the performance of systems and the efficiency of expenditure. At the same time internal audit has been developed within central government, and now covers 85 per cent of budget expenditures.

20. The independence of the Judiciary is founded in Section VI of the Constitution. Appointments are made by the President with the approval of Parliament of candidates nominated by the Council on the selection of judges, which is made up of judges and representatives of civil society.

21. There has been increasing focus on transparency in recent years. Article 125 of the 2015 Budget Code requires the publication within 15 days of approval by the Government (and also local self-governments and the Social and Mandatory Health Insurance Funds) of budget proposals and enactments, in-year and end-year budget execution reports, and all external audit reports other than those concerned with national defence. Article 64 requires publication of public debt statistics, and Article 126 requires the publication of a simplified version of the budget understandable by ordinary citizens. Finally Article 127

mandates public hearings on budget initiatives, with documentation published on websites in advance and hearings open on request to the general public.

3. Assessment of PFM performance

PILLAR ONE: Budget reliability

Good practice in public financial management requires effective budgeting in order that Government policies and plans can be successfully implemented. Budget reliability requires actual expenditure and revenue to be close to what was originally intended, planned and approved. The three indicators in this group, therefore, assess the extent to which the budget is realistic and implemented as intended. They cover the financial years 2017, 2018 and 2019.

PI-1. Aggregate expenditure outturn

This single-dimensional indicator measures the extent to which aggregate budget expenditure outturns reflect the amounts originally approved, as defined in government budget documentation and fiscal reports. It includes all expenditure, both capital and recurrent, as well as that portion financed by external loans and grants. Coverage is Budgetary Central Government (BCG) – in the case of the Kyrgyz Republic, that is the Republican Budget – and the timing is the last three completed fiscal years.

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-1. Aggregate expenditure outturn	B	
1.1. Aggregate expenditure outturn	B	Aggregate expenditure outturn was between 90% and 110% of the approved aggregate budgeted expenditure in two of the three years

Comparison of actual aggregate Republican Budget expenditure with the originally approved budget shows that the differences between actual expenditure and the original budget were 0.5% in 2017, 13.2% in 2018 and 7.8% in 2019. Since the deviation was less than 10% in 2 of the 3 years, the indicator score is

B. This represents a slight deterioration in budget reliability as compared with the previous assessment when an A score was recorded.

Table 3.1: Budget execution rate for total expenditures

<i>Figures in Million KGS</i>	2017	2018	2019
Originally approved budgeted total expenditure	163,823	170,087	161,913
Actual expenditure	163,068	147,624	149,335
Difference between actual & originally approved budgeted expenditure	755	22,463	12,578
Difference as % of originally approved budgeted expenditure	0.5%	13.2%	7.8%

Source; Annual Budgets and Financial Statements supplied by Central Treasury and Budget Policy Department, MOF.

PI-2. Expenditure composition outturn

This indicator measures the extent to which reallocations between the main budget categories during execution have contributed to variance in expenditure composition. There are three dimensions and the M1 scoring method is used for combining dimension scores. The variance is calculated by adjusting each original budget line by the overall difference between budget and outturn, and then summing the absolute differences between these adjusted amounts and the actual expenditure on each line, which is then expressed as a percentage of total actual expenditure. Interest payments are excluded from dimension 2.1, but included for dimension 2.2 while contingency amounts are excluded from both dimensions. Coverage: BCG. Timing: Last three completed fiscal years. The detailed statistics and calculations are shown in Annex 5.

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-2. Expenditure composition	D+	
outturn		
2.1 Expenditure composition outturn by function	D	Variance in expenditure composition exceeded 15 per cent in two of last three years
2.2 Expenditure composition outturn by economic type	B	Variance was less than 10% in two of the last three years
2.3 Expenditure from contingency reserves	A	Emergency funds made up less than 0.15 per cent of total budgeted expenditure in 2017-19

2.1. Expenditure composition outturn by function

Since the PEFA Framework was substantially revised in 2016, this indicator comprises three dimensions (unlike in 2014 when there were two dimensions only). In terms of the first dimension, the variances in the composition of expenditure at the level of Ministries, Departments and Agencies (MDAs) in relation to the budget (adjusted for the aggregate deviation) were 14.8%% in 2017, 23.6% in 2018 and 15.2% in 2019 (a detailed functional analysis table is shown in Annex 5). Since the expenditure composition variance exceeded 15% in 2 of the 3 years, the score for dimension (i) is D.

A substantial variance in the composition of expenditure may indicate that: (i) the approved budget did not represent an optimum allocation of resources in the first place; and/or (ii) priorities changed during the year, the result being that those MDAs for which priority increased during the year were allocated a greater share of the available resources. In practice much of the variance in 2018 and 2019 is attributable to capital investment in “Economic Affairs” falling far short of budget.

An important issue to highlight concerns the fact that the published documents contain no explicit disclosure of expenditure on defence and law and order.

2.2. Expenditure composition outturn by economic type

The second dimension of indicator 2 focuses on the economic classification of expenditure. The variances in the composition of expenditure by economic type are calculated to be 3.4% in 2017, 16.4%% in 2018 and 9.1% in 2019 (a detailed economic analysis table is shown in Annex 5). Much of the variance in 2018 and 2019 resulted from capital expenditure falling far short of budget. Since the expenditure composition variance was less than 10% in 2 of the 3 years, the score for dimension (ii) is B.

2.3. Expenditure from contingency reserves

The Kyrgyz Republic (KR) makes minimal use of contingencies; amounts charged to Contingency were 94 million KGS, 154million KGS, and 161 million KGS for the three years 2017-19, as against total budgeted expenditures of 164 billion KGS, 170 billion KGS, and 162 billion KGS for the three years respectively. This Contingency is divided between Emergency Situations, the Presidency, Office of the Prime Minister and Parliament. Since Contingency expenditures were less than 0.1% of actual total expenditure in all three years, the score is A

Source: Budget Laws and annual budget performance reports 2017, 2018 and 2019.

PI-3. Revenue outturn

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-3. Revenue outturn	C	
3.1 Aggregate revenue outturn	B	Aggregate revenue outturns were between 94% and 112% of budgeted revenue in all 3 years
3.2 Revenue composition outturn	D	Variance in revenue composition was greater than 15% in 2 out of 3 years

This indicator comprises two dimensions dealing respectively with aggregate revenue and revenue composition. It contributes to the assessment of budget credibility by considering the accuracy of revenue forecasting and the effectiveness of revenue collection. It involves a comparison of budgeted and actual government revenue. The detailed statistics and calculations are shown in Annex 5. Although gold mining is very important for the country's trade balance, it accounts for only about 10 per cent of tax revenue, or 7 per cent of total revenue. Fluctuations in gold output did not have a major impact on government revenues in 2017-19.

3.1. Aggregate revenue outturn

Table 3.2 Aggregate revenue (KGS billions)

	2017	2018	2019
Originally budgeted total revenue	126.8	140.9	151.8
Total actual revenue	134.7	135.5	148.5
Difference between budget and out-turn	7.9	-5.4	-3.3
Difference as percentage of original budget	6.2%	-3.8%	-2,2%

In the three years covered by the assessment, the actual revenue figures as a percentage of the originally approved budget were 106.2%, 96.2 % and 97.8 % respectively. Since actual revenue was between 94% and 112% of budgeted revenue in all 3 years, the score is B though it narrowly fails to score A given the closeness of the figures to the range 97% -106% in 2 of the 3 years.

3.2. Revenue composition outturn

The second dimension measures the variance in revenue composition during the three years under review. It attempts to assess the accuracy of forecasts of the revenue structure and the ability of the government to collect the intended amounts of each category of revenue.

Using the appropriate PEFA spread sheet, the annual variances are calculated as 18.1%, 7.5% and 25.3%. Since 2 of the 3 variances are greater than 15%, the score is D. About half the large variance reported in 2019 is due to a significant shortfall in revenue from taxes on goods and services, while receipts of company income tax and taxes on international trade exceeded budget. Some further offset was provided by repayment of loans to public enterprises which provided unbudgeted revenue of more than 5bn KGS.

The two-dimension scores combine to give an overall indicator score of C.

Recent or ongoing reform activities

The International Development Association (IDA) affiliate of the WB is financing a programme to improve tax collection and official statistics, with particular emphasis on improving processes for compliance risk management. \$35 million is being made available (half grant and half concessional loan) over the period until 2025. Half the funds are to be used on improvements to the tax system.

PILLAR TWO: Transparency of public finances

PI-4. Budget classification

4.1. Budget classification

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-4. Budget classification	A	
4.1 Budget classification	A	Revenue and expenditure are shown according to administrative, economic (consistent with GFS 2001) functional (consistent with UN COFOG) and programme classifications at all stages in budget preparation, execution

This single-dimensional indicator considers whether the classification system used for budget formulation, execution and reporting of CG transactions is compatible with international standards. These are the standards elaborated in the IMF's Government Finance Statistics and, for functional classification, also the UN Classification of Functions of Government (COFOG). The indicator is to be assessed for the last completed FY: which for this assessment corresponds to FY 2019.

The budget classification system in the Kyrgyz Republic is defined by Order of The Ministry of Finance (the designated authorised body) dated December 21, 2017, No. 161-P "On approval of the budget classification of the Kyrgyz Republic" as subsequently amended each year.

There is full alignment between the classification systems used for the budget as presented to Parliament and the Chart of Accounts (CoA) that underpins reporting and accounting for revenue and expenditure. Both incorporate administrative, economic, functional and sub-functional/ programme classifications for revenue and expenditure. Budget expenditure is formulated, executed and reported with the same breakdown. This structure is largely reflected in the published reports produced at all three stages, although their value is reduced by the lack of disclosure of information on the Defence and Public Order functions. The information for reporting purposes with this breakdown is automatically derived from the Treasury system.

Revenue is also classified by administrative and economic category for all three stages (formulation, execution and reporting). This is reflected in the Budget Law, and Annual Budget Execution Report. A detailed analysis is provided of tax and non-tax revenue, with tax revenue broken down by tax type. Revenues are also divided into own sources and external grants. In-year revenue reports with the standard classifications are produced. The country follows the good practices recommended by the Extractive Industries Transparency initiative, and identifies separately the revenue streams from gold and other mining activity.

GoKR's budget has since 2012 increasingly incorporated a programmatic analysis. Every year, annex 11 of the program budget of ministries/departments is attached to the Republican Budget Law. The document reflects programmes and measures with budgetary funds for their implementation, as well as indicators of performance.

Score: A.

PI-5. Budget documentation

This is a one-dimension indicator that assesses the comprehensiveness of the information provided in the annual budget documentation, as measured against the specific list of basic and additional elements shown below in Table I. Coverage: BCG. Timing: Last budget submitted to the legislature.

Indicator/Dimension	Score	Brief justification for score
PI-5. Budget documentation	A	
5.1 Budget documentation	A	11 elements of information satisfied including 4 basic elements

5.1. Budget documentation

Table 3.3 Information in Budget documentation for 2020

Elements required	Fulfilled	Explanation
Basic Elements		
1. Forecast of the fiscal deficit or surplus or accrual operating result.	Yes	Article 1 of the Budget Law contains information on the forecast of the budget deficit for the projected year and article 2 provides information on the forecast of the budget deficit for the next two years
2. Previous year's budget outturn, presented in the same format as the budget proposal.	Yes	Budget outturns were reported in the same format as the budget proposals
3. Current fiscal year's budget (revised budget or estimated outturn) in the same format as the budget proposal.	Yes	The expected outturn for 2019 was presented in the same format as the approved budget
4. Aggregated budget data for both revenue and expenditure according to the main heads of the classifications used, including data for the current and previous years.	Yes	The aggregate budget data for both revenue and expenditure was reported in accordance with the main sections of the classifications used, including data for current and previous years (i.e. summary tables using economic, administrative and functional classifications). The cumulative budget data, including those for 2018 (actual and 2019 (updated)), include: In Appendix 1 of the Law of the Kyrgyz Republic No. 143 of 12.23.2020 on income and expenses (economic classification) In Appendix 4 - functional cost classification; In Appendix 5 - administrative classification by expenses.
Additional elements		
5. Deficit financing, describing its anticipated composition.	Yes	The method of financing the budget deficit is contained in Appendix 1 to the Law of the Kyrgyz Republic (RB for 2020-2022) No. 143 dated 12/23/2019 and includes internal and external sources.
6. Macro-economic assumptions, including at least estimates of GDP growth, inflation, interest rates and the exchange rate.	No	Information is given about growth and inflation, but the exchange rate is provided only indirectly, and there is no forecast of interest rates.

Elements required	Fulfilled	Explanation
Basic Elements		
7. Debt stock, including details at least for the beginning of the current year presented in accordance with GFS or other comparable standard.	Yes	The amount of debt owed in the current fiscal year is reflected in explanatory notes to the Republican Budget Law and in the Economic Directions of the Fiscal Policy of the Kyrgyz Republic. Statistics are consistent with GFS standards.
8. Financial assets, including details at least for the beginning of the current fiscal year presented in accordance with GFS or other comparable standard.	Yes	Financial assets consistent with GFS for the previous two years and the projected year are represented in Annex 1 to the RB Law.
9. Summary information on fiscal risks, including contingent liabilities such as guarantees, and contingent obligations such as those arising from PPP contracts.	Yes	in accordance with the legislation, all these issues are taken into account and conclusions are prepared by the responsible authorities and information is contained in the Explanatory Note to the Budget
10. Explanation of budget implications of new policy initiatives and major new public investments, with estimates of the budgetary impact of all major revenue policy changes and/or major changes to expenditure programmes.	Yes	Information is contained in the Explanatory Note to the Budget
11. Documentation on the medium-term fiscal forecasts.	Yes	Information is contained in the Explanatory Note to the Budget
12. Quantification of tax expenditures	Yes	The Government submits all calculations and conclusions to the parliament for consideration of all the necessary analytical materials regarding tax expenditures.

PI-6. Central government operations outside financial reports

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-6. Central government operations outside financial reports	B	
6.1 Expenditure outside financial reports	C	Advances of about 7.5% of RB expenditure to meet SOE deficits are not included in budget execution reports.
6.2 Revenue outside financial reports	A	All revenue of bodies controlled by the Government is included in financial reports.
6.3 Financial reports of extrabudgetary units	B	2019 reports by the social insurance funds were submitted to MoF on 22 May 2020nd.

This indicator measures the extent to which government revenue and expenditure are reported outside central government financial reports. It contains three dimensions and uses the **M2 (AV)** method for aggregating dimension scores. The Concept Note for this PEFA assessment identifies the Social Fund, the Mandatory Health Insurance Fund (MHIF) and public universities as units outside the Republican Budget. The revised Budget Code which came into force at the beginning of 2017 requires the budgets of the Social and Health Funds to be subject to the same Parliamentary procedures in the same timescale as the Republican Budget. Social Fund expenditure in 2019 amounted to 53.8bn KGS, and MHIF 15.7bn KGS; thus together they accounted for about a third of total General Government expenditure of 201.7bn KGS (see IMF Country Report 20/90). Republican Budget contributions amounted to 21.0bn KGS to the Social Fund and 11.1bn KGS to MHIF, with the rest of their expenditure financed by social contributions and health charges. Although universities have some degree of independence from the Government, and are mainly financed from sources other than the Republican Budget, all their revenue from all sources, and all their expenditure is fully reported in budget proposals and execution reports. Thus they are not EBUs from the standpoint of this Indicator. Total expenditure of the 21 public universities in 2019 was 4,539m KGS, of which 509m was received from the Republican Budget and 4,030m KGS accrued from other sources as “Special Means”.

6.1. Expenditure outside financial reports

Although the expenditure of the two social insurance funds is budgeted and reported separately from the Republican Budget, this is done fully in the same timescale as the Republican Budget. Universities’

expenditure, including that financed from Special Means, is fully reported in Republican Budget proposals and execution reports. However, advances by the government to meet the deficits of major public enterprises in the electricity industry (11.3bn KGS in 2018 and 2019, about 7.5 per cent of RB expenditure) are not included as expenditure in budget execution reports, but are instead treated as purchases of financial assets in the financing section, balanced by additional domestic borrowing. These advances are treated as assets of the government sector balance sheet (see PI-12.1). Since the amounts are less than 10 per cent of RB expenditure, the score is C.

6.2. Revenue outside financial reports

As for expenditure by the social insurance funds and universities, all revenue of these bodies is fully included in financial reports. Score: A

6.3. Financial reports of extrabudgetary units

Budget execution reports for 2019 were submitted to MoF by the two social insurance funds on 22 May 2020. Score: B

Recent or ongoing reform activities

All transactions of MHIF take place through the Treasury Single Account. Although Social Fund contributions are now collected by the State Tax Service alongside income tax payments, expenditure still takes place through the commercial banking system. The Government intends to bring all Social Fund transactions within the STA as soon as possible.

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-7. Transfers to subnational governments	B+	
7.1 System for allocating transfers	A	Over 90% of revenue accruing from central government is determined by transparent rule-based systems.
7.2 Timeliness of information on transfers	B	LSGs are notified in September how much they can expect next year in tax revenue and in November of their receipts of transfers.

This indicator assesses the transparency and timeliness of transfers from central government to subnational governments with direct financial relationships to it. It considers the basis for transfers from central government and whether subnational governments receive information on their allocations in time to facilitate budget planning. It contains two dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

All 484 Local Self-Governments (LSGs) receive funds directly from central government; these consist of the two major cities (Bishkek and Osh), 29 other cities and 453 local settlements (ayl okmotu). All transactions are executed through the Treasury Single Account supported by a network of Treasury offices in each of the 40 rayons. Total LSG expenditure in 2019 was 21,397m KGS, or 12.75 per cent of total State Budget (i.e. Republican Budget plus local spending) of 167,760m KGS.

7.1. System for allocating transfers

About 75 per cent of LSG revenue accrues through their share of national taxes which is fixed by the Budget Law enacted each year. For 2019 they received 70 per cent of personal income tax and 50 per cent of sales tax revenues. Altogether they received 15,595m KGS in tax revenue. In addition they received Equalisation transfers of 1,999m KGS whose amounts were determined by the application of a complex formula, and Targeted transfers of 973m KGS to cover additional costs incurred by particular LSGs in the provision of specific services in accordance with Government requirements. The equalization formula is primarily based on population numbers and the density of population, and the results for each LSG have been reasonably predictable from year to year. Finally they received “incentive” transfers of 410m KGS resulting from

applications to MoF to finance specific infrastructure improvement projects. Thus of 18,975m KGS received from central government, only the targeted and incentive transfers together amounting to 1,383m KGS, or 7.3 per cent of the total, were not based on transparent rule-based systems. Since more than 90 per cent of total receipts were based on transparent rules, the score is A.

7.2. Timeliness of information on transfers

LSGs learn their prospective receipts from taxation, which provides over 70 per cent of their total revenues, and from equalization transfers when the budget proposals are initially submitted to Parliament at the beginning of October each year (see PI-17,3 below). The amounts of the equalization and targeted transfers to each LSG are subject to detailed discussion in Parliament in the course of the budget enactment process, with the position becoming clear by the end of November. This situation obtained in 2019 for the 2020 budget. Since LSGs have at least four weeks to finalise their budgets, the dimension score is B.

Recent or ongoing reform activities

The equalisation formula has been the subject of criticism, as allowing insufficiently for particular geographic or demographic factors, and consultants are to be employed as part of the CB2 Capacity Building project to advise on possible improvements.

PI-8. Performance information for service delivery

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-8. Performance information for service delivery	B	
8.1 Performance plans for service delivery	B	Information is published annually about the planned outputs and activities covering 85% of budget expenditure .
8.2 Performance achieved for service delivery	B	Reports are made of performance against targets, but there is not much explanation where these are missed.
8.3 Resources received by service delivery units	A	The Treasury system collects information about all resources received by each individual school and health clinic.

8.4 Performance evaluation for service delivery	D	Although evaluations of education and social protection expenditure have been produced in connection with the evaluation of the impact of EU budget support, no evaluations have been commissioned by the Kyrgyz Government.
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This indicator examines the service delivery information in the executive’s budget proposal or its supporting documentation, and in year-end reports or performance audits or evaluations, as well as the extent to which information on resources received by service delivery units is collected and recorded. It contains four dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

8.1. Performance plans for service delivery

Since 2014 all RB expenditure has been presented in budget documents in programmes (see for example Annex 11 to the 2020 budget) with quantified objectives in terms of outputs or activities, but not outcomes. However, investment expenditure has been largely excluded from medium-term planning, so that the programmes do not provide effectively for the progressive improvement of public services. This is because projects are only included in the medium-term projections when there is confidence that external funding will be available. Articles 87 of the Budget Code makes Ministries and Agencies responsible for the achievement of performance targets. The then Minister of Finance, in presenting the 2020 Budget, made clear that programme budgeting has hitherto been mainly a matter for the Finance Departments of each Ministry, and has not really engaged those with operational responsibilities. She pointed to the difficulties resulting from the absence of an integrated budget planning and execution system, the lack of reliable databases of performance information, and the lack of sufficiently trained staff. Score: B

8.2. Performance achieved for service delivery

Reports are made by all Ministries and Agencies of performance against previously stated targets, but the targets are generally specified in terms of outputs (e.g. area subject to geological survey, number of officials undertaking a given training) or administrative steps to be taken rather than outcomes in terms of the quality of service to be achieved. Performance reports are required to be published on the websites of both MoF and the Ministries and Agencies concerned with each programme. There is not much explanation of the reasons for success (or failure). Score: B

8.3. Resources received by service delivery units

The automated Treasury system collects monthly and annual reports from each institution (primary school, health clinic) of its expenditure from budgetary resources, and from “special means” (i.e. from its own resources through charges for services or other revenue raising activities). Internal audit reports concerning individual health treatment facilities confirm that all resources received are recorded. Information is thus available to compare recorded service performance with the resources available. Score: A

8.4. Performance evaluation for service delivery

Although evaluations of the performance of education and social protection against benchmarks established by the EU have been made within the last year in the context of analyses of the impact of EU budget support programmes for these sectors, no evaluations have been commissioned by the Kyrgyz Government. Score: D

Recent or ongoing reform activities

A consultancy from the Republic of Georgia has been working on possible improvements in the way programme budgeting interacts with medium-term fiscal planning, as part of the CB2 PFM improvement project.

PI-9. Public access to fiscal information

This is a one-dimension indicator, which assesses the comprehensiveness of fiscal information available to the general public, based on specified elements of information to which public access is important. The score depends on the extent to which the five basic and four supplementary elements in Table 3.4 below are satisfied. Coverage BCG. Timing: Last completed fiscal year.

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-9. Public access to fiscal information	Overall score	
Public access to fiscal information	D	Only 1 of the basic elements was fully provided. Any score of C or above requires at least 4.

9.1. Public access to fiscal information

Table 3.4 Fiscal information available to the public

Element/ Requirements	Met (Y/N)	Evidence used/Comments
Basic elements		
1. Annual executive budget proposal documentation. A complete set of executive budget proposal documents (as presented by the country in PI-5) is available to the public within one week of the executive's submission of them to the legislature.	No (Partial)	The draft budget for 2020-2022 was posted on the website of the Ministry of Finance on September 5, 2019. The draft budget approved by the Government of the Kyrgyz Republic was sent to the Parliament of the Kyrgyz Republic and posted on the website of the Ministry of Finance on September 27, 2019. However, the lack of information on defence and public order expenditure undermines comprehensiveness and transparency
2. Enacted budget. The annual budget law approved by the legislature is publicized within two weeks of passage of the law.	No (Partial)	(ii) After the signing by the President of the Kyrgyz Republic Of the Republic's Budget for 2020-2022, on December 25, it was posted on the website of the Ministry of Finance subject to the same exclusions as 1
3. In-year budget execution reports. The reports are routinely made available to the public within one month of their issuance, as assessed in PI-27.	No (Partial)	(iii) The Ministry of Finance's website contains monthly (within a month after the end of the reporting period) and semi-annual reports on the performance of the state budget (the report for the first half of 2019 is posted on July 24, 2019) but these are subject to the same exclusions
4. Annual budget execution report. The report is made available to the public within six months of the fiscal year's end.	No (Partial)	The report on the performance of the budget for 2019 was posted on the website of the Ministry of Finance in April 2020 but subject to the same exclusions.
5. Audited annual financial report, incorporating or accompanied by the external auditor's report. The reports are made available to the public within twelve months of the fiscal year's end.	Yes	The audit reports were published on the official websites of the Accounts Chamber and the Ministry of Finance. For 2018 the report was published on the website on August 24, 2019, for 2017 on August 24, 2018. In the exceptional circumstances of Covid 19 and political uncertainty the report on 2019 was not published until 22 January 2021.
Additional elements		

<p>6. Prebudget statement. The broad parameters for the executive budget proposal regarding expenditure, planned revenue, and debt is made available to the public at least four months before the start of the fiscal year.</p>	<p>Yes</p>	<p>The draft budget for 2020, including aggregated budget parameters, was posted on the website of the Ministry of Finance on September 5, 2019.</p>
<p>7. Other external audit reports. All nonconfidential reports on central government consolidated operations are made available to the public within six months of submission.</p>	<p>Yes</p>	<p>All audit reports are published on the official website of the Accounts Chamber of the Kyrgyz Republic immediately after the completion of the audit</p>
<p>8. Summary of the budget proposal. A “citizen’s budget”, and where appropriate translated into the most commonly spoken local language, is publicly available within two weeks of the executive budget proposal’s submission to the legislature and within one month of the budget’s approval.</p>	<p>No</p>	<p>The citizen’s budget under the draft Republican Budget Act for 2020 was posted on the website of the Ministry of Finance on November 22, 2019. The draft budget has to be sent to the Parliament no later than October so the delay was too long.</p>
<p>9. Macroeconomic forecasts. The forecasts, as assessed in PI-14.1, are available within one week of their endorsement.</p>	<p>No</p>	<p>The explanatory note to the Republic Budget Act includes information on macroeconomic forecasts, which is prepared based on materials of the Ministry of Economy of the Kyrgyz Republic. But no forecasts are provided of the exchange rate and interest rates.</p>

Source: MoF and AC

For a score of C or above, at least four of the basic elements have to be completely satisfied. Since only one basic requirement is fully satisfied, the score is D. This score reflects the absence of any information on defence and public order, which we understand was published until 2011. If some limited information were available about defence and public order, the score would be B.

PILLAR THREE: Management of assets and liabilities

PI-10. Fiscal risk reporting

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-10. Fiscal risk reporting	C	
10.1 Monitoring of public corporations	C	Financial reports audited by commercial auditors are submitted to Government and published within 9 months of year end. .
10.2 Monitoring of subnational governments	C	Financial reports are produced by all LSGs within 3 months of year-end, but these are only audited every second year in a longer timescale.
10.3 Contingent liabilities and other fiscal risks	NA	Amounts outstanding under Public-Private Partnerships are insignificant, and there are no other explicit contingent liabilities.

This indicator measures the extent to which fiscal risks to central government are reported. Fiscal risks can arise from adverse macroeconomic situations, financial positions of subnational governments or public corporations, and contingent liabilities from the central government's own programs and activities, including extra-budgetary units. They can also arise from other implicit and external risks such as market failure and natural disasters. This indicator contains three dimensions and uses the M2 (AV) method for aggregating dimension scores. As indicated in Chapter 2, there is a wide range of state-owned enterprises which are established as joint stock companies. The most important are those concerned with electricity supply which at the end of 2019 had long-term liabilities of 93bn KGS, revenues during the year of 30.7bn KGS, and losses for the year of 5.0bn KGS. There are a wide variety of other enterprises, some of which provide services to the public (railway, tourist facilities) and others which provide services to the government. Total 2019 revenues were 10.3bn KGS, and profits 0.6bn KGS. Table 3.5 below summarises

the revenue, expenditure and debt of the largest state enterprises, including the date of publication of audited financial reports.

Table 3.5 2019 Financial Reports of State Enterprises

Enterprise	Audited?	Publication date Of financial report	Total revenue (thousand KGS)	Total expenditure (thousand KGS)	Total debt (thousand KGS)
Electric Power Plants	Yes	18 August 2020	9,870,248	13,770,474	54,462,835
NESK	Yes	18 August 2020	3,856,497	7,227,094	41,049,455
Severelektro	Yes	18 August 2020	8,001,198	7,988,193	4,697,840
Oshelektro	Yes	4 September 2020	2,959,839	2,959,419	1,742,025
Kyrgyzaltyn	Yes	12 June 2020	72,111,364	71,766,631	67,076
Alpha Telecom	Yes	25 June 2020	5,088,066	4,524,101	2,717,940
Manas Airport	Yes	1 July 2020	4,887,813	2,809,773	115,010
Kyrgyzneftegaz	Yes	12 May 2020	3,570,166	2,504,463	116,200
RSC Bank	Yes	9 April 2020	2,823,892	2,483,904	652,473

Sources: Ministry of Energy and Ministry of Economy & Finance

10.1. Monitoring of public corporations

Public enterprises are monitored and supervised by the ministry of Energy and Industry (electricity companies) and Ministry of Economy and Finance (as successors to the former State Property Fund). Where their investments are treated as part of the (externally funded) Public Investment Programme (PIP), these are directly included in the Republican Budget. In accordance with Article 31(4) of the 2019 Regulation “On State Enterprises (No. 468), quarterly and annual reports are submitted to the supervising Ministries within two months of period-end . The main state enterprises are subject to annual audit by commercial auditors, and may also be audited every second year by the Accounts Chamber. Supervising responsibility is divided between the Ministry of Energy and Industry and MoEF , and no consolidated report on their financial performance has been published. In particular there is no clear acknowledgement of the Government’s action in effectively meeting operational losses through payments presented as the purchase of financial assets. Score: C

10.2. Monitoring of subnational governments

LSGs provide reports of the previous year's revenue and expenditure, which are approved by their elected assemblies (Article 60 of the law on Local Self-Government), to the MoF by 1 March each year (Article 117 of the 2015 Budget Code). The consolidated data for 2019 based on these reports were published on the official website of MoF on 11 May 2020. Each LSG is responsible for publishing its own report. The PEFA reports on the city of Jalalabad and the Saz and Krupskaya LSGs which have been produced in parallel with this report confirm that the reports are published locally within 9 months of year-end. LSG reports are only subject to audit by the Chamber of Accounts every second year, in a considerably longer timescale. Score: C

10.3. Contingent liabilities and other fiscal risks

A unit has been established in the Ministry of Economy to encourage the financing of infrastructure investments through Public-Private Partnerships (PPPs). 156m KGS was foreseen for them in the 2018 budget, but only 15m KGS was eventually committed. There has been full disclosure of these commitments. No further contracts were concluded in 2019. Apart from these PPPs there are no explicit contingent liabilities. Provision is made each year in the RB to deal with emergencies from floods and landslides which are a frequent occurrence in the very mountainous Kyrgyz terrain. The Explanatory Notes provided with each year's budget proposals contain a detailed presentation of the fiscal risks faced by the Government, particularly through adverse external economic developments reducing revenue and adding to the burden of external debt. These are prepared in accordance with a methodological guide incorporating IMF advice issued by MoF Order 9-p of 26 January 2016. However, these risks do not constitute explicit contingent liabilities, and PPP transactions are as yet very limited. Score: NA

PI-11. Public investment management

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-11 Public investment management	C+	
11.1 Economic analysis of investment projects	C	Major projects are subject to economic analysis, but the results had not been published at the time of this assessment.
11.2 Investment project selection	C	Major projects are prioritized by the Government Council on Fiscal and Investment Policy, but there are no published criteria for their selection.
11.3 Investment project costing	D	Budget documents show expenditure on major projects in the budget year and two subsequent years, but not the total costs of each project.
11.4 Investment project monitoring	A	Regular reports of progress, both physical and financial, are made by implementing agencies in a format prescribed by Regulation to MoF and Ministry of Economy. Information is published on agency websites, and included in annual budget execution reports.

11.1 Economic analysis of investment proposals

Following a WB review in 2018 a new Government Regulation on the Management of State Investments was issued in May 2019 (Regulation No. 232 of 28 May 2019). This requires that all new projects are subject to economic analysis which is considered by both MoF as manager of budget execution and public debt, and the Ministry of Economy as responsible for strategic planning. This reflected the perception that the impact of new public investment on the development of the economy was inadequate. Arrangements for the selection and monitoring of projects were set out in Order No. 114 of the Ministry of Economy of 6 August 2019. However, the planning of public investment continues to be divided in MoF between the Public Investment Programme (PIP) Department, which coordinates externally financed projects, the Budget Planning Divisions, where projects are financed from the Republican Budget, and the Division for Planning and Monitoring Local Budgets, where incentive grants are allocated to finance local infrastructure

improvements. Expenditure on the 10 largest projects in the PIP during the 3 years 2017-19 amounted to 13bn KGS of which 7.1bn KGS was provided through concessional loans, 4.9bn KGS in external grants and 1.3bn KGS in Government co-financing. 6bn KGS was spent on three road construction projects, 5bn on four energy sector projects and the remainder on professional skills development (1.1bn KGS), agricultural machinery (0.6bn KGS), and public transport in Osh (0,5bn KGS). Total expenditure in 2017 was 6.1bn KGS, in 2018 4.3bn KGS, and in 2019 2.9bn KGS; as percentages of RB total expenditure 4.0 per cent in 2017, 2.7 per cent in 2018 and 2.0 per cent in 2019. The PIP is normally the largest element, and projects within it have always been subject to some requirement for economic analysis imposed by the external donors. But the analyses had not been published at the time of this assessment. Score: C

11.2. Investment project selection

Externally financed projects require the approval of the Council on Fiscal and Investment Policy chaired by the Prime Minister, which also contains representatives of the Parliament. The Council receives information about the analyses made by MoF and the Ministry of Economy about the availability of concessionary finance and the potential contribution of each project to the development of the Kyrgyz economy. Information is given about cost-benefit analyses and internal rates of return, as well as on the impact of projects on government revenue and expenditure. But none of this information is published. The Government's policy, which has been implemented throughout the period of this assessment, is only to approve externally financed projects where the finance has the equivalent of at least a 35 per cent grant element. The Parliament has frequently proved hesitant about approving new external borrowing as well as having an interest in the location of investments. The emphasis in investment planning is on the largely externally financed Public Investment Programme, although there is a limited amount of investment financed directly from domestic resources which is subject to the same economic tests. There are no standard criteria for project selection, but priorities are determined by the Council. Score: C

11.3. Investment project costing

Appendix 7 to the 2020 Budget law lists expenditure on each PIP project in each of the next three years. But the total costs of each project are not shown. The total expenditure fluctuates from year to year, depending on the availability of external finance, and projects are only included where finance is already known to be available. Total external funding amounts (grants and soft loans) for about 85 projects are 19.0bn KGS, 21.7bn KGS and 14.2bn KGS for 2020-22, as compared with 20.7bn KGS, 11.0bn KGS and 12.5bn KGS for the years 2017-19. Since the total capital costs of projects are not given, the score is D.

11.4. Investment project monitoring

Ministries and other bodies responsible for implementing each project make quarterly reports on project execution, both physical and financial, to MoF and Ministry of Economy in a standard format prescribed by the Regulation on Public Investment Management, and implementing agencies (most importantly the Ministry of Transport and the State Committee on Energy and Industry) publish information on their websites. Annual information is included in Budget Execution reports about actual as compared with budgeted spending, and actual against planned physical progress. Score: A

PI-12. Public asset management

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-12. Public asset management	B	
Financial asset monitoring	B	MoEF and NBKR regularly monitor different categories of financial asset, which are recognized at original cost.
Nonfinancial asset monitoring	C	A full Register of the Government's nonfinancial assets was completed in October 2020. It is open to the public, but subsoil assets are not included.
Transparency of asset disposal	A	Disposals are transparently regulated, and all details of disposals published on website etp.okmot.kg.

This indicator assesses the management and monitoring of government assets and the transparency of asset disposal. It contains three dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

12.1. Financial asset monitoring

The recently published (October 2020) balance sheet of the public administration sector as at the end of 2019 shows separately different types of financial asset, as well as fixed assets, including changes in values during the year. The largest element in total financial assets of 150 billion KSG is 118 billion KSG of outstanding loans to (mainly) public enterprises, the remainder being bank deposits, etc (18 billion KSG) and current receivables (14 billion KSG). An Agency under MoF (now MoEF) manages these budget loans to enterprises, which are reported at face value, without adjustment reflecting interest rate movements or the realistic prospect of repayment. The financial performance of each state enterprise is reported (see PI-10.1 above) but the value of the Government's holdings in these enterprises is not included in the definition of the public administration sector. The MoF treasury keeps records of government credit balances, and the National Bank holds the country's external currency reserves. Score: B

12.2. Nonfinancial asset monitoring

Following a Parliamentary Resolution in May 2016 the government in October established an Interagency Commission to develop an inventory of the country's tangible and intangible assets. In February 2017 the State Property Fund issued Regulations setting out how the Single State Property Register was to be established and maintained. The Government Decree of 18 August 2017 on the Interagency Automated Information System "Unified State Property Register of the Kyrgyz Republic" gave the overall responsibility for the Register to the State Property Fund, while the State Committee for Information Technology and Communications was charged with actually maintaining and operating it. The Interagency Commission established two action plans for 2017-18 and 2019-21 to gather the data, a task which was completed in October 2020. This work forms part of the Government's digital transformation plan Digital Kyrgyzstan 2019-23 which was approved in February 2019. The server on which the Register is kept is operated by the subsidiary body Transcom belonging to the State Committee on Information Technology under contract from the State Property Fund, and the Register is open to the public on the website fgi.gov.kg/stat-properti. It shows the number, value and area of buildings, land, structures, work in progress, vehicles, equipment, stocks and intangible assets, and how these have changed over the last year. The total original cost is shown as 155 billion KGS, with current carrying value after depreciation of 83.3 billion KGS. The extent of unoccupied buildings and land is also shown, but subsoil assets are apparently not included. Score: C

12.3. Transparency of asset disposal

The Law on the disposal of State Property requires the agreement of the Parliament (Jogorku Kenesh). In July 2011 the Parliament approved a programme for the effective management and disposal of government assets, which has served as the basis for subsequent disposal and privatization programmes. A programme of disposals of government-owned assets for 2015-17 was approved by the Parliament in June 2015, and a full report was made on the resulting asset sales was made in October 2018. While some of the assets were sold for more than the minimum price notified, others attracted no interest and were withdrawn from sale. The programme covers financial assets (shareholdings, etc) and real property assets, and also provides the basis for privatization of state-owned enterprises by the sale of shares. A further programme for 2018-20 was absorbed into the current programme for 2020-22 which is regulated by Government Decree No. 350 of 22 June 2020. This was approved by the Parliament three days later. Details of property and other assets for sale may be seen on the website etp.okmot.kg. All details of sale or lease are published, including reserve prices, prices paid, and the identity of successful tenderers. Score: A

PI-13. Debt management

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-13. Debt management	A	
13.1 Recording and reporting of debt and guarantees	A	Records of external and internal are complete, accurate and reconciled monthly.
13.2 Approval of debt and guarantees	A	The Ministry of Finance controls all aspects of debt management in accordance with clearly documented policies.
13.3 Debt management strategy	A	The Government's debt management strategy is clearly set out in medium-term fiscal policy documents, and regular reports are made to Parliament on progress.

This indicator assesses the management of domestic and foreign debt and guarantees. It seeks to identify whether satisfactory management practices, records, and controls are in place to ensure efficient and effective arrangements. It contains three dimensions and uses the M2 (AV) method for aggregating scores.

13.1. Recording and reporting of debt and guarantees

External debt data are held in an internationally recognised automated system operated by the MoF Public Debt Division which calculates all the interest and capital repayments due. The database of domestic debt has all information about government securities, and there are weekly reports by the National Bank on the securities market, the results of auctions and the debt profile. Only the Government may borrow externally; any borrowing to finance investment by public corporations is undertaken by the government, and accounted for as part of the budget. There is no borrowing by EBUs. External debt constitutes more than 80 per cent of the amount outstanding, but plans for 2020-22 envisage that more than 50 per cent of new borrowing will be domestic. The Chamber of Accounts has not found any problems in the management of debt, and all payments of interest and repayments of principal have been made on the due dates. There are monthly reconciliations of data from Treasury, National Bank and Public Debt Division, and monthly publication of the debt stock and debt service payments. Score: A

13.2. Approval of debt and guarantees

Articles 60-62 of the Budget Code give MoF the responsibility for managing public debt. Article 59 makes clear that the overall debt level at any time is subject to approval by Parliament. Annual budget laws in approving revenue and expenditure totals implicitly approve additional debt issuance. Because of the Covid 19 emergency, there were two supplementary budgets in 2020, which recognised the need for additional borrowing beyond the amounts in previous plans. In accordance with the Budget Code domestic debt may be issued at the discretion of the Minister of Finance, but new external borrowing requires the approval of Parliament in the annual budget law (or subsequent revisions). Article 63 of the Budget Code prohibits the issue of government guarantees; where external borrowing is undertaken to finance investment by SOEs, the Government takes responsibility for servicing the debts.

Score: A

13.3. Debt management strategy

During 2017-2019 the Government's policy was to prevent total external and domestic debt from exceeding 70 per cent of GDP. In order to keep within this limit, medium-term fiscal plans looked to keep the fiscal deficit within a ceiling of 3 per cent of GDP each year. The net new borrowing foreseen in the 2020 budget for the period 2020-22 was consistent with this objective. However, the impact of the Covid 19 emergency has meant that previously intended limits on total public debt as a percentage of GDP could not be maintained, and the Government does not at present have any declared upper limit on public debt. External borrowing, which has been the main source of finance for major public investments, is only undertaken when the terms provide for an effective 35 per cent grant element. Both the Main Directions of Fiscal Policy document approved by the Fiscal and Investment Council and published at the beginning of the budget preparation process, and the Explanatory Memorandum submitted to Parliament with the budget proposals, include clear statements of the Government's debt management strategy, and acknowledge the risks posed by adverse economic developments transmitted through movements in exchange and interest rates. External and domestic debt amounts are projected for 3 years ahead, including the schedule of repayments, with the interest costs shown separately for external and domestic debt; for 2020-22 these projected interest rates averaging 1.4 per cent on external debt and 7.1 per cent on domestic debt; an unchanged exchange rate is assumed against the US Dollar. Score: A

[Remark by EUD: the debt management strategy document is much more succinct than the main policy directions. The debt management strategy document lacks of exchange rate or interest rate analysis. It does not analyses the predictive trends in public debt while the references to the sustainability of the debt are of legalistic nature.

Response: The Explanatory Note with the Budget proposals shows the path of future borrowing both external and domestic, with interest costs shown separately. The Note accompanying the 2020 Budget made clear that relatively more domestic borrowing was planned during 2020-22.]

PILLAR FOUR: Policy

based fiscal strategy and budgeting

PI-14. Macroeconomic and fiscal forecasting

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-14. Macroeconomic and fiscal forecasting	D+	
14.1 Macroeconomic forecasts	D	A detailed macro-economic forecast covering the next 3 years is submitted to Parliament each year at the beginning of consideration of budget proposals. But the exchange rate assumption is incompatible with IMF projections of the economy, including exchange rate movements.
14.2 Fiscal forecasts	B	Projections of the main fiscal indicators, including revenues by type and a summary breakdown of expenditure are submitted to the Parliament in September each year. But these do not include an explanation of changes since the previous year.
14.3 Macrofiscal sensitivity analysis	D	The Explanatory Note on the Government's budget proposals contains an analysis of the impact of relatively small changes in exchange rate and economic growth assumptions on the fiscal balance and aggregate debt. But these are not sufficient to expose the underlying risks.

This indicator measures the ability of a country to develop robust macroeconomic and fiscal forecasts, which are crucial to developing a sustainable fiscal strategy and ensuring greater predictability of budget allocations. It also assesses the government's capacity to estimate the fiscal impact of potential changes in economic circumstances. It contains three dimensions and uses **M2 (AV)** for aggregating dimension scores.

14.1. Macroeconomic forecasts

A detailed economic forecast covering the budget year and the two subsequent years is produced in September each year by the Ministry of Economy, and submitted to the Parliament with the Government's budget proposals. This includes forecasts of GDP growth and inflation rates. However, this forecast is not subject to any independent review, and does not contain any explicit forecasts of the exchange rate and interest rates. It can be deduced that a constant exchange rate against the US dollar is assumed, and there is sufficient information to calculate average interest rates paid on external and domestic debt. The plausibility of the exchange rate assumption can be tested by reference to IMF Article IV reports. Country report cr19/174 published in July 2019 projects an exchange rate depreciation more or less in line with the inflation rate as measured by the CPI, with the rate against the US dollar moving from 70.9 in 2019 to 79.7 in 2023. Since the assumption cannot be seen as a considered forecast, the score is D.

14.2. Fiscal forecast

Forecasts of the main fiscal indicators, including breakdowns of revenue and expenditure and the fiscal balance, for the budget year and the two following years, are submitted to Parliament in October each year as part of budget proposals. Revenue forecasts are based on the macroeconomic forecasts of output, earnings, consumption and the trade balance, while expenditure forecasts allow for demographic projections of pupil numbers at different levels of education, and of numbers of people entitled to social benefits of different kinds. The fiscal forecasts show separately the interest costs of external and domestic debt service, as well as the total amounts of external and domestic debt. But they do not include any explanation of the differences from the previous year's forecasts. Score: B

14.3. Macrofiscal sensitivity analysis

The Explanatory Note accompanying the budget proposals includes calculations of the impact of relatively small changes in the assumptions about the exchange rate and economic growth on the amount of public

debt as a proportion of GDP. However, it is doubtful whether the range of alternative possibilities is wide enough to provide a sufficient indication of the risks associated with alternative possible economic developments. Score: D

PI-15. Fiscal strategy

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-15. Fiscal strategy	B	
15.1 Fiscal impact of policy proposals	A	The Government's budget proposals submitted to the Parliament show the impact of all proposed changes in revenue and expenditure for the budget year and the 2 following years.
15.2 Fiscal strategy adoption	A	The Main Directions of Fiscal Policy document submitted to Parliament with the budget proposals contains quantitative fiscal goals for the 3 years ahead. Expenditure proposals contain indications of results to be achieved.
15.3 Reporting on fiscal outcomes	D	The budget proposals do not contain any explanation of changes in the future fiscal outlook as compared with the forecast produced the previous year.

This indicator provides an analysis of the capacity to develop and implement a clear fiscal strategy. It also measures the ability to develop and assess the fiscal impact of revenue and expenditure policy proposals that support the achievement of the government's fiscal goals. It contains three dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

15.1. Fiscal impact of policy proposals

The budget proposals contain detailed figures for revenue and expenditure during the budget year and the two following years, including explanations of changes as compared with the corresponding amounts for the previous year. Any changes in tax legislation would need to be submitted in separate legislative proposals. Expenditure is broken down by COFOG function and administrative unit, and investment expenditure is shown separately in each case. Separate forecasts are given for each element of tax and non-tax revenue. Score: A

15.2. Fiscal strategy

The proposals for the Republican Budget contain explicit fiscal targets for revenue, expenditure and the fiscal balance for the budget year and the two following years. Comparable proposals covering the operations of the Social Fund and the Mandatory Health Insurance Fund are submitted to Parliament at the same time, with revenue and expenditure in balance. The detailed proposals include indications of results (outputs or activities) to be achieved through expenditure programmes during the year immediately ahead (see PI-8.1 above). The description of revenues includes a number of qualitative objectives for the performance of the tax system, while expenditure is planned so as to "preserve the social orientation of state expenditure with the fulfilment of all social obligations". Score: A

15.3. Reporting on fiscal outcomes

The Government's budget proposals include explanations of changes in revenue and expenditure amounts as compared with the figures for the current year. But they do not include any analysis of changes in the future outlook as compared with the expectation a year before. No separate report has been produced internally about progress against a previously established fiscal strategy. Score: D

PI-16. Medium-term perspective in expenditure budgeting

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-16. Medium-term perspective in expenditure budgeting	C+	
16.1 . Medium-term expenditure estimates	A	The annual budget presents estimates of expenditure for the budget year and 2 following years allocated by administrative, economic and programme classification.
16.2 Medium-term expenditure ceilings	A	Expenditure ceilings for each budget user for the budget year and the 2 following years are approved by the Fiscal and Investment Council chaired by the Prime Minister at the beginning of the budget preparation process.
16.3 Alignment of strategic plans and medium-term budgets	D	There is no alignment between the medium-term budgets and the strategic plans which are not costed or time-bound.
16.4 Consistency of budgets with previous year's estimates	D	There is no explanation of the extent to which expenditure figures differ from the corresponding figures for the same period in the previous year's proposals.

This indicator examines the extent to which expenditure budgets are developed for the medium term within explicit medium-term budget expenditure ceilings. It also examines the extent to which annual budgets are derived from medium-term estimates and the degree of alignment between medium-term budget estimates and strategic plans. It contains four dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

16.1. Medium-term expenditure estimates

Expenditure estimates for the budget year and the two following years are presented in the same detail for all three years, using administrative, economic and programme classifications. Score: A

16.2. Medium-term expenditure ceilings

Medium-term expenditure ceilings for each budget user are approved by the Fiscal and Investment Council chaired by the Prime Minister at the beginning of the budget preparation process each year. Score: A

16.3. Alignment of strategic plans and medium-term budgets

The medium-term budgets covering the whole of central government expenditure are mainly concerned with recurrent expenditure, and include provision for capital investment projects only where external finance is known to be available. Domestically financed investment is treated as a residual which only takes place if financing becomes available within the overall constraints imposed by fiscal targets and limits on the size of public debt. The strategic plans prepared by each Ministry are not costed and time-bound: rather they are generally statements of ambition without regard to their achievability in a given timescale. Since there is no correspondence between the plans and the medium-term budgets, the score is D

16.4. Consistency of budgets with previous year's estimates

Fresh projections are made each year without regard to those made the previous year. The figures entered each year for the second and third years do not generally reflect careful consideration of what would be required for the planned development of each service, and are frequently repeats of amounts entered for the budget year. No explanations are given for differences between the provision proposed for the budget year and the corresponding amounts indicated the year before for the second year. Score: D

PI-17. Budget preparation process

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-17. Budget preparation process	B+	
17.1 Budget calendar	B	The calendar for the preparation of the following year's budget is issued by the Prime Minister in January each year. In 2020 there was some slippage in this calendar, although in the event Budget users had 6 weeks to agree their final proposals with MoF.
17.2 Guidance on budget preparation	B	Preliminary expenditure ceilings are intended to be issued by MoF before the end of April, and after discussion with budget users incorporated in the Main Directions of Fiscal Policy document approved by the Government in June. Because of delays in Government approval of the Main Directions, provisional ceilings were issued by MoF in July, which were subsequently approved by the Government before proposals were finalized.
17.3 Budget submission to the legislature	A	Budget proposals were submitted by the Government to Parliament on 2 October 2017, 1 October 2018 and 1 October 2019.

This indicator measures the effectiveness of participation by relevant stakeholders in the budget preparation process, including political leadership, and whether that participation is orderly and timely. It contains three dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

17.1. Budget calendar

Budget preparation is based on Section IX of the Budget Code, Articles 80-102. In accordance with this the Prime Minister issues the budget timetable each year in January. The Ministry of Economy provides the macro-economic forecast by the end of March, and revenue forecasts are prepared by 10 April. Ministries and other budget users hold public consultations on their strategic plans before sending their proposals to MoF by 1 May. Following discussions with budget users MoF submits the draft Main Directions of Fiscal Policy document, with expenditure ceilings for each budget user, to the Government in early June. Once approved, this document serves as the operational budget circular, providing the basis for the preparation of budget submissions and thereafter for discussions between MoF and budget users. Revised ceiling

figures, taking into account revisions to the economic forecast, are scheduled to be issued in mid-July, and final proposals, after further discussion with budget users and consultations with the public, are submitted by MoF to the Government in mid-September. There was some slippage in this calendar in 2020, with the Government approval of the expenditure ceilings not given until the end of August 2019. Provisional ceilings were issued by MoF on 13 July, with submissions due at the end of August. Since the subsequent stages of the calendar were followed correctly, giving the Parliament the prescribed time to consider the proposals, and budget users had 6 weeks to prepare their proposals, the score is B.

17.2. Guidance on budget preparation

Preliminary ceilings for each budget user should be approved in June each year by the Government collectively in the Main Directions of Fiscal Policy document before detailed proposals are submitted by budget users to MoF. In 2020 Government approval of the Main Directions document was delayed, and MoF therefore issued provision ceilings on 13 July which were approved by the Government at the end of August before budget users' submissions were finalized. Score: B

17.3. Budget submission to the legislature

Budget proposals for fiscal years 2018, 2019 and 2020 were submitted to Parliament on 2 October 2017, 1 October 2018 and 1 October 2019 respectively. Score: A

PI-18. Legislative scrutiny of budgets

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-18. Legislative scrutiny of budgets	B+	
18.1 Scope of budget scrutiny	B	The Parliament's review covers fiscal policies and aggregates for the coming year as well as details of revenue and expenditure, but no attention is paid to the two subsequent
18.2 Legislative procedures for budget scrutiny	A	The Parliament's procedures are well-established, and include public hearings on the Government's proposals as well as study by specialised Committees.
18.3 Timing of budget approval	A	The last three Budgets have all been approved before the beginning of the years to which they relate.
18.4 Rules for budget adjustments by the executive	B	Article 115 of the Budget Code authorizes substantial budget reallocations by the Government, subject to the agreement of the Parliament's Budget and Finance Committee.

This indicator assesses the nature and extent of legislative scrutiny of the annual budget. It considers the extent to which the legislature scrutinizes, debates, and approves the annual budget, including the extent to which the legislature's procedures for scrutiny are well established and adhered to. The indicator also assesses the existence of rules for in-year amendments to the budget without ex-ante approval by the legislature. The indicator contains four dimensions and uses the **M1 (WL)** method for aggregating dimension scores.

18.1. Scope of budget scrutiny

The Government's proposals are examined in great detail by the Parliament, and provision may be reallocated in the course of discussions. In addition to the detailed proposals for the year immediately ahead (with figures for the two subsequent years) the Parliament has the Government's detailed economic forecast, the document setting out the main directions of fiscal policy for the next three years, and the Minister of Finance's detailed Explanatory Note on the budget proposals. The proposals are scrutinized by both the Budget and Finance Committee and specialised Committees dealing with particular government functions. Public hearings are held attended by MoF and other budget users. But little attention is paid to the budgetary outlook beyond the year immediately ahead. Score: B

18.2. Legislative procedures for budget scrutiny

Parliamentary procedures are well-established, and in accordance with Article 97 of the Budget Code include review by both the Budget and Finance Committee and Committees specialising in different government functions. Public hearings are held, and changes negotiated in the Government's proposals. These procedures have been in force for at least 15 years, and have been followed in full for the 2019, 2020 and 2021 budgets. Score: A

18.3. Timing of budget approval

The last three budgets for 2018, 2019 and 2020 were approved on 28 December 2017, 26 December 2018 and 23 December 2019 respectively. Score: A

18.4. Rules for budget adjustments by the executive

Article 109 of the Budget Code permits budget users to reallocate up to 5 per cent of the year's provision within each programme. Other changes require budget amendments to be put forward by MoF. Article 115 of the Budget Code specifies that only two revisions to the enacted budget may be made each year, before the end of May and before the end of October. If changes need to be implemented in advance of revisions to the budget, this may be done subject to the approval of the Parliament's Budget and Finance Committee. These procedures were fully respected in 2019. Since there are no limits to the extent of the changes the Government has considerable discretion in making reallocations. Score: B

PILLAR FIVE: Predictability and control in budget execution

PI-19. Revenue administration

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-19. Revenue administration	C+	
19.1 Rights and obligations for revenue measures	B	Taxpayers can obtain information on liability to different types of tax, through websites and telephone enquiry facilities, as well as information about appeal arrangements. But information is sometimes difficult to access, and definitive answers can only be obtained by attending a tax office in person. VAT refunds are delayed or unreasonably refused.
19.2 Revenue risk management	C	Different approaches are taken depending on the nature of the tax and the behaviour of taxpayers. But there are doubts about the completeness of the tax registers, and inspection/audit has been largely confined to those taxpayers subject to the full rigour of the system. A substantial programme is to be undertaken to improve risk management.
19.3 Revenue audit and investigation	D	There is a very substantial programme of tax audits, but there is no documented compliance improvement plan.
19.4 Revenue arrears monitoring	A	Tax arrears at the end of 2019 were about 5.6% of total collections of 105.9bn KGS. Of the total arrears of 5.9bn KGS.395m KGS or 6.7% were more than 12 months old.

This indicator covers the administration of all types of tax and non-tax revenue for central government. It assesses the procedures used to collect and monitor central government revenues. It contains four dimensions and uses **M2 (AV)** method for aggregating dimension scores. Tax revenues accruing to the Republican Budget in 2019 (105.9bn KGS) accounted for 78 per cent of total revenues net of official transfers (135.0bn KGS - see Annex 5 below), and of these more than 80 per cent (86.5bn KGS in 2019) derive from Value Added Tax and Excise Taxes (including taxes levied on imports). Personal and company income taxes (19.4bn KGS including 7.5bn from the special tax on the Kumtor gold mine)) accounted for less than 15 per cent of total revenues. Apart from tax revenues there are significant receipts from the sales of goods and services, from profits and dividends, and from external grants. Most revenue is collected by the State Tax Service, while the State Customs Service collects revenue due on imports. Since 2018 responsibility for the collection of employers' (17.25% of wages) and employees' (10% of wages)

social contributions has been transferred from the Social Fund to STS. Total contribution revenue in 2019 was 32.4bn KGS. This accrues directly to the Social Fund which is accounted for separately from the Republican Budget, as explained in Chapter 2 above. Smaller entrepreneurs can avoid much of the burden of tax compliance, including liability for social contributions, by taking advantage of simplified schemes whereby they pay only a flat rate of tax on their turnover, or a fixed sum patent depending on the nature of their activities. These arrangements constitute a substantial disincentive to enterprises growing beyond the point where they would no longer qualify for special treatment offered to small businesses. In 2019 there were 69,953 businesses fully subject to income and other taxes, and 750,096 individuals subject to income tax. Meanwhile there were 9,721 enterprises which opted to pay the single tax, 45,633 subject to the compulsory patent system, and 844,703 paying the voluntary patent.

19.1. Rights and obligations for revenue measures

Taxpayers' rights and obligations in respect of all direct and indirect taxes are clearly set out in the Tax Code which took effect in 2009. Information about registration, filing and payment obligations is accessible online or by telephone enquiry from both STS and the parallel Customs service. Most questions arise in connection with the responsibilities of STS for income tax and VAT which require declaration by taxpayers. Taxpayers should be able to have on line access to their own accounts, and electronic payment is being facilitated. However, according to taxpayers, on-line information may be cumbersome to access, and definitive interpretations on liability questions can only be obtained by visiting a tax office. Electronic systems intended to simplify processes do not work reliably, while adding to complexities faced by taxpayers. Administrative appeals have to be and are answered quickly, and taxpayers can appeal further to the Administrative Court. But no action has been taken to establish an independent appeals mechanism despite support for this in Parliament, while appeals to the Court which has no tax expertise involve lengthy delays. It should be noted, however, that more administrative appeals were decided in favour of the taxpayer in 2019 than in 2018: of the total of 12.8m KGS in question in admissible appeals in 2019, 7.1m KGS was decided in favour of the taxpayers concerned, while only 5.1m KGS was decided for STS, whereas in 2018 STS prevailed for 15.5m KGS, as against 9.5m KGS for the taxpayers. Altogether tax compliance imposes significant administrative burdens on taxpayers: the Kyrgyz Republic ranks 117 out of 190 in the World Bank Doing Business survey for 2020. Score: B

19.2. Revenue risk management

Revenue risks are managed in different ways depending on the type of tax and the circumstances of the taxpayer. The main risks arise in relation to taxes administered by STS which collects the majority of tax revenues; in the case of customs, goods are not released without at least a guarantee that duties owing will be paid. The largest taxpayers are managed by special offices in Bishkek and Osh. Value Added Tax risks are being addressed through the installation of electronic cash registers which automatically calculate tax amounts due. However, taxpayers have not found the system to be consistently operational and reliable. Taxpayers are selected for audit according to a system provided by the Asian Development Bank based on an analysis of 29 risk factors which assess the consistency of information from different sources, but the 2016 TADAT (Tax Administration Diagnostic Assessment Tool) report questioned the completeness of tax registers, and their links to other databases. Tax audit and inspection has been largely focused on those taxpayers who are liable to the full rigour of the system, while little or no attention has been paid to those who use the simplified schemes. The WB's associated International Development Association is providing US\$17.5m (half grant and half concessional loan) over 5 years to 2025 to support improvement of the tax system. The intention is to reformulate business practices so as to make them more efficient and taxpayer-friendly, while enhancing the professionalism and integrity of tax officials.

Score: C

19.3. Revenue audit and investigation

According to STS 11,712 tax audits were carried out in 2019, of which 2,764 took place on the taxpayers' premises, resulting in additional assessments of 17.3bn KGS, of which 8.3bn KGS was collected. Some checks are automatically required when a business ceases trading, while other taxpayers are selected for investigation by an automated IT programme on the basis of risk factors. Only about a third of the cases identified by the programme are actually checked; STS gives priority to cases where substantial revenue is at stake, and bases other checks on a variety of different criteria. A quarterly programme of audits is authorized by STS management, which stated that they are all implemented. The refusal of STS to provide any information about the basis on which taxpayers are selected for further investigation undermines confidence in the integrity of the system. A score of C or above requires tax audit and investigation to be undertaken within the framework of a documented compliance improvement programme. It is intended that the recently initiated project to transform the tax system should facilitate such a programme, but since it has not yet been developed, the score is D.

19.4. Revenue arrears monitoring

Tax receipts (including taxes from the Kumtor gold mine) account for about 80 per cent of total Republican Budget receipts net of grants. If social contributions collected on employment income by STS (32.1 billion KGS in 2019) are also included, the proportion is nearly 83 per cent. The remaining revenue is derived from sales of goods and services, where payment is normally made at the time of delivery, and from the yield on property assets (see Annex 5 below). Where revenue is received for the supply of goods and services it is treated as “special means” available for spending without restraint by MoF controls, so the recipients have every incentive to ensure prompt payment. But no specific information is available about any arrears of these other streams of revenue. According to STS total tax arrears at the end of 2019 amounted to 5.9bn KGS, or about 5.6 per cent of total taxes collected in 2019 of 105.9bn KGS. Arrears increased from 3.6bn KGS at the end of 2018, or about 3.5 per cent of total taxes collected of 103.7bn KGS. Value Added Tax (VAT) accounted for nearly 40 per cent of arrears, with corporate income tax and sales tax accounting for about 20 per cent each. Although there was a significant increase in total arrears in 2019, the percentage more than 12 months old fell from 12.0 per cent to 6.7 per cent. Taxpayers’ experience is that STS will not negotiate schedules for the repayment of arrears over time, thereby precipitating the closure of businesses affected. Since the stock of arrears was less than 10 per cent of collections, and the proportion over 12 months old was less than 25 per cent of total arrears, the score is A.

PI-20. Accounting for revenue

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-20 Accounting for revenue	A	
20.1 Information on revenue collections	A	Tax revenue is paid directly into Treasury Single Account at the NBKR via local Treasury offices, with daily notification to tax collectors. There are monthly reports to Treasury by Tax and Customs services, with similar arrangements for other
20.2 Transfer of revenue collections	A	All revenue from all sources is remitted to the Treasury on the day it is received.
20.3 Revenue accounts reconciliation	A	There are monthly reconciliations between Treasury records and those of bodies collecting revenue. Individual taxpayers’ accounts are updated as payments are received by the revenue authorities.

This indicator assesses procedures for recording and reporting revenue collections, consolidating revenues collected, and reconciling tax revenue accounts. It covers both tax and nontax revenues collected by the central government. It contains three dimensions and uses **M1 (WL)** for aggregating dimension scores”

20.1. Information on revenue collections

All revenue other than external grants for specific projects (5.3 bn KGS or 3.6 per cent of revenue in 2019) is paid directly via Treasury offices into the Treasury Single Account at NBKR. (Lending associated with Public Investment Programme projects is financing, not revenue.) The State Tax and Customs Services are informed daily about revenues received, as are other bodies collecting less important revenue streams. There are monthly reports to the Government with a full breakdown of revenues received. Score: A

20.2. Transfer of revenue collections

Performance level and evidence for scoring the dimension

All budget revenue other than external grants for PIP projects is paid directly into the TSA on the day it is received. Social contributions collected by STS are transferred immediately to Fund bank accounts. Score: A

20.3. Revenue accounts reconciliation

There are monthly reconciliations within two weeks of month-end between Treasury and Social Fund records and those of the State Tax and Customs Services covering assessments, collections, arrears and transfers to the Treasury. Similar reconciliations are also performed between the Treasury and other bodies collecting less important revenue streams. Individual taxpayers’ accounts are updated as revenue is received, so providing the basis for tracking revenue arrears. Score: A

PI-21. Predictability of in-year resource allocation

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
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PI-21 Predictability of in-year resource allocation	B	
21.1 . Consolidation of cash balances	C	Most cash balances are consolidated daily in the Treasury Single Account, but externally financed PIP transactions take place through commercial banks
21.2 Cash forecasting and monitoring	A	A cash flow plan was prepared at the beginning of the year, and thereafter updated monthly.
21.3 Information on commitment ceilings	C	Budgetary units were able to plan and commit expenditure on a monthly basis
21.4 Significance of in-year budget adjustments	A	Significant In-year budget adjustments were limited to one in 2019 which followed standard procedures

General description of the characteristics of the indicator within the scope covered

This indicator assesses the extent to which the central Ministry of Finance is able to forecast cash commitments and requirements and to provide reliable information on the availability of funds to budgetary units for service delivery. It contains four dimensions and uses the M2 (AV) method for aggregating dimension scores. Coverage BCG. Time period -- Dimension 21.1: At time of assessment. Dimensions 21.2, 21.3 and 21.4: Last completed fiscal year (2019).

21.1. Consolidation of cash balances

Since 2017 the monitoring and consolidation of cash balances has taken place through the operation of a Treasury Single Account (TSA) held at the National Bank. The TSA covers national and all sub-national government. All transactions through TSA are subject to daily reconciliation. The Public Investment programme amounting to some 20 billion KGS in 2019 is not included; instead it is serviced by commercial banks in accordance with the terms agreed in each case with the body providing the finance, with monthly reconciliations. It is understood that new arrangements are being put in place which will enable the PIP transactions to be tracked in real time alongside the TSA. Since not all cash balances have been subject to daily consolidation, the score is C.

21.2. Cash forecasting and monitoring

Cash forecasting and monitoring are regulated by Article 108 of the Budget Code and the Regulation on the Formation and Maintenance of the Cash Plan of the Kyrgyz Republic's national budget, approved by the Kyrgyz Government's decree on October 2, 2017 No.632. The Regulation requires the authorized state body (the Ministry of Finance) to form an annual cash forecast and a monthly cash plan “using updated plans for receipts and plans for expenditures obtained from budget data, as well as taking into account the temporarily free funds of the Republican Budget”. The cash plan is approved by the Deputy Minister of Finance - Director of the Central Treasury in agreement with the Minister of Finance. The cash plan is revised monthly taking into account resources received, cash expended and the balances of budgetary funds in the Single Treasury Account of the MoF. Score: A

21.3. Information on commitment ceilings

In accordance with the Budget Code cash plans are implemented within the limits of the approved cash plan according to approved limits for budget obligations. MDA management carries out execution of the expenditure side of the approved cash plan. In the process of cash execution of the republican budget, the authorized state body has the right to make decisions on the suspension of cash payments for the execution of budgetary obligations. These measures are introduced when budget expenditures temporarily exceed the volume of resource receipts. Since budgetary units can rely and plan on resources on a monthly basis only, the score is C.

21.4. Significance of in-year budget adjustments

According to article 115 of the Budget Code of the Kyrgyz Republic, the budget law may be amended *no more than twice* during the budget year: the first before June 1 and the second - until November 1 of the current budget year. When amending approved budgets, the principles and requirements set by the Budget Code must be respected for the formation and approval of the respective budgets. In 2019 there was only one adjustment for which the law was adopted by parliament on November 28, 2019. (In 2020 there were two budget revisions in response to the Covid 19 crisis.) Score: A

PI-22. Expenditure arrears

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-22 Expenditure arrears	D	Justification for 2020 score
22.1. Stock of expenditure arrears	D*	Although accounts payable were less than 6% of expenditure for all 3 years 2017-19, no specific information was available about the extent to which payments were in arrears.-
22.2 Expenditure arrears monitoring	D	No specific monitoring and reporting of expenditure arrears takes place.

This indicator measures the extent to which there is a stock of payment arrears, and the extent to which a systemic problem in this regard is being addressed and brought under control. It contains two dimensions and uses the M1 (WL) method for combining dimension scores. Coverage BCG. Time period -- Dimension 22.1: Last three completed fiscal years. Dimension 22.2: At time of assessment.

The PEFA Framework notes that government may incur expenditure obligations to employees, suppliers, contractors and lenders that are overdue and therefore constitute payment arrears. Such a situation is effectively a form of non-transparent financing of government operations. The critical issue is whether government systems support the tracking of expenditure arrears. Without some form of special investigation or the availability of related information, such as liabilities (accounts payable) it is not possible to assess with any confidence or reliability the size of the arrears in the absence of a system for monitoring those arrears.

22.1. Stock of expenditure arrears

According to Article 114 of the Budget Code, the head of a public institution is personally responsible for ensuring observance of the limits of budget obligations and the avoidance of overdue debts (arrears). Overdue debt is defined as “an obligation, repayment of which exceeds the timeline set up by the agreement, or in the absence of formal agreement, exceeds the timeline of 30 days from the moment of receiving of invoice for payment”.

The concept of receivables and payables is regulated by the Regulation on Accounting and Financial Reporting in the Public Administration Sector approved by the order of the Ministry of Finance of the Kyrgyz Republic of December 25, 2017 No.137-p. Under the Regulation, the information on payables and

receivables of Budgetary Institutions and explanatory notes to them are mandatory applications to the balance sheet for the reporting period. In order to take into account arrears, the Regulation was amended on September 16, 2019, No.107 in terms of disclosure of the concepts of current and overdue payables and receivables. Suppliers know they are entitled to be paid after 30 days (or in accordance with their contracts if a different period is specified); there is no evidence of complaints about a build-up of invoices withheld from registration by contracting departments.

However, overdue payments (arrears) have not been identified in the financial statements, with information being provided only for accounts payable (creditors). The following table summarises the position regarding accounts payable at the end of each year 2017-19.

Table 3.5: Payables of the republican budget (in KGS Millions)

	2017	2018	2019
33171. Other domestic accounts payable	4,031.1	5,174.2	5,983.4
33172. Payroll obligations	239.6	225.9	217.3
33173. Interest to be paid	19.9	7.4	7.4
33174. Accounts payable (internal)	2,117.1	1,757.5	2,169.5
33175. Social benefit obligations	42.1	26.8	26.9
33176. Internal advances received	401.9	401.2	402.8
33177. Calculations on payments to the budget	0.9	1.5	0.6
Total internal liabilities at end of period	6,852.6	7,594.5	8807.8
Aggregate RB expenditure (as per PI-1)	163,068	147,470	149,336
Payables as % expenditure	4.2	5.1	5.9

Although total accounts payable were less than 6% in each of the 3 years, the PEFA Secretariat consider that the absence of any information specifically about arrears of expenditure requires the score D*.

22.2. Expenditure arrears monitoring

The head of the budget agency is responsible for monitoring the state of the budgetary receivables and payables and preventing overdue amounts from arising. This rule is enshrined in the Regulation on Accounting and Financial Reporting in the Public Administration Sector. The Regulation also establishes the procedure for accounting for debt.

Financial reports by budget agencies are provided at the end of 6.9 and 12 months. The schedule for financial and periodic reporting is drawn up annually by the Ministry of Finance of the Kyrgyz Republic and is communicated to ministries and departments.

The Accounts Chamber, in its report on the financial year 2018 draws attention to “the weak system of monitoring budget obligations and overdue debts worsened the financial discipline of budget organizations, due to the growth of accounts payable...”

As financial reports do not specifically identify expenditure arrears, the score is D. However, following a 2019 consultancy arranged as part of the second PFM Capacity Building Programme, arrangements have been made to track and report on expenditure arrears from the beginning of 2021.

PI-23. Payroll controls

This indicator is concerned with the management of the payroll for public servants. It contains four dimensions, the scores for which are combined using scoring method M1. The PEFA criteria require the payrolls of all bodies controlled by the Central Government to be taken into consideration for the purposes of this indicator. Coverage CG. Time period -- Dimension 23.1, 23.2 and 23.3: At time of assessment. Dimension 23.4: Last three completed fiscal years.

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-23 Payroll controls	B+	
23.1 Integration of payroll and personnel records	B	Individual public bodies ensure consistency between personnel records and payroll under a decentralised system that is broadly sound. But there are no automatic links between personnel records and the payroll.
23.2 Management of payroll changes	A	Changes to payroll are fully regulated and promptly administered
23.3 Internal control of payroll	B	Authority to make changes to payroll and personnel data is restricted and controls are mostly effective though audit findings have identified weaknesses in internal controls.
23.4 Payroll audit	B	The Accounts Chamber audits payroll across government as part of its annual audit work.

23.1. Integration of payroll and personnel records

The regulatory framework for the management of payroll is defined in a variety of Acts, Decrees and Regulations. Prominent among these are the Act of 15 June 2011 No.45 "On the limit of staffing and conditions of remuneration of state and municipal employees of the Kyrgyz Republic" and the Decree of

the President of the Kyrgyz Republic of January 31, 2017 No.17 "On the approval of the Register of State and Municipal Posts of the Kyrgyz Republic". The framework determines and regulates the size of the public service and the levels of remuneration of public servants. From an institutional perspective, key roles are played by the Division of Staff and Salaries of MoF, which ensures compliance with the regulatory requirements, and the State Personnel Service, which is responsible for human resources policy.

In accordance with the above-mentioned regulations each public body approves a full-time structure within an approved list of staff positions. In accordance with the staffing schedule, a salary fund is planned and the annual budget of the body concerned is approved. Staffing takes effect only on an order signed by the head of the state. Each public body is responsible for ensuring that its payroll is accurate and within its approved Salary Fund. Thus each month those responsible for staff management notify the payroll section of any individual changes which require adjustments to the pay of individual members of staff as compared with the previous month. Payroll managers must be satisfied that all changes have been properly authorised.

The state authorities have introduced an automated information system for the management of human resources in the civil service and municipal services. This system for collecting, storing, updating and analysing data on public servants is designed to ensure effective management of human resources, and should eventually make possible the establishment of automatic links between personnel records and the payroll. Ministries and other organisations have begun loading all employee data into this e-Kyzmat system, but for the time being manual reconciliation remains necessary..

It should be noted, however, that the annual report of the Chamber of Audit for FY 2018 highlights that the main reason for a substantial increase in financial violations was financial violations of the type "Unreasonable Payment of Wages", the amount of which, compared to the previous year, increased by 901,6 million Som. This type accounted for almost 50% of total financial violations; most of these occurred in the city of Bishkek, and thus outside the Republican Budget. Score: B

23.2. Management of payroll changes

The head of a public body approves staffing once a year, and changes and additions may be made with the order of the head in the following cases:

- Dismissal (formation of a vacant position) or employment;
- When eligibility for allowances arises or allowances are changed in line with the relevant legislation
- If legislation on wage increases is enacted;
- If the structure changes and the staffing of the state body increases/reduces.

Changes to personnel records authorised by the middle of each month are reflected in the payroll at the end of that month. There are no specific data, but retroactive adjustments were stated to be rare.

Score: A

23.3. Internal control of payroll

The power to amend personnel and payroll records is highly restricted, and the fact that any changes leave an audit trail promotes the complete integrity of the data.

The changes described in dimension (ii) above can be made only on the basis of the order of the head of the state body (Human Resources and Finance Departments cannot make changes on staffing levels and salaries, etc).

In its 2019 report, the Chamber of Accounts suggested that the extensive financial violations point to “insufficient level of control over the Audited Agencies regarding the compliance with regulations in the calculation and payment of wages”. It should, however, be recognised that a large proportion of such violations actually occurred at the sub-national level, especially in the Office of the Mayor at Bishkek City Council.

Score: B

23.4. Payroll audit

Both the Chamber of Accounts and the Internal Audit Departments of budgetary agencies have an important role to play in auditing the Government payroll. The Chamber annually audits the payroll of all government agencies as part of its annual audit work; it checks the payroll calculations for compliance with regulations governing pay and conditions, and also checks whether the annual budget for the remuneration fund and actual payments has been correctly approved. Much internal audit work is directed towards the compliance of service delivery units with correct financial procedures, including those concerned with the remuneration of staff.

Score: B

PI-24. Procurement

This indicator assesses key aspects of procurement management. It contains four dimensions, the scores for which are combined using the M2 scoring method. Coverage CG. Time period -- Last completed fiscal year.

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-24 Procurement	A	
24.1 Procurement monitoring	A	Effective recording, monitoring and reporting takes place routinely.
24.2 Procurement methods	A	Over 80% of contracts by value were let using competitive methods
24.3 Public access to procurement information	A	All necessary information is available through the electronic portal
24.4 Procurement complaints management	A	All criteria are satisfied

24.1. Procurement monitoring

The Law "On Public Procurement" which was adopted in 2015 provides the legal framework for public procurement in Kyrgyzstan. In accordance with Part 1 of Article 2 of the Law, the regulatory framework on public procurement consists of the Law and other regulatory legal acts regulating public procurement, as well as international treaties that entered into force in the manner established by law, to which the Kyrgyz Republic is a party. Part 2 of the Law, establishes the general legal and economic principles of public procurement and regulates the procedure for public procurement.

The adoption of the Law "On Public Procurement" in 2015 was accompanied by the switching of all public procurement to the electronic public procurement system and all stages of public procurement are carried out through the web portal *zakupki.gov.kg* which is publicly available not only for participants in economic activity, but also for the public.¹ The web portal of public procurement is integrated with the Central Treasury portal (Kazna) of the Ministry of Finance. When paying for public procurement contracts, there is control over spending through the Kazna portal. The completeness of the database is assured by the facts that all procurement takes place through the web portal, and that all contracts must be registered

¹ Certain exemptions are allowed related, for instance, to procurement in rural areas, emergencies and matters of security and confidentiality such as passports and driving licenses.

with the Treasury at the time they are placed. Comprehensive and accurate records are maintained of all procurement contracts covering all types of procurement, including details of what is procured, the value and the identity of the contractor. The system is monitored by a special unit of MoF. Score: A

24.2 Procurement methods

Article 16 of the Law on Public Procurement permits the following methods of procurement:

- 1) one-stage
- 2) two-stage
- 3) simplified competition
- 4) price lowering, which is a method whereby the purchasing organization sets the initial price it is willing to pay for a product or service, and suppliers offer their price, gradually lowering the price bar
- 5) direct contracting.

Public procurement data available for FY 2019 is shown in the table below (financial figures in billion KGS)

Total value of Republican Budget procurements	31.1
By competitive methods (amount)	27.3
By competitive methods (%)	87.8%

As the percentage by value attributable to competition was in excess of 80% the dimension score is A

24.3. Public access to procurement information

All the required public procurement information is accessible to the public online through the website. www.zakupki.okmot.kg. The website is up to date and covers all key information including the legal and regulatory framework, procurement plans, tender opportunities, contract awards, procurement statistics and the results of procurement complaints. Score: A

24.4. Procurement complaints management

This dimension assesses the operation of the system of managing procurement complaints by considering six key issues. The PEFA Framework focuses attention on six issues regarding the review of complaints, namely:

- (non) involvement in procurement transactions or contract awards;
- non-prohibitive fees;

- defined and publicly available processes;
- authority to suspend the procurement process;
- timely decision-making
- binding decisions

Non-involvement in procurement

In accordance with section 49 of the Public Procurement Act, the Government of is establishing an independent inter-agency commission to deal with complaints objectively, which consists of representatives of ministries, government committees, departments and the public, as well as certified public procurement professionals. The Independent Inter-Services Commission is guided by the Regulation (further - Regulation) approved by the Government

The composition of the above-mentioned Commission was approved by the order of the Government of September 6, 2019 No.329. The Commission has a total membership of 15, formed of 3 groups of 5 persons representing procurement specialists, lawyers and the public respectively.

It should be noted, in addition, that in 2018, the commission according to the PPKR "On the delegation of separate normative powers of the Government of the Kyrgyz Republic to state bodies and executive bodies of local government" of September 15, 2014, No.530 was approved by the order of the Ministry of Finance of the Kyrgyz Republic of 28.05.2018 No.2-DP, which also, under Article 49 of the Act, consisted of representatives of the ministries of public, state committees, departments and certified experts in the region.

A randomly selected team of three persons representing the three groups considers complaints. Decisions are taken on a majority basis subject to the approval of the Chair of the Commission. **Criterion satisfied.**

No fee that would prohibit access to the review process.

Complaints, protests or appeals are filed electronically through a web portal, by filling out an appropriate form for filing without any requirement to pay a fee. However, it is very difficult to identify Commission members as the work has been done on a voluntary basis; therefore, consideration is being given to charging a fee for the consideration of complaints. **Criterion: satisfied.**

Well-defined and publicly available complaints and procedures.

The complaints procedures are clearly defined in the Law and Regulations and readily available to the

public through the electronic portal. **Criterion satisfied**

Power to suspend the procurement process.

According to paragraph 38 of the Regulations, when a complaint is received, the Commission conducts a preliminary examination of the case materials within two working days, checking for compliance with the Regulations the Commission accepts the application for consideration and sends notices through the Portal, which is sent to the private office of the purchasing organization to suspend procurement procedures for ten days, **criteria satisfied**

Timely decisions

Complaints are considered and decided promptly. The Commission makes a written reasoned decision within seven working days after review and the ongoing status of a pending complaint can be viewed online in real time. **Criteria satisfied**

Decisions binding on all parties.

The Commission is empowered to

- 1) prohibit the procuring organization from committing illegal actions or making illegal decisions or applying illegal procedures;
- 2) completely or partially reverse any illegal decision of the purchasing organization;
- 3) cancel the decision of the purchasing organization, violating the terms of the competition procedure;
- 4) decide whether to discontinue procurement procedures.

Under Part 6 of the Complaint Act, it is considered final if it is not appealed to the arbiter court or the court of general jurisdiction by the prescribed deadline.

Criteria satisfied.

All criteria satisfied Score A

PI-25. Internal controls on nonsalary expenditure

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-25 Internal controls on nonsalary expenditure	A	
25.1 Segregation of duties	A	Duties and responsibilities are well segregated
25.2 Effectiveness of expenditure commitment controls	A	Commitments limited to budgetary provision and cash availability
25.3 Compliance with payment rules and procedures	A	High level of compliance with payments rules and procedures

This indicator assesses the effectiveness of non-salary expenditure controls at the time of the assessment. It contains three dimensions, the scores for which are combined using scoring method M2. Coverage CG.

25.1. Segregation of duties

A good risk-based internal control system minimizes opportunities for error and fraud. One important practice that helps to mitigate these risks is the so-called “segregation of duties”, which is used to describe the processes that are used to prevent situations where the same individual(s) participate in all stages of the procurement, payment, accounting and review cycle. In modern automated environments, much of this objective is achieved through financial information systems whose protocols are designed to control and record authorisation and approval procedures.

In the Kyrgyz Republic the arrangements are based on Articles 105 and 106 of the Budget Code which provide for almost all budget operations to take place through the Single Treasury Account (STA) managed by the Ministry of Finance, and on Articles 120-122 of the Budget Code which provide the basis for Regulations governing internal control and internal audit throughout central and local government, including the Social and Mandatory Health Insurance Funds.. The operation of the STA is prescribed by Government Regulation No. 444 of 24 July, 2017, with payment procedures determined by Ministry of Finance Order No. 131-p of September 28, 2017. Expenditure transactions are authorised by budget holders in spending Ministries and other bodies, with recording and accounting undertaken by the Treasury. The receipt of goods and services and progress in the execution of works contracts is certified by other officials of the ordering Department, while audit is undertaken by internal and external audit services which have no operation link with the transactions concerned. Treasury procedures ensure this

segregation of functions in all parts of central government, including the Social and Mandatory Health Insurance Funds. Score: A

25.2 Effectiveness of expenditure commitment controls

At the beginning of each year the detailed budget approved by the Parliament is loaded into the Treasury's information system "Kazna Budget" broken down by administrative and economic classifications. The applicable Regulation and MoF Order (see 25.1 above) require budget users entering into commitments to register these in the system; if they were in excess of the remaining provision allocated, after allowing for expenditures already committed, they would be rejected. Score: A

25.3. Compliance with payment rules and procedures

In addition to the commitment controls (see 25.2 above) budget users must comply with the monthly cash allocations set by MoF. Payment orders must be accompanied by supporting documentation demonstrating compliance with procurement and other legislation. The system checks automatically that the payment orders are within budgetary provision and cash allocation. Mandatory Health Insurance payments take place through the Treasury and are subject to the same controls as those from the Republican Budget. Social Fund through the banking system are almost all to individual beneficiaries, and do not present the same need for Treasury control procedures, although there are other issues concerning the determination of eligibility for benefits. Budget users have somewhat more discretion in the use of "special funds" accruing to them as payments for goods and services or as donations. These controls could only be avoided if exceptions were authorised at the highest level in MoF. Of the 1.2 billion KGS of 2018 expenditures subject to criticism by the Accounts Chamber (less than one per cent of total Republican Budget expenditure), only 33 million KGS were "financial violations" involving breaches of Treasury rules. Overall compliance rates appear to be very high. In so far as there are payments which are outside the normal rules, these can only happen if they are considered at most senior level in MoF to be justified. Score A

PI-26. Internal audit

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-26 Internal audit	C+	
26.1 Coverage of internal audit	B	Most of total budgeted expenditure and revenue is subject to internal audit
26.2 Nature of audits and standards applied	B	Audit work pays attention both to financial compliance and management systems and controls.
26.3 Implementation of internal audits and reporting	C	The majority of planned audits were implemented
26.4 Response to internal audits	B	Most internal audits receive adequate responses

This indicator assesses the standards and procedures applied internal audit. It contains four dimensions, the scores for which are combined using scoring method M1. Coverage CG. Time period -- Dimensions 26.1 and 26.2: At time of assessment. Dimension 26.3: Last completed fiscal year. Dimension 26.4: Audit reports used for the assessment should have been issued in the last three fiscal years.

26.1. Coverage of internal audit

The past few years have seen significant growth and development of the internal audit function in the Government of the Kyrgyz Republic. By 2019, 30 public bodies had established internal audit services (including two city councils). In total, there are over 100 staff working on internal audit, of whom over 80 are certified after passing tests under arrangements established by MoF. A comprehensive regulatory and methodological framework has been established under the primacy of the Internal Audit Law of 26 January 2009 No.25. Ethical standards were approved in 2013 followed by internal audit standards in 2014. Other developments have included guidance on quality assurance arrangements, an Internal Audit Manual and a regulation on the certification of internal auditors in 2018. Although there are several budgetary units that have so far not been mandated to establish internal audit services, including Parliament, the Ministry of Economy and the National Statistics Committee, all the main spending Ministries and State Organisations covering Health, Education, Energy, Transport ,etc. have active IA units. According to MoF, which coordinates IA work across government, IA units were operational in Ministries and other bodies accounting for 83.5 per cent of Republican Budget expenditure in 2019. IA was also functioning in the Social and Mandatory Health Insurance Funds, and in the State Tax and Customs

Services which collect the bulk of government revenue including contributions to the Social Fund. Overall IA coverage exceeds 80 per cent of central government revenue and expenditure. Score: B

26.2. Nature of audits and standards applied

A Strategic Plan for Internal Audits is developed for 3 years on the basis of risk assessment. This is updated annually and serves as a basis for the measures laid down by the Internal Audit Service for full and effective performance of internal audit tasks. Almost all audits are conducted primarily in the financial system, internal control environment and high-risk operating system. Audits are conducted in accordance with standards developed and approved in the Kyrgyz Republic and broadly in line with International Standards for the Professional Practice of Internal Auditing.

In terms of auditing internal controls, examples have included:

- justifiability of enrolment of applicants to educational health care institutions,
- verification of appropriateness of state benefits for the poor,
- verification of the procedure for accepting and processing documents for payment of pensions, accounting and reporting of insurance policies
- procurement,
- provision of medicines and food,
- accrual and payment of wages,
- completeness of cash and goods receipt,
- accounting for inventory,

Evidence supplied by the KRG demonstrates that, after developing an appropriate legal and policy framework the Kyrgyz authorities have succeeded in broadening the scope of internal audit from, financial compliance only to include a focus on management systems and controls. This involves the analytical review of the effectiveness of control systems and the provision of recommendations for improvements to those systems. Score: B

26.3. Implementation of internal audits and reporting

Internal audit services in each Ministry or Agency prepare an annual audit plan against which they monitor and report their activities. In accordance with the Law "On Internal Audit", the Ministry of Finance annually no later than February 1, receives reports of the internal audit services of the ministries and departments of the Kyrgyz Republic on their activities for the previous year and submits a consolidated

annual report on the activities of the internal audit services of government agencies and institutions for the previous year to the Government Office of the Kyrgyz Republic no later than March 1.

The report on IAS activity for the previous year, prepared by the Harmonisation Unit at MoF, is considered at a meeting of the Internal Audit Council. As a result of the report, the problems in the development of internal audit and the decisions of the Council to improve the activities of IA are recorded and reported.

Pursuant to Article 10 of the Law of the Kyrgyz Republic "On Internal Audit", the Ministry of Finance monitors compliance of the internal audit services with internal audit standards and assesses the internal audit services. This may be way of continuous desk monitoring of the quality of the internal audit services, and the quarterly review of one or two audit reports on compliance with the recommended methodology for internal audit and standards for internal audit in the public sector. There were 140 reviews of reports in 2017, 140 reports in 2018 and 109 reports in 2019.

There are also periodical (scheduled or unscheduled) quality assessment audits based on a risk and performance assessment system. Since 2017, the external assessment of the IA was conducted in 10 IA ministries and departments.

Information supplied regarding internal audit services time plans for 2019 shows that approximately 73% of the planned audit time was actually applied. Returns from 14 units showed an average completion rate of 79 per cent. Even if the performance of the other units was significantly inferior, it still appears reasonable to conclude overall that the majority of audits were completed. Score: C

26.4. Response to internal audits

Following each audit, the auditors submit a report of their findings to the head of the facility audited, together with their proposals to rectify any errors and improprieties discovered during the audit. In accordance with Standards 2500 - Supervision of audit activities, the IA services of the ministries and agencies monitor the implementation of recommendations on the results of the audit assignments, and the results of the monitoring are reflected in the annual report on their activities. In 2019, according to the annual report, 89.6% of recommendations in audits reported in the course of the year were accepted and at least partially implemented by the audited entities. According to the reports, all accepted recommendations were being implemented, except for some where action was being developed and where the target date for implementation had not been reached.

Score: B

PILLAR SIX: Accounting and reporting

PI-27. Financial data integrity

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-27 Financial data integrity	B	
27.1 Bank account reconciliation	C	Automated bank reconciliation takes place through the Treasury system. Tax transactions are reconciled daily. But the Social Fund remains outside TSA and is subject only to quarterly reconciliation.
27.2 Suspense accounts	A	Limited use of suspense accounts is made. but balances are cleared in a timely manner.
27.3 Advance accounts	C	Processes are in place to ensure prompt clearance of advance accounts. Outstanding advances to contractors are reconciled at year end.
27.4 Financial data integrity processes	B	Access to systems is restricted and recorded, but there is no separate unit responsible for ensuring data integrity.

This partly new indicator assesses the extent to which bank accounts, suspense accounts and advance accounts are regularly reconciled and how the processes in place support financial data integrity. It contains four dimensions, the scores for which are combined using scoring method M2. Coverage BCG. Time period -- Dimensions 27.1, 27.2 and 27.3: At time of assessment, covering the preceding fiscal year. Dimension 27.4: At time of assessment.

27.1. Bank account reconciliation

The National Bank operates a Single Treasury Account (TSA), which is “a centralized account of an authorized state body in which the funds of the budgets of the budget system of the Kyrgyz Republic are

accumulated, and through which operations of state bodies on a cash execution basis". The cash execution of the budgets of the budget system is carried out by the Ministry of Finance (as the authorised state body) and its territorial departments through AS "IS: Kazna. Budget. Article 105 of the Budget Code forbids the opening of bank accounts outside TSA except in cases where grants are received from external donors, or a Government body is participating in an international scientific research programme, when permission may be given by MoF. Receipts from the provision of services are treated as "special funds" which may be spent at the discretion of the recipient body, but they must still be kept within the Treasury system.

On a daily basis AS "IS: Kazna. Budget" carries out automatic identification of operations to reflect in the General Ledger the relevant entries made at the TSA based on the electronic bank statement of the National Bank and electronic payment documents (EPD), and reconciles automatically for each EPD.

In addition to operating the TSA, the Budget Code of the Kyrgyz Republic provides for the National Bank to operate accounts for the Ministry of Finance (in national and foreign currencies) into which are paid grant and loan funds received by the Government under agreements with foreign donors .

Tax transactions are reported daily and entered into the system the following morning. Reconciliation with the State Tax Service and Customs Service occurs daily.

The National Bank provides daily statements on the movement of funds in accounts to verify the records of the Central Treasury, and a quarterly check between the National Bank and the Central Treasury checks the balances in these accounts at the time of the assessment, there are no unreconciled amounts for these accounts. But the Social Fund, which accounts for over 25 per cent of transactions under the control of central government bodies, remains outside the TSA and subject only to quarterly reconciliations.

Score: C

27.2 Suspense accounts

A "Direct income - unexplained" interim account is used to clarify information on funds received to the Central Treasury account with the National Bank "Multicurrency account" (in US dollars, euros, Russian roubles, Kazakhstan tenge) intended for receipt of foreign currency funds to budgetary institutions. There are no other suspense accounts.

On a daily basis, after receiving from the National Bank the bank statement from a multi-currency account, notices of foreign exchange funds are sent to the territorial offices of the Ministry of Finance to inform the budgetary institutions, and in cases of incomplete information, also to clarify the specific account of

the recipients, payment code, etc. details, because of the absence of which they are classified as "unexplained".

Within 3 working days from the day of receipt of the Notification, the territorial departments are required to specify the necessary details of the recipients and send them to the Central Treasury. On the day of receipt of the Notification of the clarification of the ownership of payments, the Central Treasury creates an Application for transferring funds from the account "Direct Income - Unexplained" to the specific account of the recipients, and eventually to the General Ledger.

From 2018 to 2019, the balances of the funds of a multicurrency account in the amount of 16.3 million KGS were transferred to the account "Direct income - outstanding". These are the funds received in the last days of the financial year and according to the terms of the procedures, they were clarified at the beginning of 2019 and transferred to the accounts of budgetary institutions. Score: A

27.3. Advance accounts

The system of paying advances to staff is governed by the Regulation on Accounting and Financial Reporting in the general government sector, approved by order of the Ministry of Finance of the Kyrgyz Republic dated December 25, 2018 No. 137-P. Staff embarking on a business trip may receive a cash advance for transport, hotel and daily expenses in accordance with the travel expenses standards set by the Kyrgyz Government's decree of 26 August 2008, No. 471 "On setting travel spending standards and how to reimburse them." The employee, upon his return from the business trip, is obliged to submit an advance report on the amount spent to the accounting service within three working days and return the remainder of the unused advance to the cashier. In the case of non-submission of an advance report within the specified period and not returned to the cash register the balance of the unused advance, the accounting service of the budget institution to make a deduction from the employee's salary in accordance with labour law.

The issuance of funds under the report (receivables of employees) is made by employees of the budgetary institution. The money is issued on the orders of the head of the budget office on the basis of a written statement of the recipient specifying the exact amount and the period for which it is issued. The money issued can only be spent on the purposes provided for their issuance. New advances may be made to the accountable person, subject to the repayment of the previously issued advance. In general advances to employees are limited in amount and outstanding only for brief periods, with clearance and reconciliation undertaken shortly after the return of the individuals concerned. Any amount outstanding at year-end would be reconciled at that point and cleared as soon as possible thereafter.

In relation to contracts, the amount of advance payments (prepayment) should not exceed 10 per cent of the total amount of the contract, provided the supplier (contractor) provides a bank guarantee for the amount of the advance payment. The bank guarantee remains in force until the payment is fully absorbed by work done. In contracts for the purchase of goods, works and services directly related to emergencies, national security, defence and the protection of state secrets, advance payments (prepayment) are made of more than 10 percent of the contract amount, in accordance with the law on public procurement related to national security, defence and protection of state secrets. Advances are cleared as provided for in contracts, and any amounts outstanding are reconciled at year-end within two months thereafter.

Score: C

27.4. Financial data integrity processes

Only 3 people in the Treasury have access to transaction and accounting records. A record is kept in the log files about the user, his IP address, and the time when any changes were made. But there is no separate unit responsible for the integrity of financial data.

Score: B

PI-28. In-year budget reports

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-28 In-year budget report	B+	
28.1 Coverage and comparability of reports	A	Reports are complete and consistent with budgets
28.2 Timing of in-year budget reports	B	Monthly periodic reports on budget implementation are prepared by the 25th of the following month
28.3 Accuracy of in-year budget reports	B	There are no concerns regarding data accuracy, but commitments are not captured

This indicator assesses the comprehensiveness, accuracy and timeliness of information on budget execution. It contains three dimensions, the scores for which are combined using the M1 scoring method. Coverage BCG. Time period -- Last completed fiscal year.

28.1. Coverage and comparability of reports

This dimension assesses the comparability of the information contained in in-year budget execution reports with the original budget. Information is drawn from the Treasury system. In-year budget performance reports are produced that comprise revenue and expenditure, net cash flow, capital investment and financing operations. The reports cover all budget items, and are consistent with the budget classification (8 digit) of revenue expenditure, allowing direct comparison of performance with plan. All transactions involving local offices of central government bodies are included in the reports.

Score: A

28.2. Timing of in-year budget reports

Monthly periodic reports on budget implementation are prepared by the Central Treasury by the 25th of the following month. These include a commentary and analysis of budget execution. In addition, quarterly and annual reports are prepared according to the Schedule set by the order of the Ministry of Finance. The reports are published on the website of the Ministry of Finance. Score: B

28.3. Accuracy of in-year budget reports

Periodic reports on the performance of the budget are an output of the automated Treasury system, which is the only source of report data. The reports include all the information needed for analysis of budget execution. There are no significant concerns regarding data accuracy but only payments (actual cash costs) are taken into account, not commitments, so the score is B

PI-29. Annual financial reports

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-29 Annual financial reports	C+	
29.1 Completeness of annual financial reports	A	Financial reports contain details of revenue, expenditure, cash flow, short and long-term liabilities, and financial and nonfinancial assets. There are no guarantees.
29.2 Submission of reports for external audit	B	The annual financial statements were provided for external audit on 11 May 2020.
29.3 Accounting standards	C	Accounting standards are consistent and disclosed but more progress towards international public sector accounting standards is required (and planned)

This indicator assesses the extent to which the government annual financial statements are complete, timely and consistent with generally accepted accounting principles and standards. It contains three dimensions, the scores for which are combined using scoring method M1. The same financial reports are considered for this PI, and also for PI-30 which covers audit work on them, and PI-31 which covers Parliament's work on the audit reports. Coverage BCG. Time period --Dimension 29.1: Last completed fiscal year. Dimension 29.2: Last annual financial report submitted for audit. Dimension 29.3: Last three years' financial report.

29.1. Completeness of annual financial reports

The annual financial report includes the following components:

- An explanatory note to the report;
- Report on the performance of the state budget comparing outturn with budget;
- Balance sheet summary;
- Report on the performance of the Republican Budget, comparing outturn with budget;
- Report on the performance of estimates on special funds of institutions of the Republican Budget ;
- Report on payments for servicing public debt;
- Information on the receipt of funds from the sale of government treasury bills and government treasury bonds and their repayment;
- Implementation of the national development budget;
- A reference to the amounts spent from the targeted funds for the state budget

The budget execution report includes the following information:

- 1) the performance of indicators of the budget: revenues, expenditures, deficits, operations with financial and non-financial assets, including cash flow statements for operating, investment and financing activities
- 2) use of the State budget reserve and reserve funds of the President
- 3) state of accounts payable and receivables of budgetary institutions;
- 4) state of public debt;
- 5) operations on public debt.

The balance of funds at the beginning and end of the year is indicated in the Report on the implementation of the state budget. The different elements are internally consistent.

The Central Treasury prepares the balance sheet of the state budget, including the values of financial and nonfinancial assets. Indicators of accounts payable and receivables are included. There are no guarantees except where the Government borrows externally on behalf of a public enterprise, in which case this is treated as a direct government debt.

Score: A

29.2. Submission of reports for external audit

The Ministry of Finance compiles its annual report on the performance of the national budget on the basis of reports from ministries, departments and MoF's own territorial offices. This is submitted to the Government of the Kyrgyz Republic as part of the State Budget Performance Report. Reports from ministries, departments and territorial offices of the Kyrgyz Finance Ministry are provided between February 1 and March 20 of the next financial year.

An audit of the formation and execution of the republican budget is carried out by the Accounts Chamber annually. In this regard, the financial statements for the completed year are provided to the Accounts Chamber in March-April of the following year. For the period under review the financial statements were submitted on the following dates:

- 12 March 2018
- 15 April 2019
- 11 May 2020

Since the PEFA framework focuses on the last completed fiscal year (2019) the score is B corresponding to a submission less than 6 months after the end of the year.

29.3. Accounting standards

The accounting standards used in the preparation of all financial statements comply with national law and ensure comparability of reporting for different periods. The standards used in preparing the annual financial statements are disclosed. All revenue and expenditure of the Republican Budget were included in reports for 2017-19.

The uniform procedure for conducting accounting and preparing financial statements for budgetary institutions is determined by the Regulation on accounting and financial reporting in the general government sector. The regulation on accounting and financial reporting in the general government sector was approved by order of the Ministry of Finance of the Kyrgyz Republic No. 137-P dated December 25, 2018.

Currently, work is underway on the phased implementation of International Public Sector Accounting Standards (IPSAS) on an accrual basis in the general government sector.

In 2011, the Regulation on the Organization of Accounting in Budgetary Institutions was developed, approved by the Kyrgyz Government's decree of May 16, 2011 No. 224. This provision introduced a conceptual apparatus in accordance with IPSAS, a new account plan, developed on the basis of budget classification and new forms of financial reporting.

As part of the reform of the accounting system with the introduction of IPSAS, the following regulations have been developed and approved:

- A single account plan and guidance on its application by the public administration sector,
- Public Administration Accounting Policy, which sets accounting principles and rules for financial reporting;
- The public administration reporting provision, which sets out the way financial statements are generated;
- The regulation on accounting and financial reporting in the public administration sector, which sets the requirements for the organization and management of accounting, the system of internal control, as well as the accounting documentation of the public administration sector.

However, the existing regulatory, methodological base and organizational mechanisms for transition to international standards require further refinement and improvement. The current regulatory framework has several significant limitations. The financial statements prepared on a cash basis do not provide information about past liabilities involving the payment and receipt of cash in the reporting period, or about obligations to pay cash or transfer assets in the future. The Ministry of Finance, with the support of

development partners, initiated the Second Project "Development of The Capacity in Public Finance Management in the Kyrgyz Republic" (CB-2) in 2018.

The following activities will be implemented under this project:

- a) Analysis of the regulatory framework and current public sector accounting and reporting practices and recommendations for improvements based on relevant international experience;
- b) Develop a step-by-step implementation plan, indicating: activities, implementation dates and responsible executors, including a list of standards and a realistic schedule for their implementation;
- c) Develop public sector financial reporting standards in accordance with IPSAS, including guidelines for the application of public sector financial reporting standards;
- d) Development of Instructions for preparing financial statements in accordance with the Public Sector Financial Reporting Standards;
- e) Preparation of a training module;
- f) Providing methodological assistance and advice to employees of the Office of Internal Audit and Accounting on the application of IPSAS methodology in practice.

Score C due to absence of compliance with international standards.

PI-30. External audit

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-30 External audit	B+	
30.1 Audit coverage and standards	B	Most revenue and expenditure is audited using national audit standards with an increasing amount of compliance with international audit standards
30.2 Submission of audit reports to the legislature	B	The audited financial statements were submitted to the legislature between 3 and 6 months after their receipt.
30.3 External audit follow-up	A	Follow-up is systematic and ensures attention is paid to audit findings and recommendations
30.4 Supreme Audit Institution independence	B	The Chamber of Accounts has substantial independence over its operations and its financing

This indicator examines the characteristics of external audit. It contains four dimensions and uses the M1 (WL) method for aggregating dimension scores. Coverage CG. Time period --Dimensions 30.1, 30.2 and 30.3: Last three completed fiscal years. Dimension 30.4: At time of assessment

30.1. Audit coverage and standards

The Accounts Chamber (AC) is responsible for the external audit of the execution of the republican budget, extra-budgetary funds, and the use of state and municipal property. In accordance with Article 107 of the Constitution, the AC is the state auditor of all state and municipal enterprises, organizations and institutions of the Kyrgyz Republic. The powers of the Accounts Chamber extend to enterprises and organizations with private and other forms of ownership. According to Article 12 of the Accounts Chamber Law of 2004, it is up to the Chamber to determine its own audit standards. Constitutionally, the Chamber is run by a Council of 9 members, 3 each being nominated by the political majority, the minority/Opposition and the President.

In the period 2016-2018, about 80% of the national budget's revenues and expenditures were audited. The Parliament annually approves the Annual Audit Plan (GPAD). In practice, GPAD is based on the risks, human resources available and the level of funding for audit facilities. Almost all facilities included in the GPAD are audited, as evidenced by the following extract from the AC's Annual Activity Report of 2019:

“According to the approved Plan of Auditing Activities of the Accounts Chamber of the Kyrgyz Republic for 2019, the Accounts Chamber, out of the planned 141 audit activities, conducted 137 (4 audit activities are at the stage of completion), during which the activities of 2293 structural and subordinated divisions of Audited Agencies were covered, of which: Institutions supported by means of the National Budget - 1558, business entities - 386, institutions and organizations financed from local budget - 339 and other organizations - 10.

In addition, 170 decisions and requests for audit were received from law enforcement agencies, of which: 74 - were accepted for execution, 91 - were refused, and 5 - are under consideration.

Previous audit practice has been mainly of a compliance nature. Currently, the Accounts Chamber is moving to international auditing standards and increasing the number of audits with a greater focus on performance. In 2016-2018, several pilot audits were conducted per year in accordance with International Standards of Supreme Audit Institutions (ISSAI), including performance audits in the social sphere, especially healthcare. In terms of auditing activities planned for 2020, about 50-60% of audits are audits in full accordance with those standards covering compliance, efficiency and financial audits.

Successive audit reports have identified significant shortcomings and systemic risks were noted. The 2019 report identified “financial violations” as follows:

Table 3.6. By types of Financial Violations (million KGS)

Indicator	Sum	in %
- Unreasonable salary payments	1 224,2	48,50%
- Accounts receivable and overstated accounts payable: hidden in accounting	499,6	19,79%
- Overestimation of the volume of construction and installation work	381,3	15,11%
- Funds allocated from the National and Local Budgets to organizations that are to be maintained from Budgets of Another Level	191,1	7,57%
- Rent payment, payable to the Budget	62,9	2,49%
- Violations of Tax and Customs Legislation	62,4	2,47%
- Unjustified write-off of material assets and monetary funds	46,5	1,84%
- Missing monetary funds and material stocks	17,9	0,71%
- Inappropriate use of budget funds	16,7	0,66%
- Using special funds, bypassing the treasury system	14,9	0,59%
- Additional accrued income of the Social Fund	4,7	0,19%
- Inappropriate use of special funds	1,6	0,06%
- Inappropriate use of government loans	0,1	0,00%
Total	2 523,9	100

Score: B, reflecting 80 per cent audit coverage meeting national standards.

30.2. Submission of audit reports to the legislature

Audit reports are submitted to the legislature in a timely manner in accordance with statutory deadlines. According to Article 103 of the Rules of the Jogorku Kenesh of the Kyrgyz Republic, the Accounts Chamber submits to the Jogorku Kenesh a report with the results of the audit of the execution of the republican budget for the previous year by September 1 of this year. In 2017, the report was sent to the Jogorku Kenesh on August 24, 2017, in 2018 - on August 24, 2018 and on August 24, 2019, the legislation stipulates that the Ministry of Finance of the Kyrgyz Republic sends a report on the performance of the national budget to the Government of the Kyrgyz Republic by May 15. However, there is no obligation to send a report on the performance of the national budget to the Accounts Chamber. In order to provide a timely audit report on the national budget by September 1, audits at the Ministry of Finance usually begin annually in March.

Also, according to article 118 of the Budget Code, the Accounts Chamber submits to Jogorku Kenesh by September 1, following the report, a report on the results of the audit of the performance of the budgets of the Social Fund and the Fund for Compulsory Health Insurance. In 2019, the report on the audit of the performance of the Social Fund's budget for the period from January 1, 2018 to December 31, 2018 was presented to Jogorku Kenesh on August 30, 2019.

In addition, according to the decisions of the Chamber of Accounts, all approved audit reports are sent to Jogorku Kenesh.

Table 3.7: Timing of audit reports submission to the legislature [Recommended table]

Fiscal years	Dates of receipt of the financial reports by the audit office	Dates of submission of the financial audit reports to the legislature
2017	12-03-2018	24-08-2018
2018	15-04-2019	24-08-2019
2019	11-05-2020	24-08-2020

Since the elapsed time between receipt of annual financial statements and submission to the legislature was between three and six months in all three years being assessed, the score is B.

30.3. External audit follow-up

If financial and other violations are detected at the audited bodies and the deadlines for considering the previous instructions of the Accounts Chamber are not observed, the Accounts Chamber has the right to give binding instructions to the administration of the audited enterprises, institutions and organizations. Draft recommendations and regulations are submitted to the Chamber's directing Council along with a report on the outcome of the event.

The recommendations and regulations of the Accounts Chamber may cover:

- Violations identified as a result of the event concerning the competence of the person, organization or authority to which the recommendation is sent, as well as the requirements to address the identified financial irregularities. Restoration and recovery of public funds. Bringing to justice officials guilty of violations in the form of an order;
- Proposals to address these violations, as well as proposals to improve organizational and operational activities;
- The timing of action and enforcement to correct violations and submit a response is usually a one-month period.

The Accounts Chamber monitors the adoption of measures on its recommendations and the implementation of orders by the audited entities. Its directing Council periodically reviews the implementation of its recommendations and instructions, and decides on measures in relation to officials and organizations that do not comply the orders of the Accounts Chamber.

In 2019, on the basis of conducted audit, there were 652 Orders and 122 Recommendations sent to the Audited Agencies. Out of the total number of Orders, 201 (31%) were fully implemented, 163 (25%) were partially implemented, and 288 (44%) were in the process of implementation. The amount of funds subject to reimbursement, according to the Orders, amounted to 2 574,1 million Som, of which 1 067,8 million sums (41%) were reimbursed. Comparable information was included in the AC annual reports on 2017 and 2018.

Score: A

30.4. Supreme Audit Institution independence

Article 107 of the 2010 Constitution provides that the Chamber of Accounts shall conduct the audit of execution of national and local budgets, off-budgetary funds as well as use of public and municipal

property. Article 109 provides for its independence to be established by law, which is secured by the Accounts Chamber Law of 13 August 2004. Articles 7 and 8 define the main activities and powers of the Chamber, and establish its independence from the Parliament and the Executive in the exercise of its functions. The AC has unfettered rights of access to all necessary documents and other information. As the country's Supreme Audit Institution it is a member of the International Association of Supreme Audit Institutions (INTOSAI) and of the regional SAI groups covering Asia and the Eurasian Union, Constitutionally, the Chamber is run by a Council of 9 members, 3 each being nominated by the political majority, the minority/Opposition and the President. The Parliament approves the appointment of the nominees for a 5-year term, during which they can only be removed if convicted of a criminal offence or become mentally or physically incapable. The Chairman is nominated by the President from among the 9 appointees.

The 2017 Budget Code provides for the financial independence of the Accounts Chamber. The Accounts Chamber annually forms its draft budget for funding of its activities and submits it to the Government for review. The Accounts Chamber, upon receipt of Government's recommendations, submits the draft budget to the Budget and Finance committee of Parliament for its inclusion into the republican budget. In case of any objections of the Government relating to the draft budget of the Accounts Chamber, the committee reviews these objections jointly with representatives of Government and the Accounts Chamber. Once agreed the draft budget of the Accounts Chamber is submitted to MoF for its inclusion into the republican budget. The Accounts Chamber has the right to present for Parliament's Budget and Finance committee's review a proposal on additional financing, required for ensuring of the Account Chamber's activities. The annual work-plan of AC is prepared in consultation with the Parliament.

Employees of the Accounts Chamber, in the exercise of their powers, have the right to have unlimited access to primary documents reflecting economic and financial activities, financial registers, balance sheets and accounts and other information necessary for auditing.

Score: A

PI-31. Legislative scrutiny of audit reports

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-31 Legislative scrutiny of audit reports	A	
31.1 Timing of audit report scrutiny	A	Scrutiny of audit reports was completed within 6 weeks for each of the last 3 years.
31.2 Hearings on audit findings	A	In-depth hearings take place with all budgetary entities
31.3 Recommendations on audit by legislature	A	Recommendations are made and systematically followed up
31.4 Transparency of legislative scrutiny of audit reports	A	Public debates take place and reports are published on the Parliament's website.

This indicator focuses on legislative scrutiny of the audited financial reports of Central Government, including institutional units, to the extent that either (a) they are required by law to submit audit reports to the legislature or (b) their parent or controlling unit must answer questions and take action on their behalf. It has four dimensions and uses the M2 (AV) method for aggregating dimension scores. Coverage CG. Time period -- Last three completed fiscal years.

31.1. Timing of audit report scrutiny

According to Chapter 16 "Annual Reports" of the Law of the Kyrgyz Republic "On Regulations of the Jogorku Kenesh of the Kyrgyz Republic" dated November 25, 2011 No. 223, the Jogorku Kenesh hears annual reports, including the results of the audit of the execution of the republican budget when approving the report on the execution of the republican budget.

In this context, on August 30, 2019 No. 6-18032 / 19 in the Jogorku Kenesh of the Kyrgyz Republic, the report of the Accounts Chamber on an audit of the execution of the republican budget of the Kyrgyz Republic for 2018 was presented. The Jogorku Kenesh considers this report together with the draft Law on approval of the report on the implementation of the republican budget of the Kyrgyz Republic for the corresponding year, which MoF must present by 10 September.

According to paragraphs 5-11 of Article 116 of the Budget Code of the Kyrgyz Republic, the Jogorku Kenesh is required to consider a draft law on approving the report on the implementation of the republican budget and the report of the Accounts Chamber on audit results no later than October 1 of the year

following the reporting year. These dates were respected in relation to the reports on the three years 2017-19. Score: A .

31.2 Hearings on audit findings

Prior to consideration of the Government report on budget execution, the Accounts Chamber submits its report to the Jogorku Kenesh with the results of the audit of the execution of the republican budget for the previous year by September 1 of this year. The Speaker sends the annual report of the Government on the execution of the republican budget for the previous year and the report of the Accounts Chamber with the results of the audit to the committees and factions for their preliminary consideration and submission of conclusions to the responsible budget committee no later than 3 days from the day they were submitted to the Jogorku Kenesh. The Budget and Finance committee reviews the report of the Government on the implementation of the law on the republican budget, and submits a consolidated opinion within 15 days from the day the Report of the Accounts Chamber is submitted to the Jogorku Kenesh along with the results of the annual audit. The Secretariat of the Parliament confirmed that reports were made in accordance with this timescale during the three years 2017-19.

Thus, the report on the audit of the execution of the republican budget is discussed by the committees and factions of the Jogorku Kenesh with the participation of the leadership of the Ministry of Finance and officials of the Republican Budget institutions. Public hearings are held on the AC's report. Ministers and key officials, including those from bodies which have been the subject of criticism, are questioned and the debate is broadcast live.

Score: A

31.3. Recommendations on audit by legislature

According to paragraph 5 of Article 116 of the Budget Code the Government, having considered the report of the Accounts Chamber on the results of the audit of the execution of the republican budget for the previous year, adopts by 10 September a normative legal act on it to take appropriate measures to eliminate the identified deficiencies, which it sends along with the draft law on approval of the report on the execution of the republican budget for the previous year for consideration by the Jogorku Kenesh .

Factions and committees of the JK review and provide conclusions to the Budget and Finance Committee on the draft law on approval of the report on the execution of the republican budget for the previous year and the report of the Accounts Chamber within a week.

The Budget and Finance committee reviews the draft law on approval of the report on the execution of the Republican Budget and submits a conclusion taking into account the proposals and comments of the factions and committees of the JK within 20 days from the day the Report of the Accounts Chamber is submitted to the JK along with the results of the annual audit. This forms the basis for the JK's approval of the law on the previous year's budget execution.

Thus, the Government responds to the comments of the Accounts Chamber on the implementation of the republican budget. In its turn, the Jogorku Kenesh, when considering the report on the execution of the Republican Budget, adopts a resolution that instructs the Government to eliminate shortcomings and violations based on the results of the audit of the Accounts Chamber.

For example, paragraph 2 of the resolution of the JK dated November 28, 2019 No. 3385-VI:

“The Government of the Kyrgyz Republic to eliminate the noted deficiencies and violations as a result of the audit of the Accounts Chamber of the Kyrgyz Republic on the execution of the republican budget of 2018 and to submit information on them in February 2020 to the Jogorku Kenesh of the Kyrgyz Republic”.

The Budget and Finance Committee monitors the Government's response to the Parliament's recommendations, and can ensure that there is further follow-up in the context of discussion of the next Annual Report of the AC.

Score: A

31.4. Transparency of legislative scrutiny of audit reports

According to Chapter 20 “Parliamentary Hearings” of the Law of the Kyrgyz Republic “On Regulations of the Jogorku Kenesh of the Kyrgyz Republic” dated November 25, 2011 No. 223, no later than 10 days before the parliamentary hearings, information on the topic of parliamentary hearings, their time and place is posted on the JK website and transmitted to the media. Parliamentary hearings are open to representatives of the media, citizens and their associations. The Parliament's recommendations to the Government following the hearings (see 31.2 above) are published in full.

According to Article 125 of the Budget Code, the report of the Accounts Chamber on the audit of the execution of the Republican Budget is posted on the website of the Ministry of Finance within 15 days after its approval by the Chamber's directing body. All these requirements have been complied with for 2017-19.

Score: A

4. Conclusions of the analysis of PFM systems

4.1 Integrated assessment of PFM performance

Pillar I: Budget reliability (PIs 1-3)

1. The scores for the first three indicators of the PEFA Framework show that whilst aggregate outturns have been reasonably close to the approved budget (score B), PI-2 and PI-3 perform less well (scores D+ and C respectively). In both cases there are significant differences between the actual composition (of expenditure and revenue respectively) and the originally approved budget. On the other hand, the minimal use of contingency reserves is a positive sign. The low scores seem to owe much to the impact of unpredictable changes in the external environment, combined with the need to keep the overall fiscal balance within limits negotiated with the IMF.

2. On revenue outturn (PI-3), aggregate differences have been modest (2-6%) but the revenue composition variance has been much more significant varying between 7-18%. Tax revenues have been volatile in response to fluctuations in the condition of the economy and world markets.

Pillar II: Transparency of public finances (PIs 4-9)

3. For PI-4, the budget classification system is consistent with international GFS/COFOG standards, and is applied consistently in budget preparation, execution, monitoring and reporting. The Kyrgyz Republic scores equally well on PI-5 concerning the information provided to Parliament in the budget documentation. Eleven (11) out of twelve (12) elements of the requisite information are provided, including all four (4) basic elements.

4. The situation regarding Central Government operations outside financial reports (PI-6) is rather mixed. Two of the three dimensions to this indicator score well (A in both cases) but there is an issue regarding dimension one which addresses the question of classification of expenditure outside financial reports. This concerns advances to meet the deficits of state-owned enterprises which amount to approximately 7.5% of Republican Budget expenditure and are treated as financing rather than expenditure in budgets and execution reports.

5. The arrangements for financial transfers to subnational governments (PI-7) generally work well. Over 90% of revenue accruing from central government is determined by transparent rule-based systems

(score A) and local authorities are notified in September how much they can expect to receive in tax revenue and in November of their planned receipts of transfers (score B).

6. The situation regarding performance information for service delivery (PI-8) has improved, but still needs further development, as the Government has recognised. No independent evaluations have yet been made of aspects of service delivery. The low score for PI-9, the provision of fiscal information to, and access by, the general public (score D) reflects the non-disclosure of information on defence and public order; if this were corrected, the score would be B.

Pillar III: Management of assets and liabilities (PIs 10-13)

7. Overall, fiscal risk reporting (PI-10) could be improved. Major public corporations submit their audited financial reports to Government and publish them within 9 months of year-end but no overview of their performance has been published by the Government. Local authorities are audited only every second year (score C in each case). In addition, there is the issue of advances to meet the deficits of major electricity enterprises, which are treated as investments in financial assets and not accounted for as budgetary expenditure. Apart from very minor commitments to Public Private Partnerships, there are no identified contingent liabilities.

8. The area of public investment management is the subject of a new indicator (PI-11). Following a World Bank review new instructions for the appraisal of investments were issued in May 2019, but overall planning remains fragmented between different sections of MoF and the (former) Ministry of Economy. (The recent amalgamation of the Ministries of Economy and Finance may improve matters.) A good score is recorded for investment project financial and physical monitoring (A) but the results of economic appraisals are not published, there were for 2019 expenditure no standard criteria for project selection, and the total life-cycle costs of each project are not included in budget documentation. Therefore, the overall indicator score is C+.

9. Public asset management is another subject for a new indicator (PI-12) Government loans and other amounts owing to the government mainly by state enterprises are monitored by MoF, while NBKR holds the country's external reserves. A complete electronic register of the government's nonfinancial assets has recently been compiled, and is open to the public. Asset disposal is transparent, being fully regulated and details fully published (score A for this dimension)

10. On the final indicator under Pillar III, concerning debt management, the Kyrgyz Republic scores well. All three dimensions (recording and monitoring debt and guarantees, debt and guarantees approval, and debt management strategy) are scored A. But the level of external debt remains a very serious constraint on the country's development, which has been exacerbated by Covid 19.

Pillar IV: Policy-based fiscal strategy and budgeting (PIs 14-18)

11. This Pillar shows a mixed picture. Medium-term fiscal forecasts are in the required form, but the macrofiscal sensitivity analysis looks only at a narrow range of possible outcomes. The macroeconomic forecasts do not include explicit forecasts of interest rates or the exchange rate.. A similar situation applies to PI-15, Fiscal Strategy, where the dimensions dealing with the fiscal impact of policy proposals and the adoption of a fiscal strategy are both score well, but the Government has neither made nor published any subsequent analysis of the implementation of its strategy. The issue here is that the budget proposals do not contain any explanation of changes in the future fiscal outlook as compared with the forecast produced the previous year. Fresh projections are made each year without regard to those made a year earlier; thus medium-term projections are published each year, but they have little impact in ensuring continuity of planning.

12 For PI-16, medium-term expenditure estimates and expenditure ceilings are both present in the Kyrgyz Republic's PFM (score A). Budget agencies prepare medium-term strategic plans but the medium-term expenditure estimates do not include a complete picture of future public investment, and are thus not fully aligned with strategic plans, although they do correspond to strategic plans where external finance is known to be available for investments (score C) Finally, as in the case of fiscal projections, there is no explanation of the extent to which expenditure figures differ from the corresponding figures for the same period in the previous year's proposals (dimension 4 score D). The discontinuity in medium-term planning from one year to the next reflects the situation in which the performance targets in PI-8 do not yet reflect fully developed medium-term plans for the improvement of services.

13. The annual budget preparation process (PI-17) works reasonably well (Overall score B+). Legislative scrutiny of budgets is well established and effective (PI-18 overall score is B+). The Parliament's review covers fiscal policies and aggregates for the coming year as well as details of revenue and expenditure, but no attention is paid to the two subsequent years (B). The Parliament's procedures are well established, and include public hearings on the Government's proposals as well as study by specialised Committees. (A) The last three Budgets have all been approved before the beginning of the years to which they relate.

(A) Article 115 of the Budget Code authorizes substantial budget reallocations by the Government, subject to the agreement of the Parliament's Budget and Finance Committee (B)

Pillar V: Predictability and control in budget execution (PIs 19-26)

14. Information is available about tax obligations and procedures for appeal against assessments, although there are sometimes difficulties for taxpayers (PI-19). Some steps are taken to reduce compliance risks, but there are doubts about the correctness of tax registers and their links to other databases. No overall compliance improvement programme is in operation, and the selection of taxpayers for audit does not command the confidence of businesses. Arrears were less than 10 per cent of collections. It does not appear that fluctuations in different streams of tax revenue (see PI-3.2) are the result of problems in tax administration. This mixed picture results in an overall score for the Indicator of C+.

15. Accounting for revenue (PI-20) scores well in all three dimensions (A in each case). Tax revenue is paid directly into Treasury Single Account at the NBKR via local Treasury offices, with daily notification to tax collectors. There are monthly reports to Treasury by Tax and Customs services, with similar arrangements for other less important revenue streams. All budget revenue from all sources is remitted to the Treasury on the day it is received. There are monthly reconciliations between Treasury records and those of bodies collecting revenue. Individual taxpayers' accounts are updated as the revenue authorities receive payments.

16 For PI-21 the overall score is B. A cash flow plan was prepared at the beginning of the year, and thereafter updated monthly (A) and significant In-year budget adjustments were limited to one in 2019, which followed standard procedures (A). Most cash balances are consolidated daily in the Treasury Single Account (C). But the fragility of the Government's cash position means that budgetary units cannot enter into commitments more than a month ahead (C). Expenditure arrears (PI-22) probably pose little difficulty since total amounts outstanding, whether or not in arrears, at the end of each of the three years were less than 6 per cent of total expenditure (B) but monitoring and reporting systems had not yet been established. (D).

17. Payroll controls (PI-23) generally now work well in the Kyrgyz Republic, with two dimensions scoring A and two scoring B. Individual public bodies ensure consistency between personnel records and payroll under a decentralised system that is broadly sound though the Chamber of Accounts has regularly

identified some financial violations related to payroll. Changes to payroll are fully regulated and promptly administered. Authority to make changes to payroll and personnel data is restricted and controls are mostly effective, though audit findings have identified weaknesses in internal controls. The Accounts Chamber audits payroll annually.

18. Public procurement (PI-24) attracts a solid rating with all four dimensions scoring A. Procurement monitoring is effective and there is regular reporting. Over 80% of 2019 contracts by value were let using competitive methods. All necessary information is available through the electronic portal. All the criteria for an independent complaints management system are satisfied.

19 For PI-25, internal controls on non-salary expenditure, duties and responsibilities are well segregated (A), commitments limited to budgetary provision and cash availability (A) and there is a high level of compliance with payments rules and procedures (B). This leads to an overall score of A

20. Internal audit (PI-26) has been developing well over the past three years and the indicator is scored C+ with three out of the four dimensions receiving the score B. Most of total budgeted expenditure and revenue is subject to internal audit with a reasonable amount of focus on internal controls and systems. The majority of planned audits were implemented and there is evidence that most internal audits receive adequate responses on the part of the auditee.

Pillar VI: Accounting and reporting (PIs 27-29)

21 In terms of PI-27, Financial Data Integrity, PFM systems are working satisfactorily (score: B). Automated bank reconciliation takes place through the Treasury system and tax transactions are reconciled daily but the Social Fund remains outside TSA and subject only to quarterly reconciliation. Timely clearance occurs in respect of the limited number of suspense accounts and advances accounts, while outstanding advances to contractors are reconciled at year-end. Access to the Treasury system is restricted and there is a clear audit trail, but no single body is responsible for overall integrity of financial data.

22 In-year budget reporting (PI-28) also scores well (indicator score B+) Reports are complete, consistent with budgets and prepared in a timely manner. There are no concerns regarding data accuracy, but commitments are not captured.

23 PI-29, Annual Financial Reports, receives a score of C+ which reflects a combination of strengths and weaknesses. The financial statements are complete (score A), they are produced and submitted for

external audit relatively promptly (score B) and the accounting standards used are disclosed and consistently applied. However, those standards fall some way short of good international practice as represented by the International Public Sector Accounting Standards (IPSAS) (score C). Encouragingly, the adoption of those standards is in the pipeline.

Pillar VII: External scrutiny and audit (PIs 30-31)

24. External audit scores well (PI-30 score B+). Most revenue and expenditure is audited using national audit standards with an increasing amount of compliance with international audit standards. The audited financial statements were submitted to the legislature between 3 and 6 months of their receipt. Follow-up is systematic and ensures attention is paid to audit findings and recommendations. The Chamber of Accounts has substantial independence over its operations and its financing, and its members cannot be removed from office during the terms for which they were appointed by the Parliament.

25. PI-31, Legislative Scrutiny of audit reports, displays a similar strong performance , In-depth hearings take place, audit recommendations are made and systematically followed up, and public debates take place with reports being published on the Parliament's website.

4.2 Effectiveness of the internal control framework

26. The internal control framework in the Kyrgyz Republic is well regulated by means of various Laws, Orders and Decrees. These include Articles 105 and 106 of the Budget Code "On the procedure of functioning of the Single Treasury Account approved by Resolution No. 444 of the Government of the Kyrgyz Republic dated 24 July 2017, and Regulations "On the procedure for organizing the issue and settlement of the payment card of the "Recipient of budget funds" approved by the Order № 131-p dated 28 September 2017 of the Ministry of Finance. Annex 2 provides a summary of internal control arrangements by reference to the five elements (control environment, risk assessment, control activities, information and communication, and monitoring) specified in the 2016 PEFA Framework.

27. Within the framework of the execution of the State budget, the authorized state body (Ministry of Finance) ensures the organization of execution of the republican and local budgets. The authorized state body makes payments on expenditures of the republican and local budgets within the limits of the cash

balance of the respective budget on the Single Treasury Account. Expenditure operations of budgetary institutions are carried out and controlled through the software "IS KAZNA Budget" with the use of treasury procedures for compliance with the estimated purposes, registration of budgetary obligations, conducting tenders for procurement and services and the conclusion of contractual obligations (PIs 21,24,250).

28. Traditionally great emphasis has been placed on financial control and inspection which has lacked the added value which true internal audit can bring to management effectiveness. It is, therefore, encouraging to note that substantial progress has been made in establishing, resourcing and operating internal audit services during the period under review. As noted above, internal audit now covers most government expenditure and elicits responses to its findings on the part of budget managers (PI-26).

29. Each Government agency is responsible for its internal financial control system. Regulations on the control environment require different individuals to approve contracts, authorise commitments and execute payments. Access to the State's Treasury System is controlled, and the system records all occasions when it is accessed by individuals, so ensuring an audit trail (PI-27).

30. Risk assessment systems are used as a basis for audit planning in relation to both expenditure and revenues, especially tax revenue (PI-19)s, and debt management is focused on tight control over total external debt (PI-13). Information and communication have been developed and improved, with an increasing amount of information available on government websites (PI-8, PI-10 and PI-12), although it should be noted that access to these websites from outside the country is blocked because of problems with external hackers. Altogether the internal control framework is reasonably effective and should become stronger as internal audit practice continues to develop.

4.3 PFM strengths and weaknesses

31. As far as aggregate financial discipline is concerned, the PFM system in the Kyrgyz Republic has kept the fiscal deficit within bounds, but it has proved less effective in ensuring that the actual pattern of expenditure is in line with budget plans that are intended to reflect government policy priorities. Budget composition variances – whether focused on functional or economic analysis – have been undesirably high during the past three years, thereby undermining budget reliability. This reflects the lack of continuity in medium-term fiscal planning, where previous projections have no constraining impact when the budget process is rolled forward. On the other hand, it is

worth noting that debt management works very well and that fiscal management operates within a clear strategic framework.

32. Effective resource allocation should be facilitated through medium-term fiscal planning and strategic planning of services at the macro level and at the level of individual government agencies. But it has been undermined by the fragmentation of public investment planning, and the incompleteness of the presentation of investment in medium-term projections. This has made it more difficult to plan the development of public services with time bound indicators of the quality of performance. The Kyrgyz Republic continues to spend a much higher percentage of its GDP on public service pay than its neighbours and peers.

33. Several initiatives under way may contribute to greater efficiency and effectiveness in the use of public resources. The fact that the GoKR is paying attention to the quality of delivery of public services as evidenced by the use of performance-based budgeting systems provides the basis for future improvement if more realistic medium-term plans and performance targets can be put in place. The Government's commitment to improved financial and operational efficiency through the application of modern internal audit practices could make an important contribution to this. The Accounts Chamber can also make a valuable contribution to improvements in public services through its growing involvement in performance audit work.

34. A less satisfactory aspect of PFM concerns the continuing reluctance on the part of Government to report to the general public the level of spending on defence and public order which acts to limit transparency of reporting (PI-9),

4.4 Performance changes since a previous assessment

35. Annex 4 provides a comparison of the Kyrgyz Republic's scores now with those given in 2015, applying the 2011 PEFA criteria in both cases. This reveals a very positive situation as summarised in the following table:

Summary of performance changes since 2014

	Number	Percentage (%)
Indicators with improved Indicator or Dimension scores	10	36%
Indicators with same scores	16	57%
Indicators with worse scores	2	7%
Total	28	100

It is clear from the table above that many areas of PFM have achieved higher PEFA scores in 2020.

These include:

- The comprehensiveness of information included in budget documentation (PI-6)
- The extent of unreported government operations (PI-7)
- Information available to the public (PI-10)
- Orderly budget process (PI-11)
- Effectiveness of payroll controls (PI-18)
- Competition, value for money and controls in public procurement (PI-19)
- Effectiveness of internal controls for non-salary expenditure (PI-20)
- Effectiveness of internal audit (PI-21)
- Quality and timeliness of in-year budget reports (PI-24)
- Legislative scrutiny of audit reports (PI-28).

In terms of the three budgetary outcomes, these improvements promise more benefit in terms of efficient service delivery than of aggregate budget discipline and effective resource allocation.

5. Government PFM reform process

5.1 Approach to PFM reforms

1. Following the previous PEFA assessment completed early in 2015, the Kyrgyz Government established a PFM Reform Strategy for 2017-2025, and within it an Action Plan for 2017-19. In doing this, it built on the PFM improvements made during the first Capacity Building programme which ran from 2009 to 2015. Subsequently in October 2018 a new National Development Strategy was approved for the period 2018-2040 setting out overall objectives for the development of the country's economy. Specific measures to be implemented during 2018-2022 were set out in the Government's programme "Unity, Trust, Creation" (April 2018). This was complemented by a Public Debt Management Strategy (2018-2020) published in February 2018. The advancement of PFM improvements is currently supported by the second Capacity Building Programme (CB2) financed by a multi-donor trust fund which is managed by WB. Other relevant action is being undertaken within the framework of the Government's Digital Kyrgyzstan programme which aims to increase the benefits accruing to the Kyrgyz economy through the application of information technology.

5.2 Recent and on-going reform actions

2. As noted above, PFM reform is currently being supported by the CB2 programme. Recent initiatives have included the promulgation in 2019 of new arrangements for deciding and managing public investment projects, and the introduction (from January 2021) of new arrangements for tracking and reporting expenditure arrears. Work is continuing towards the introduction of accrual-based financial reporting, and an effort across government over two years to compile an electronic record open to the public of all the government's nonfinancial assets was completed in October 2020 as part of the Digital Kyrgyzstan programme. More generally there has been a steady improvement in the transparency of government operations, with the country's Open Budget Index score increasing from 10/100 in 2010 to 63/100 in 2019. Most budget documentation and financial reporting (including by public enterprises) is now published on Government websites with a minimum of delay. Following two previous failures (in 2013 and 2017) to develop an integrated Financial Management Information System which will bring together the budgetary management and Treasury functions and also allow for a link to the

comprehensive record of government staff, a revised specification is being prepared as part of the CB2 programme to be used in an international call for tenders. A consultancy from the Republic of Georgia is currently working to strengthen the medium-term planning of expenditure programmes, including the identification of particular results to be achieved within specified timescales. A 5-year programme to improve the functioning of the tax system has recently been initiated with substantial funding from the IDA affiliate of the World Bank.

5.3 Institutional considerations

3. The Covid 19 crisis will inevitably have delayed the progress of PFM reform initiatives, as well as reducing the country's output and real incomes. The situation is further complicated by the political turbulence following the aborted October 2020 Parliamentary elections and the resignation of the President. It is not yet clear (in December 2020) how "normality" is to be restored. The instability of Governments since the current Constitution was adopted in 2010, and the consequent frequent changes of senior management in government Ministries is also a factor standing in the way of the most effective implementation of reforms. While there has undoubtedly been substantial progress in a number of aspects of PFM since 2015, which should receive further impetus from this report and from the continuing work of the CB2 programme, it has to be recognized that PFM improvements alone will not solve the problems of the Kyrgyz economy. Sustained growth of the Kyrgyz economy and better lives for its citizens are dependent on attracting the investment needed to develop the country's hydro-electric and other resources, and thereby generate the additional exports the country needs to sustain its external position.

Annex 1: Performance indicator summary

COUNTRY NAME: Kyrgyz Republic			Current assessment	
Pillar	Indicator/Dimension		Score	Description of requirements met
Budget Reliability	PI-1	Aggregate expenditure out-turn	B	Out-turn was between 90% and 110% of budget in 2 of the 3 years
	PI-2	Expenditure composition outturn	D+	
		(i) Expenditure composition outturn by function	D	Budget variance greater than 15% in 2 of the 3 years
		(ii) Expenditure composition outturn by economic type	B	Budget variance less than 10% in 2 of 3 years
		(iii) Expenditure from contingency reserves	A	Expenditure charged to contingency less than 0.15% budgeted expenditure
	PI-3	Revenue outturn	C	
		(i) Aggregate revenue outturn	B	Aggregate revenue was between 94-112% budget in all 3 years
		(ii) Revenue composition outturn	D	Variance was more than 15% in 2 of 3 years
Transparency of Public Finances	PI-4	Budget Classification	A	System in line with international standards
	PI-5	Budget Documentation	A	11 elements of information covered including all 4 basic elements
	PI-6	Central government operations outside financial reports	B	
		(i) Expenditure outside financial reports	C	Payments to cover SOE deficits amounting to about 7.5% of RB expenditure are not included in budget execution reports.
		(ii) Revenue outside financial reports	A	All revenue accruing to bodies controlled by central government is included in budget execution reports
		(iii) Financial reports of extra-budgetary units	B	The social insurance funds submit financial reports to MoF within 6 months of year-end.
	PI-7	Transfers to subnational governments	B+	
		(i) System for allocating transfers	A	More than 90% of LSG revenue accrues through objective and transparent factors
		(ii) Timeliness of information on transfers	B	LSGs are told in September what they can expect from taxation and in November the amounts of most central government transfers
	PI-8	Performance information for service delivery	B	
		(i) Performance plans for service delivery	B	Budget proposals include targets for activities to be undertaken within expenditure programmes, but there is not much impact on performance.
		(ii) Performance achieved for service delivery	B	There is some limited reporting against targets but without explanations where these are missed.
		(iii) Resources received by service delivery units	A	The Treasury system collects information about all resources received by each SDU, which provides a basis for comparing service performance with resource inputs.
		(iv) Performance evaluation for service delivery	D	. No evaluations have been arranged by the Kyrgyz authorities.

	PI-9	Public access to information	D	Only 1 basic element provided fully (score would be B if some limited information were provided about defence and public order)
Management of assets and liabilities	PI-10	Fiscal risk reporting	C	
		(i) Monitoring of public corporations	C	Audited accounts of the main public enterprises are published within 9 months of year-end, but there is no overall consolidated report.
		(ii) Monitoring of sub-national government (SNG)	C	LSGs submit annual financial reports to MoF within 3 months of year-end, and these are consolidated into a report. Reports are published locally within 9 months of year-end. But LSGs are audited by Chamber of Accounts only every second year.
		(iii) Contingent liabilities and other fiscal risks	NA	Amounts outstanding under Public-Private Partnerships are negligible and there are no other contingent liabilities.
	PI-11	Public investment management	C+	
		(i) Economic analysis of investment proposals	C	Major projects supported by development partners are subject to economic analysis, but the results are not published.
		(ii) Investment project selection	C	Investment projects are prioritized by the Government Fiscal and Investment Council, but there are no standard criteria for their selection.
		(iii) Investment project costing	D	Budget proposals show the amounts of capital expenditure on each project during the 3 years ahead, but the total capital costs of each are not given.
		(iv) Investment project monitoring	A	Regular reports on progress, physical and financial, are made to MoF and Ministry of Economy, in formats prescribed by Regulation. Information is published on implementing agency websites.
	PI-12	Public asset management	B	
		(i) Financial asset monitoring	B	Different categories of financial assets are regularly monitored by MoEF and NBKR.
		(ii) Nonfinancial asset monitoring	C	A complete electronic register of the government's nonfinancial assets has recently been completed which is open to the public, but it does not contain subsoil assets..
		(iii) Transparency of asset disposal	A	Disposal arrangements are fully transparent in accordance with legal requirements, and all information is published on website etp.okmot.kg.
	PI-13	Debt management	A	
	(i) Recording and reporting of debt and guarantees	A	Records of external and internal debt are complete, accurate, and reconciled monthly.	
	(ii) Approval of debt and guarantees	A	Ministry of Finance controls all aspects of debt management in accordance with clearly documented policies.	
	(iii) Debt management strategy	A	The Government's debt management strategy is fully explained in medium-term fiscal policy documents, and regular reports are made to Parliament on progress.	
Policy-based fiscal strategy and budgeting	PI-14	Macroeconomic and fiscal forecasting	D+	
		(i) Macroeconomic forecasts	D	Detailed economic forecasts are produced and submitted to Parliament alongside medium-term fiscal policy documents. But the exchange rate assumption is incompatible with the IMF projections of the economy which show the exchange rate against the US dollar depreciating in line with the CPI.
		(ii) Fiscal forecasts	B	Forecasts are submitted to Parliament of the main fiscal aggregates for 3 years ahead, including underlying assumptions about economic growth, population numbers

Predictability and control in				and inflation. But differences from the previous year's forecasts are not explained.
		(iii) Macro-fiscal sensitivity analysis	D	The forecasts include calculations showing the impact of small changes in economic growth and exchange rate assumptions on the fiscal balance and aggregate debt. These are insufficient to illustrate the real risks.
	PI-15	Fiscal strategy	B	
		(i) Fiscal impact of policy proposals	A	Budget proposals show the impact of all proposed changes in revenue and expenditure for the 3 years ahead.
		(ii) Fiscal strategy adoption	A	The Government presents quantified fiscal targets for the three years ahead, with indications of results to be achieved from expenditure programmes.
		(iii) Reporting on fiscal outcomes	D	No reports are produced showing performance against a previously announced fiscal strategy.
	PI-16	Medium term perspective in expenditure budgeting	C+	
		(i) Medium-term expenditure estimates	A	Estimates are presented of expenditure allocated by administrative, economic and functional classifications.
		(ii) Medium-term expenditure ceilings	A	Expenditure ceilings for the 3 years ahead are approved by the Fiscal and Investment Council before the start of the budget preparation process.
		(iii) Alignment of strategic plans and medium-term budgets	D	Medium-term budgets are not aligned with strategic plans, which are not costed or time-bound.
		(iv) Consistency of budgets with previous year estimates	D	There is no discussion of changes to expenditure plans presented the year before.
	PI-17	Budget preparation process	B+A	
		(i) Budget calendar	B	A clear calendar for each stage of budget preparation is issued in January each year, but there were some slippages in 2019 for the 2020 budget.
		(ii) Guidance on budget preparation	B	Provisional budget ceilings were issued by MoF to budget users at the beginning of the process, which were subsequently approved by the Government before proposals were finalized..
		(iii) Budget submission to the legislature	A	Budget proposals for the last 3 budgets have been submitted to Parliament at the beginning of October each year.
	PI-18	Legislative scrutiny of budgets	B+	
		(i) Scope of budget scrutiny	B	Parliamentary scrutiny covers fiscal aggregates and details of revenue and expenditure for the budget year, but no attention is paid to the medium term.
		(ii) Legislative procedures for budget scrutiny	A	Parliamentary procedures are well established and include public hearings and study of the proposals by specialized Committees.
		(iii) Timing of budget approval	A	The last 3 budgets for the years 2018-20 have been approved before the beginning of the years to which they relate.
		(iv) Rules for budget adjustments by the executive	B	There are clear rules concerning budget adjustments by the Executive, which permit substantial reallocations subject to approval by the Budget and Finance Committee of the Parliament.
	PI-19	Revenue administration	C+	
	(i) Rights and obligations for revenue measures	B	Taxpayers have access to information about tax obligations and appeal arrangements, but systems are not always user-friendly.	

	(ii) Revenue risk management	C	Tax authorities manage risks by reference to the nature of the different taxes and the past behaviour of taxpayers. But there are doubts about completeness of tax register.
	(iii) Revenue audit and investigation	D	There is no overall compliance improvement plan,
	(iv) Revenue arrears monitoring	A	Tax arrears were less than 10% of 2019 collections and only 6.7% were more than 12 months old.
PI-20	Accounting for revenues	A	
	(i) Information on revenue collections	A	Revenue collectors submit monthly reports to the Treasury .
	(ii) Transfer of revenue collections	A	All revenue is paid into Treasury accounts the day it is received.
	(iii) Revenue accounts reconciliation	A	Revenue collectors undertake monthly reconciliations of assessments, collections and transfers to the Treasury. Taxpayer accounts are updated as revenue is received, so enabling arrears to be tracked.
PI-21	Predictability of in-year resource allocation	B	
	(i) Consolidation of cash balances	C	Most cash balances consolidated daily
	(ii) Cash forecasting and monitoring	A	Cash flow prepared and updated monthly
	(iii) Information on commitment ceilings	C	Monthly commitment planning only
	(iv) Significance of in-year budget adjustments	A	Only one adjustment in 2019 and in accordance with laid-down procedures
PI-22	Expenditure arrears	D	
	(i) Stock of expenditure arrears	D*	No specific information is available about the amount of expenditure arrears.
	(ii) Expenditure arrears monitoring	D	No systematic monitoring and reporting yet
PI-23	Payroll controls	B+	
	(i) Integration of payroll and personnel records	B	No direct link but well-documented changes to personnel records support the payroll
	(ii) Management of payroll changes	A	Monthly updates and retroactive adjustments are limited
	(iii) Internal control of payroll	B	Clear basis for changes to records but some violations reported by Chamber of Accounts
	(iv) Payroll audit	B	Chamber of Accounts audits annually as part of its annual audit of budget execution.
PI-24	Procurement	A	
	(i) Procurement monitoring	A	Effective recording, monitoring and reporting takes place routinely.
	(ii) Procurement methods	A	Over 80% of contracts by value were let using competitive methods
	(iii) Public access to procurement information	A	All necessary information is available through the electronic portal
	(iv) Procurement complaints management	A	All criteria are satisfied
PI-25	Internal controls on nonsalary expenditure	A	
	(i) Segregation of duties	A	Duties and responsibilities are well segregated by law and in practice
	(ii) Effectiveness of expenditure commitment controls	A	Commitments limited to budgetary provision and cash availability

		(iii) Compliance with payment rules and procedures	B	High level of compliance with payments rules and procedures
	PI-26	Internal audit effectiveness	C+	
		(i) Coverage of internal audit	B	Most of total budgeted expenditure and revenue is subject to internal audit
		(ii) Nature of audits and standards applied	B	The operation of control systems is addressed as well as financial compliance of particular transactions.
		(iii) Implementation of internal audits and reporting	C	The majority of planned audits were implemented
		(iv) Response to internal audits	B	Most internal audits receive adequate responses
Accounting and Reporting	PI-27	Financial data integrity	B	
		(i) Bank account reconciliation	C	Automated bank reconciliation takes place through the Treasury system. Tax transactions are reconciled daily. But the Social Fund which accounts for more than 25% of central government expenditure is excluded from TSA, with reconciliation undertaken at the time of quarterly reports.
		(ii) Suspense accounts	A	Limited use of suspense accounts is made. but balances are cleared in a timely manner.
		(iii) Advance accounts	C	Processes are in place to ensure prompt clearance of advance accounts. Advances to contractors are reconciled at year-end.
		(iv) Financial data integrity processes	B	Access to the system is restricted and there is a clear audit trail but no single body is responsible for data integrity
	PI-28	In-year budget reports	B+	
		(i) Coverage and comparability of reports	A	Reports are complete and consistent with budgets
		(ii) Timing of in-year budget reports	B	Monthly periodic reports on budget implementation are prepared by the 25th of the following month
		(iii) Accuracy of in-year budget reports	B	There are no concerns regarding data accuracy, but commitments are not captured
	PI-29	Annual financial reports	C+	
		(i) Completeness of annual financial reports	A	Financial reports contain full information on revenue, expenditure, financial and tangible assets, liabilities and long-term obligations, and a cash flow statement. There are no guarantees.
		(ii) Submission of reports for external audit	B	The annual financial statements were provided for external audit on 11 May 2020.
		(iii) Accounting standards	C	Accounting standards are consistent and disclosed but more progress towards international public sector accounting standards is required (and planned)
External scrutiny and audit	PI-30	External audit	B+	
		(i) Audit coverage and standards	B	Most revenue and expenditure is audited using national audit standards with an increasing amount of compliance with international audit standards
		(ii) Submission of audit reports to the legislature	B	The audited financial statements were submitted to the legislature between 3 and 6 months of their receipt.
		(iii) External audit follow-up	A	Follow-up is systematic and ensures attention is paid to audit findings and recommendations
		(iv) Supreme Audit Institution (SAI) independence	A	The Chamber of Accounts is fully independent of the Executive
	PI-31	Legislative scrutiny of audit reports	A	
		(i) Timing of audit report scrutiny	A	Probable score depends on more information on the timing of consideration of audit reports in all three years

	(ii) Hearings on audit findings	A	In-depth hearings take place with all budgetary entities
	(iii) Recommendations on audit by the legislature	A	Recommendations are made and systematically followed up
	(iv) Transparency of legislative scrutiny of audit reports	A	Public debates take place and reports are published on the Parliament's website.

Annex 2: Summary of observations on the internal control framework

Internal control components and elements	Summary of observations
1. Control environment	
1.1 The personal and professional integrity and ethical values of management and staff, including a supportive attitude toward internal control constantly throughout the organisation	The assessment finds that internal control generally functions well throughout the government (PIs 23 -25).
1.2 Commitment to competence	Further training is needed to make the planning of expenditure programmes more efficient and effective (Pis 8,11,16).
1.3 The "tone at the top" (i.e. management's philosophy and operating style)	The relatively frequent changes of Ministers and senior officials are unhelpful, while the management style remains strongly hierarchical.
1.4 Organisational structure	Procurement and internal audit throughout the government are well coordinated by MoF (PIs 24 and 26). But investment planning remains fragmented (PI-11).
1.5 Human resource policies and practices	A degree of central harmonization and control has been instituted since 2017 (PI-23), but overall staff costs as a percentage of GDP remain much higher than in neighbouring countries (PI-2.2).
2. Risk assessment	
2.1 Risk identification	Risks arising from external forces, or as a result of the country's substantial external indebtedness are well understood (PI-11, PI-13). Risks to tax revenue are well recognized (PI-19.2).
2.2 Risk assessment (significance and likelihood)	Budget presentations specifically address these issues.
2.3 Risk evaluation	It is doubtful whether a sufficiently wide range of possible adverse developments is considered (PI-14.3) when determining the fiscal balance.
2.4 Risk appetite assessment	MoF maintains detailed controls over expenditure.
2.5 Responses to risk (transfer, tolerance, treatment or termination)	Risks to tax revenue are addressed by an automated programme which selects taxpayers for audit based on their circumstances and records (PI-19.3). Risks to procurement are addressed through automation and transparency (PI-24).

3. Control activities	
3.1 Authorization and approval procedure	MoF is involved in authorization and approval procedures as well as spending Ministries.
3.2 Segregation of duties (authorizing, processing, recording, reviewing)	Regulations ensure that different individuals authorise commitments, approve contracts and execute payments (PI-21).
3.3 Controls over access to resources and records	There is close control over access to the Treasury system, and changes always leave an audit trail (PI-27.4). Changes to personnel records are closely controlled (PI-23.3).
3.4 Verifications	The Treasury system will not execute payments unless budgetary provision, commitments and cash are all available (PI-25.3).
3.5 Reconciliations	There are daily reconciliations between Treasury and Bank records, and between tax collection and Treasury records (PIs 20 and 21).
3.6 Reviews of operating performance	Some performance reporting is done (PI-8.2) but performance auditing has only just begun (PI-8.4).
3.7 Reviews of operations, processes and activities	Internal audit is operating throughout most of government, supervised by MoF Harmonisation Unit (PI-26.1). The Accounts Chamber reviews processes and operations in its audits which cover most expenditure.
3.8 Supervision (assigning, reviewing and approving, guidance and training)	There is close hierarchical supervision of most government processes, which is reflected in the relatively large number of government employees.
4. Information and communication	Information is readily available about most Government activities (PIs 10.1,11.4,12,13.1, 28 29,30,31)
5. Monitoring	
5.1 Ongoing monitoring	Monitoring is undertaken by MoF Budget Planning Departments and Ministries' internal audit units (PI-26.1).
5.2 Evaluations	The Government has not yet arranged any evaluations (PI-8.4).
5.3 Management responses	Managements generally respond correctly to internal (PI-26.4) and external (PI-30.3) findings.

Annex 3: Sources of information

Annex 3A: Related surveys and analytical work

1. IMF Country Reports: 17/143 (June 2017), 18/53 (February 2018), 19/208 (July 2019), 20/90 (March 2020), 20/158 (May 2020)
2. TADAT Report (Report of Tax Administration Diagnostic Assessment Tool), December 2016
3. World Bank: From Vulnerability to Prosperity – a Systematic Country Diagnosis, 2018
4. World Bank: Kyrgyz Republic Economic Update No. 9, Fall 2019
5. Joint World Bank and IMF Debt Sustainability Analysis, July 2019
6. EU Evaluation of Education sector reform contracts, July 2019
7. EU Evaluation of Social Protection sector Reform Contracts, June 2020

Annex 3B: List of people interviewed

1. Kiyalbek Muksahev Minister Ministry of finance Kyrgyz Republic
2. Abduhalyk Shamshiev Stats secretary Ministry of finance Kyrgyz Republic
3. Marlen Amandykov Director of central treasury - Deputy minister Ministry of finance Kyrgyz Republic
4. Abdygany tegin Suerkul Deputy minister Ministry of finance Kyrgyz Republic
5. Nurida Baizakova Director public procurement Department
6. Almaz Kochkorov Head of budget department
7. Aibek Dusheev Head of the State Revenue Forecasting Department
8. Dinara Duishenkul kyzy Head of international relationship Department
9. Ruslan Tatikov Head of public debt Department
10. Marat Dodonov Head of the intergovernmental Budgetary Relations Department
11. Mariam Mambetalieva Head of Social Expenditure Planning Department
12. Nukash Kojobergenov Deputy director of central treasury department
13. Mirbek Dusheev Deputy director public procurement Department
14. Nurbek Mamasydykov Head of public investment division
15. Nuria Mursaliyeva Head of internal audit division
16. Irsena Abakirova Head of program budgeting division
17. Isa Kalysovich Head of division real sector economy planning
18. Jazgul Amanova Head of consolidation of financial report
19. Limakan Sultanova Head of expenditure division
20. Sergey Jenishbekovich Head of central treasury banking division
21. A.B Chapayev Chief specialist central treasury department
22. Asia Tynybekova Chief Specialist of the Budget Policy Department
23. Zarema Dzhakypova Leading Specialist of the State Revenue Forecasting Department
24. Baktybekov Daniyar Specialist of Registration and Accounting of budget allocations of the Central Treasury Department

25. Anvar Hadjiakhunov Specialist of public debt Department
26. E.V. Ereshchenko Specialist of macroeconomic analysis Department
27. Asylkan Eshenkulova Specialist of Central Treasury Cash Forecasting and Contract Registration Division
28. Asel Kolchabayeva Specialist of state institution expenditure planning department
29. A. Azimbayev Specialist of Information Systems and Modernization division
30. Turmushbek Balbakov Head of Strategic Development, Methodology and International Relations Division of the Accounts Chamber of the Kyrgyz Republic
31. Timur Sydykov Head of Department of Audit of Expenditures of Economic Sectors of the Accounts Chamber of the Kyrgyz Republic
32. Akyikat Baimuratova Head of the Department of Budgetary Policy and Financial Analysis of the Ministry of Education and Science of the Kyrgyz Republic
33. Bermet Musakojoyeva Head of PIU MDTF Ministry of Finance
34. Elnura Sarieva Coordinator MDTF Ministry of Finance

Annex 3C: Sources of information used to extract evidence for scoring each indicator

Indicator/dimension	Data Sources
Budget reliability	
PI-1. Aggregate expenditure outturn	Enacted budgets and annual financial reports for 2017-19
1.1. Aggregate expenditure outturn	
PI-2. Expenditure composition outturn	As for PI-1
2.1. Expenditure composition outturn by function	
2.2. Expenditure composition outturn by economic type	
2.3. Expenditure from contingency reserves	
PI-3. Revenue outturn	As for PI-1
3.1. Aggregate revenue outturn	
3.2. Revenue composition outturn	
Transparency of public finances	
PI-4. Budget classification	As for PI-1
4.1 Budget classification	
PI-5. Budget documentation	As for PI-1, and website of Parliament
5.1 Budget documentation	
PI-6. Central government operations outside financial reports	Enacted budgets and financial reports of Social Fund and Mandatory Health Insurance Fund 2019
6.1. Expenditure outside financial reports	
6.2. Revenue outside financial reports	
6.3. Financial reports of extra-budgetary units	
PI-7. Transfers to subnational governments	Annual budget laws, discussion with MoF officials
7.1. System for allocating transfers	
7.2. Timeliness of information on transfers	
PI-8. Performance information for service delivery	8.1 and 8.2: Appendices to Government's Budget Execution report for 2019
8.1. Performance plans for service delivery	
8.2. Performance achieved for service delivery	
8.3. Resources received by service delivery units	8.3 Treasury records
8.4. Performance evaluation for service delivery	
PI-9. Public access to fiscal information	MoF and Parliament websites
9.1. Public access to fiscal information	

Management of assets and liabilities	
PI-10. Fiscal risk reporting	10.1 Website of State Property Fund
10.1. Monitoring of public corporations	10.2 Report of State Budget execution 2019, discussion with MoF officials
10.2. Monitoring of sub-national government	10.3 MoF Explanatory Note on 2020 Budget
10.3. Contingent liabilities and other fiscal risks	
PI- 11. Public investment management	New Regulations, 2019
11.1. Economic analysis of investment proposals	Statistics from Public Investment Programme
11.2. Investment project selection	Dept., MoF
11.3. Investment project costing	Discussions with MoF and Ministry of Economy officials
11.4. Investment project monitoring	
PI-12. Public asset management	12.1 and 12.2 2019 Balance sheet from annual financial report
12.1. Financial asset monitoring	Information on registration of nonfinancial assets from State Property Fund
12.2. Nonfinancial asset monitoring	12.3 Reports to Parliament on Privatisation programmes 2017-19 and 2018-22
12.3. Transparency of asset disposal.	
PI-13. Debt management	Statistics published on MoF website, Explanatory Memorandum for 2020 budget, and discussions with MoF officials
13.1. Recording and reporting of debt and guarantees	
13.2. Approval of debt and guarantees	
13.3. Debt management strategy	
Policy-based fiscal strategy and budgeting	
PI-14. Macroeconomic and fiscal forecasting	14.1 Published macro-economic forecast, September 2019
14.1. Macroeconomic forecasts	14.2 Main Directions of Fiscal Policy (Government document) September 2019
14.2. Fiscal forecasts	14.3 Explanatory Note to 2020 Budget proposals
14.3. Macro-fiscal sensitivity analysis	
PI-15. Fiscal strategy	Main Directions of Fiscal Policy, September 2019
15.1. Fiscal impact of policy proposals	
15.2. Fiscal strategy adoption	
15.3. Reporting on fiscal outcomes	
PI-16. Medium-term perspective in expenditure budgeting	Budget documents for 2019 and 2020 budgets
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	
PI-17. Budget preparation process	
17.1. Budget calendar	17.1 and 17.2 Prime Minister's instructions, January 2019
17.2. Guidance on budget preparation	17.3 Discussion with Parliament Secretariat
17.3. Budget submission to the legislature	
PI-18. Legislative scrutiny of budgets	
18.1. Scope of budget scrutiny	18.1, 18.2, 18.3 Discussion with Parliament Secretariat
18.2. Legislative procedures for budget scrutiny	18.4 Articles 109 and 115 of Budget Code, discussion with Parliament Secretariat
18.3. Timing of budget approval	
18.4. Rules for budget adjustments by the executive	
Predictability and control in budget execution	
PI-19. Revenue administration	
19.1. Rights and obligations for revenue measures	Information provided by State Tax Service (It has not yet been possible to discuss with taxpayers and their advisers)
19.2. Revenue risk management	
19.3. Revenue audit and investigation	
19.4. Revenue arrears monitoring	
PI-20. Accounting for revenues	
20.1. Information on revenue collections	Information from Treasury and State Tax Service
20.2. Transfer of revenue collections	
20.3. Revenue accounts reconciliation	
PI-21. Predictability of in-year resource allocation	
21.1. Consolidation of cash balances	Discussions with MoF Treasury
21.2. Cash forecasting and monitoring	
21.3. Information on commitment ceilings	
21.4. Significance of in-year budget adjustments	
PI-22. Expenditure arrears	
22.1. Stock of expenditure arrears	Information from MoF Accounting Department
22.2. Expenditure arrears monitoring	
PI-23. Payroll controls	
23.1. Integration of payroll and personnel records	New 2017 Regulations, discussions with MoF officials, and information from audit reports
23.2. Management of payroll changes	

23.3. Internal control of payroll	
23.4. Payroll audit	
PI-24. Procurement	
24.1. Procurement monitoring	Information from MoF Procurement Department.
24.2. Procurement methods	Statistics and other information available on website
24.3. Public access to procurement information	www.zakupki.okmot.kg
24.4. Procurement complaints management	
PI-25. Internal controls on non-salary expenditure	
25.1. Segregation of duties	Discussion with MoF Treasury
25.2. Effectiveness of expenditure commitment controls	
25.3. Compliance with payment rules and procedures	
PI-26. Internal audit	
26.1. Coverage of internal audit	Information provided by MoF Harmonisation Unit
26.2. Nature of audits and standards applied	
26.3. Implementation of internal audits and reporting	
26.4. Response to internal audits	
Accounting and reporting	
PI-27. Financial data integrity	
27.1. Bank account reconciliation	MoF Treasury and Accounting Department
27.2. Suspense accounts	
27.3. Advance accounts	
27.4. Financial data integrity processes	
PI-28. In-year budget reports	
28.1. Coverage and comparability of reports	MoF Treasury and Accounting Dept,
28.2. Timing of in-year budget reports	information from MoF website
28.3. Accuracy of in-year budget reports	
PI-29. Annual financial reports	
29.1. Completeness of annual financial reports	Annual financial reports presented to Parliament in
29.2. Submission of the reports for external audit	September each year 2018-20
29.3. Accounting standards	
External scrutiny and audit	
PI-30. External audit	Discussion with Accounts Chamber, Annual
30.1. Audit coverage and standards	Report on 2019, Annual Activity Report of
30.2. Submission of audit reports to the legislature	Chamber for 2019

30.3. External audit follow up	
30.4. Supreme Audit Institution independence	
PI-31. Legislative scrutiny of audit reports	
31.1. Timing of audit report scrutiny	Discussion with Parliament Secretariat, texts of Parliament recommendations to Government
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: Tracking change in performance based on previous versions of PEFA

C	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
A. PFM-OUT-TURNS: Credibility of the Budget				
PI-1 Aggregate expenditure out-turn compared to original approved budget	A	B	Out-turn deviated from budget by more than 10% in only one of the 3 years	Performance deterioration see Annex 6
PI-2 Composition of expenditure out-turn compared to original approved budget	D+	D+		No change
(i) Extent of the variance in expenditure composition during the last three years, excluding contingency items	D	D	Variance exceeded 15% in 2 of the 3 years.	No change (see Annex 6)
(ii) The average amount of expenditure actually charged to the contingency vote over the last three years.	A	A	The average amount charged was 0.1.% of budgeted expenditure	No change
PI-3 Aggregate revenue out-turn compared to original approved budget	A	B	Revenue outturn was between 94% and 112% of budget in all 3 years	Performance deterioration
PI-4 Stock and monitoring of expenditure payment arrears	D+	D		
(i) Stock of expenditure payment arrears and a recent change in the stock	C	D	No specific information is available.	No underlying change
(ii) Availability of data for monitoring the stock of expenditure payment arrears	D	NR	Not yet any systematic monitoring and reporting of expenditure arrears	No underlying change
B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency				
PI-5 Classification of the budget	B	A	Classification system consistent with international standards . Incomplete coverage of defence and public order in published documentation results in lower score for PI-10.	No underlying change

PI-6 Comprehensiveness of information included in budget documentation	B	A	8 out of 9 elements provided	Performance improvement due to provision of information on more elements
PI-7 Extent of unreported government operations	D+	C+		Performance improvement
(i) Level of unreported government operations	D	C	Payments relating to SOE deficits (7.5% of RB expenditure) not included in budget execution reports	Social insurance funds now fully reported in same timescale as RB
(ii) Income/expenditure information on donor-funded projects	A	A	Donor-funded projects fully reported in RB execution reports	No change
PI-8 Transparency of inter-governmental fiscal relations	A	A		
(i) Transparency and objectivity in the horizontal allocation amongst Sub-national Governments	A	A	More than 90% of LSG revenues are determined by transparent and objective factors	No change
(ii) Timeliness and reliable information to SN Governments on their allocations	B	B	LSGs receive full information on budget allocations at least 4 weeks before year-end	No change
(iii) Extent of consolidation of fiscal data for general government according to sectoral categories	A	A	Full information about total LSG expenditure broken down by economic and functional classifications is produced within 4 months of year-end.	No change
PI-9 Oversight of aggregate fiscal risk from other public sector entities	C+	C+		
(i) Extent of central government monitoring of autonomous entities and public enterprises	C	C	All major SOEs submit quarterly and audited annual financial reports to sponsor Ministries but there is no consolidated report.	No change
(ii) Extent of central government monitoring of SN government's fiscal position	A	A	The aggregate fiscal position of LSGs is closely monitored by central government and consolidated	No change

			with that of the RB in reports on the State Budget which covers both RB and all LSGs	
PI-10 Public access to key fiscal information	C	B	3 of 6 elements of information fully provided	Performance improvement
C. BUDGET CYCLE				
C(i) Policy-Based Budgeting				
PI-11 Orderliness and participation in the annual budget process	B	B+		
(i) Existence of, and adherence to, a fixed budget calendar	B	B	There was some slippage from Calendar in 2019	No change
(ii) Guidance on the preparation of budget submissions	A	B	Provisional ceilings were issued by MoF in 2019 in advance of approval by Government	Performance deterioration
(iii) Timely budget approval by the legislature	C	A	Budget has been approved before the end of the preceding year for the 3 most recent budgets.	Previous experience of delays not repeated for 2018-2020 budgets.
PI-12 Multi-year perspective in fiscal planning, expenditure policy and budgeting	C+	C+		
(i) Multiyear fiscal forecasts and functional allocations	C	C	Detailed figures are provided for 3 years ahead but previously given figures for the second year do not constrain the allocations when it becomes the budget year	No change
(ii) Scope and frequency of debt sustainability analysis	A	A	DSA is undertaken at least annually in cooperation with IMF.	No change
(iii) Existence of costed sector strategies	C	C	Detailed figures are shown for all sections of the budget, but the incomplete planning of public investment undermines their consistency with objectives for fiscal aggregates.	No change

(iv)	Linkages between investment budgets and forward expenditure estimates	D	D	Forward planning of public investment remains incomplete and fragmented.	No change
C(ii) Predictability and Control in Budget Execution					
PI-13 Transparency of taxpayer obligations and liabilities					
(i)	Clarity and comprehensiveness of tax liabilities	B	B	Tax compliance remains more onerous to taxpayers than in neighbouring countries. But liabilities are generally clearly defined.	No change
(ii)	Taxpayer access to information on tax liabilities and administrative procedures	B	B	Access is available to information through websites and dedicated telephone enquiry system, but taxpayers may still find difficulties.	No change
(iii)	Existence and functioning of a tax appeal mechanism	B	B	Announced intention to establish a specialized tax court not followed through. But recent increase in successful appeals indicates that the machinery is functioning effectively.	.
PI-14 Effectiveness of measures for taxpayer registration and tax assessment					
(i)	Controls in the taxpayer registration system	B	B	Electronic system is complete and includes links to other databases. Doubts concern entitlement of taxpayers to special schemes for smaller businesses.	No change
(ii)	Effectiveness of penalties for non-compliance with registration and declaration obligations	B	B	Tax arrears are relatively low. But policing the boundary between simplified schemes and full liability is probably inadequate.	Probably no underlying change

(iii)	Planning and monitoring of tax audit and fraud investigation programs	B	C	Majority of audits are undertaken without reference to documented audit plan.	Probably no underlying change
PI-15 Effectiveness in collection of tax payments		B+	B+		
(i)	Collection ratio for gross tax arrears	B	B	Arrears are significant (5.7% of 2019 collections) but most are collected the following year	No change
(ii)	Effectiveness of transfer of tax collections to the Treasury by the revenue administration	A	A	All revenue is paid directly into the Treasury the day it is received.	No overall change
(iii)	Frequency of complete accounts reconciliation between tax assessments, collections, arrears records, and receipts by the Treasury	A	A	STS, Customs and Treasury collection records are reconciled monthly. Taxpayers' accounts are updated as revenue is received.	No change
PI-16 Predictability in the availability of funds for commitment of expenditures		C+	C+		No overall change
(i)	Extent to which cash flows are forecasted and monitored	A	A	A cash flow plan is produced at the start of the year and updated monthly.	No change
(ii)	Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure	C	C	MDAs can plan and commit expenditure on a monthly basis only	No change
(iii)	Frequency and transparency of adjustments to budget allocations above the level of management of MDAs	C	A	There was only one budget adjustment in 2019 The revised Budget Code of 2015 allows MoF to reallocate expenditure without limit, subject to the approval of the Budget and Finance Committee of Parliament	Performance improvement due to compliance with standard procedures and limited adjustments
PI-17 Recording and management of cash balances, debt and guarantees		A	A		
(i)	Quality of debt data recording and reporting	A	A	External and domestic debt are	No change

			recorded in IT systems, with interest and capital repayments reconciled monthly		
(ii)	Extent of consolidation of the government's cash balances	B	B	Social Fund balances are kept in commercial banks	No change
(iii)	Systems for contracting loans and issuance of guarantees	A	A	MoF manages public debt within overall ceilings set by Parliament. New external borrowing requires Parliamentary approval. Government policy is only to borrow externally if the loan has a 35% equivalent grant element.	No change
PI-18 Effectiveness of payroll controls		D+	B+		Performance improvement
(i)	Degree of integration and reconciliation between personnel records and payroll data	D	B	No direct link but well-documented changes to personnel records support the payroll	Performance improvement given complete personnel database
(ii)	Timeliness of changes to personnel records and the payroll	A	A	Monthly updates and retroactive adjustments are limited	No change
(iii)	Internal controls of changes to personnel records and the payroll	C	B	Clear basis for changes to records but some violations reported by Chamber of Accounts	Performance improvement as control of changes to records generally sound
(iv)	Existence of payroll audits to identify control weaknesses and/or ghost workers	B	B	Chamber of Accounts audits annually as part of overall audit.	Performance improvement due to development of CoA work.
PI-19 Competition, value for money and controls in procurement		B	A		Performance improvement
(i)	Transparency, comprehensiveness and competition in the legal and regulatory framework.	B	A	All 6 requirements are met	Performance improvement due to introduction of a more independent process for reviewing complaints

(ii)	Use of competitive procurement methods	B	A	Competitive procurement methods are used in most cases. Departures from this practice are justified	Performance improvement
(iii)	Public access to complete, reliable and timely procurement information	A	A	Electronic portal provides access	No change
(iv)	Existence of an independent administrative procurement complaints system	D	A	All criteria for independence are satisfied	Performance improvement to independence of complaints management system
PI-20 Effectiveness of internal controls for non-salary expenditure		C	B+		Performance improvement
(i)	Effectiveness of expenditure commitment controls	C	A	Automated controls generally ensure that commitments are within budgetary ceilings and cash availability	Performance improvement due to wider application of automated controls
(ii)	Comprehensiveness, relevance and understanding of other internal control rules/procedures.	C	A	Internal controls are generally relevant and well understood	Performance improvement as public internal financial control; system has developed
(iii)	Degree of compliance with rules for processing and recording transactions	C	B	Generally high level of compliance but some violations reported by Chamber of Accounts	Performance improvement due to improved compliance rates
PI-21 Effectiveness of internal audit		C	C+		Performance improvement
(i)	Coverage and quality of the internal audit function	C	B	Most government entities audited	Performance improvement due to wider coverage
(ii)	Frequency and distribution of reports	C	C	Reports issued but not routinely submitted to Chamber of Accounts	No change
(iii)	Extent of management response to internal audit function.	C	B	Many managers take prompt and thorough action	Performance improvement due to greater degree of action by managers
C(iii) Accounting, Recording and Reporting					
PI-22 Timeliness and regularity of accounts reconciliation		B+	B+		No change

(i)	Regularity of bank reconciliation	B	B	Reconciliations of all Treasury bank accounts monthly	No change
(ii)	Regularity and clearance of suspense accounts and advances	B	B	Balances are promptly cleared and if outstanding reconciled at year-end	No underlying change
PI-23 Availability of information on resources received by service delivery units		A	A	Treasury systems collect records of all resources received by SDUs, from which reports on each SDU are compiled.	No change
PI-24 Quality and timeliness of in-year budget reports		C+	C+		No change
(i)	Scope of reports in terms of coverage and compatibility with budget estimates	C	C	Payments only are reported	No change
(ii)	Timeliness of the issue of reports	A	A	Reports issued within one month	No change
(iii)	Quality of information	B	A	No material concerns regarding accuracy given automated processes	Performance improvement
PI-25 Quality and timeliness of annual financial statements		C+	C+		No change
(i)	Completeness of the financial statements	A	A	All framework requirements met	No change
(ii)	Timeliness of submissions of the financial statements	A	A	Statements submitted well inside 6 months' timescale	No change
(iii)	Accounting standards used	C	C	Consistency and disclosure of standards but do not meet requirements of IPSAS	No change
C(iv) External Scrutiny and Audit					
PI-26 Scope, nature and follow-up of external audit		B+	B+		
(i)	Scope/nature of audit performed (including adherence to auditing standards)	B	B	Over 75% auditable expenditure audited annually using professional standards	No change
(ii)	Timeliness of submission of audit reports to the Legislature	B	B	Audit reports submitted within 8 months of end of year	No change

(iii)	Evidence of follow up on audit recommendations	A	A	Systematic follow-up occurs	No change
PI-27 Legislative scrutiny of the annual budget law					
(i)	Scope of the legislature scrutiny	B	B	Parliament is consulted about the main priorities and the Government's fiscal stance before MoF issues expenditure ceilings. The detailed consideration of the budget proposals covers the year immediately ahead, but little attention is paid to the medium term.	No change
(ii)	Extent to which the legislature's procedures are well established and respected	A	A	The Budget and Finance Committee takes the lead in the scrutiny of the Government's proposals, which results in significant amendments between the first and second readings of the annual budget law.	No change
(iii)	Adequacy of time for the legislature to provide a response to budget proposals both the detailed estimates and, where applicable, for proposals on macro-fiscal aggregates earlier in the budget preparation cycle (time allowed in practice for all stages combined)	A	A	The Parliament has at least 3 months to consider the Government's proposals before the beginning of the budget year.	No change
(iv)	Rules for in-year amendments to the budget without ex-ante approval by the legislature	B	B	The new Budget Code permits significant reallocation of provision by the Government, subject to the agreement of the Budget and Finance Committee of the Parliament,	New legislation

			and subsequent ratification in a revised budget.	
PI-28 Legislative scrutiny of external audit reports	C+A	A		
(i) Timeliness of examination of audit reports by the legislature	C	A	Examination completed within 3 months	Performance improvement
(ii) Extent of hearing on key findings undertaken by the legislature	B	A	In-depth hearings with all MDAs	Performance improvement
(iii) Issuance of recommended actions by the legislature and implementation by the executive	B	A	Recommendations issued and generally implemented	Performance improvement

Annex 5: Calculations for PI-1.1, PI-2.1 and PI-2.3

Calculation Sheet for Dimensions PI-1.1, PI-2.1 and PI-2.3

Table 1 - Fiscal years for assessment

Year 1 =	2017
Year 2 =	2018
Year 3 =	2019

Table 2

Data for year =		2017					
Function	budget	actual	adjusted budget	deviation	absolute deviation	percent	
General Public Services	13,991.0	14,365.0	14,021.3	343.7	343.7	2.5%	
Economic Issues	49,649.0	40,631.1	49,756.6	-9,125.5	9,125.5	18.3%	
Environmental Protection	862.0	921.5	863.9	57.6	57.6	6.7%	
Housing and Utilities	1,350.0	1,843.0	1,352.9	490.1	490.1	36.2%	
Healthcare	14,984.0	17,071.8	15,016.5	2,055.3	2,055.3	13.7%	
Recreation, Sport, Culture and	2,784.0	4,706.7	2,790.0	1,916.7	1,916.7	68.7%	
Education	28,031.0	30,731.6	28,091.7	2,639.9	2,639.9	9.4%	
Social Protection	28,969.0	26,524.0	29,031.8	-2,507.8	2,507.8	8.6%	
Defence and Public Order	16,147.0	20,311.9	16,182.0	4,129.9	4,129.9	25.5%	
allocated expenditure	156,767.0	157,106.6	157,106.6	0.0	23,266.4		
interests	6,228.0	5,867.0					
contingency	828.0	94.0					
total expenditure	163,823.0	163,067.6					
aggregate outturn (PI-1)							99.5%
composition (PI-2) variance							14.8%
contingency share of budget							0.1%

Table 3

Data for year =		2018					
Function	budget	actual	adjusted budget	deviation	absolute deviation	percent	
General Public Services	13065	13,307.4	11,290.1	2,017.3	2,017.3	0.1787	
Economic Issues	49,576.0	26,310.0	42,841.1	-16,531.1	16,531.1	0.3859	
Environmental Protection	861.0	962.0	744.0	218.0	218.0	0.293	
Housing and Utilities	1,250.0	1,654.0	1,080.2	573.8	573.8	0.5312	
Healthcare	14,563.0	14,321.7	12,584.6	1,737.1	1,737.1	0.138	
Recreation, Sport, Culture and	3,063.0	3,639.0	2,646.9	992.1	992.1	0.3748	
Education	29,687.0	30,773.6	25,654.0	5,119.6	5,119.6	0.1996	
Social Protection	33,161.0	29,714.0	28,656.1	1,057.9	1,057.9	0.0369	
Defence and Public Order	17,231.0	19,705.4	14,890.2	4,815.2	4,815.2	0.3234	
allocated expenditure	162,457.0	140,387.1	140,387.1	0.0	33,062.1		
interests	6,980.0	7,083.0					
contingency	650.0	154.0					
total expenditure	170,087.0	147,624.1					
aggregate outturn (PI-1)							86.8%
composition (PI-2) variance							23.6%
contingency share of budget							0.1%

Table 4

Data for year = 2019						
administrative or functional head	budget	actual	adjusted budget	deviation	absolute deviation	percent
General Public Services	12,889	12,665	11,892.8	772.2	772.2	0.064934154
Defence, Public Order	19,733	19,749	18,207.8	1,541.2	1,541.2	0.084647899
Economic Services	37,408	23,765	34,516.6	-10,751.6	10,751.6	0.311490218
Environment Protection	864	798	797.2	0.8	0.8	0.000981231
Housing	1,201	1,648	1,108.2	539.8	539.8	0.487137022
Health	15,303	14,737	14,120.2	616.8	616.8	0.043684637
Recreation, Culture	2,872	3,510	2,650.0	860.0	860.0	0.324522885
Education	29,349	32,586	27,080.5	5,505.5	5,505.5	0.2033017
Social Protection	33,730	32,038	31,122.9	915.1	915.1	0.029403976
allocated expenditure	153349	141,496.0	141,496.0	0.0	21,503.2	
interests	8,048	7,680.0				
contingency	516	161				
total expenditure	161913	149337				
aggregate outturn (PI-1)						92.2%
composition (PI-2) variance						15.2%
contingency share of budget						0.1%

Table 5 - Results Matrix

year	for PI-1.1 total exp. Outturn	for PI-2.1 composition variance	for PI-2.3 contingency share
2017	99.5%	3.4%	
2018	86.8%	17.0%	0.1%
2019	92.2%	15.2%	

Calculation Sheet for Expenditure by Economic Classification Variance PI-2.2**Table 1 - Fiscal years for assessment**

Year 1 =	2017
Year 2 =	2018
Year 3 =	2019

Table 2

Data for year = 2017						
Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Compensation of employees	44,931	45,610	44,924.8	685.2	685.2	1.5%
Use of goods and services	27,705	29,182	27,701.2	1,481.2	1,481.2	5.3%
Consumption of fixed capital	49,499	48,322	49,492.2	-1,170.3	1,170.3	2.4%
Interest	6,228	5,867	6,227.1	-360.1	360.1	5.8%
Subsidies	2,120	2,358	2,119.7	238.3	238.3	11.2%
Grants	5,714	5,934	5,713.2	220.8	220.8	3.9%
Social benefits	26,441	25,160	26,437.4	-1,277.4	1,277.4	4.8%
Other expenses	358	540	358.0	182.2	182.2	50.9%
Total expenditure	162,996	162,974	162,973.5	0.0	5,615.5	
	163,823	163,068				
composition variance						3.4%

Table 3						
Data for year = 2018						
Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Compensation of employees	45803	44,861.0	39,864.8	4,996.2	4,996.2	12.5%
Use of goods and services	20094	18,782.0	17,488.9	1,293.1	1,293.1	7.4%
Consumption of fixed capital	48740	30,310.0	42,421.0	-12,111.0	12,111.0	28.5%
Interest	6980	7,083.0	6,075.1	1,007.9	1,007.9	16.6%
Subsidies	2420	2,186.0	2,106.3	79.7	79.7	3.8%
Grants	34753	35,210.0	30,247.4	4,962.6	4,962.6	16.4%
Social benefits	10277	8,485.0	8,944.6	-459.6	459.6	5.1%
Other expenses	370	553.0	322.0	231.0	231.0	71.7%
Total expenditure	169437	147,470.0	147,470.0	0.0	25,141.2	
	170087	147,624.1				
composition variance						17.0%

Table 4						
Data for year = 2019						
Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Compensation of employees	45,376	46,174	41,939.8	4,234.2	4,234.2	10.1%
Use of goods and services	15,154	12,535	14,006.4	-1,471.4	1,471.4	10.5%
Consumption of fixed capital	34,844	26,909	32,205.4	-5,296.4	5,296.4	16.4%
Interest	8,048	7,680	7,438.6	241.4	241.4	3.2%
Subsidies	1,236	1,232	1,142.4	89.6	89.6	7.8%
Grants	2,781	2,582	2,570.4	11.6	11.6	0.5%
Social benefits	31,937	30,740	29,518.5	1,221.5	1,221.5	4.1%
Other expenses	22021	21,323	20,353.4	969.6	969.6	4.8%
Total expenditure	161397	149175	149,175.0	0.0	13,535.7	
composition variance						9.1%

Table 5 - Results Matrix

year	composition variance
2017	3.4%
2018	17.0%
2019	9.1%

Indicator PI-3

(million soms)

(million soms)

	Republican budget	2017					2018					2019				
		budget ZKR №215 12/22/16	fact	adjusted	off	ABS (отклон)	budget ZKR 28.12.17 №218 (23)	fact	adjusted	off	ABS (отклон)	budget ZKR 26.12.18 №112	fact	adjusted	off	ABS (отклон)
111	Income and profit taxes	18,507.4	17,276.2	19,657.1	-2,380.9	2,380.9	18,568.3	18,939.1	17,859.6	1,079.5	1,079.5	17,290.4	19,439.9	16,916.9	2,523.0	2,523.0
114	Taxes on goods and services	56,938.5	57,690.7	60,475.5	-2,784.8	2,784.8	68,392.3	66,478.2	65,781.8	696.4	696.4	80,285.2	64,488.7	78,551.0	-14,062.3	14,062.3
115	Taxes on international trade and foreign transactions	17,752.5	16,492.9	18,855.3	-2,362.4	2,362.4	19,049.7	18,319.3	18,322.6	-3.3	3.3	20,352.2	21,967.7	19,912.6	2,055.1	2,055.1
116	Other taxes and fees		2.9	0.0	2.9	2.9		0.3	0.0	0.3	0.3		33.2	0.0	33.2	33.2
	Contributions / deductions for social needs		2,412.5	0.0	2,412.5	2,412.5		0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0
	program grants	3,424.2	7,801.5	3,636.9	4,164.6	4,164.6	4,478.6	3,478.7	4,307.7	-829.0	829.0	2,094.0	8,216.1	2,048.8	6,167.3	6,167.3
	GI grants	9,511.7	5,666.6	10,102.6	-4,436.0	4,436.0	10,304.6	5,737.4	9,911.3	-4,173.9	4,173.9	9,494.5	5,272.6	9,289.4	-4,016.8	4,016.8
141	Property income and interest	6,459.1	6,992.6	6,860.3	132.3	132.3	6,357.9	7,284.3	6,115.2	1,169.1	1,169.1	6,665.3	6,397.4	6,521.3	-123.9	123.9
142	Income from the sale of goods and the provision of services	10,758.3	11,169.0	11,426.6	-257.6	257.6	11,587.8	11,942.7	11,145.5	797.2	797.2	12,178.7	13,874.0	11,915.6	1,958.4	1,958.4
143	Fines, penalties, sanctions and confiscations	378.6	759.5	402.1	357.4	357.4	400.0	1,039.4	384.7	654.7	654.7	1,918.5	1,328.1	1,877.1	-549.0	549.0
144	Voluntary transfers and grants to public sector units		900.7	0.0	900.7	900.7		675.4	0.0	675.4	675.4		5,333.8	0.0	5,333.8	5,333.8
145	Other non-tax income	3,098.3	7,542.1	3,290.8	4,251.3	4,251.3	1,743.0	1,610.0	1,676.5	-66.5	66.5	1,483.6	2,132.8	1,451.6	681.2	681.2
	Total	126,828.6	134,707.2	134,707.2	0.0	24,443.3	140,882.2	135,504.8	135,504.8	0.0	10,145.2	151,762.4	148,484.3	148,484.3	0.0	37,504.1
	Variance					18.1%					7.5%					25.3%
	Difference					6.20%					3.80%					2.20%

Annex 6 PI-2.1 figures (2011 criteria)

Table 1 - Fiscal years for assessment

Year 1 =	2017
Year 2 =	2018
Year 3 =	2019

Table 2

Data for year =		2017				
administrative or functional head	budget	actual	adjusted budget	deviation	absolute deviation	percent
General Public Services	13,176	13,590	13,441.1	148.9	148.9	1.1%
Economic Services	21,967	16,474	22,409.0	-5,935.0	5,935.0	26.5%
Environment Protection	806	867	822.2	44.8	44.8	5.4%
Housing	1,350	453	1,377.2	-924.2	924.2	67.1%
Health	14,581	16,688	14,874.4	1,813.6	1,813.6	12.2%
Recreation, Culture	2,784	4,707	2,840.0	1,867.0	1,867.0	65.7%
Education	26,889	29,603	27,430.1	2,172.9	2,172.9	7.9%
Social Protection	28,969	26,524	29,552.0	-3,028.0	3,028.0	10.2%
Defence, Public Order	16,147	20,312	16,471.9	3,840.1	3,840.1	23.3%
allocated expenditure	126669	129218	129,218.0	0.0	19,774.3	
interests	6,849	5,667				
contingency	828	94				
total expenditure	134346	134979				
aggregate outturn (PI-1)						102.0%
composition (PI-2) variance						15.3%
contingency share of budget						0.1%

Table 3

Data for year = 2018

administrative or functional head	budget	actual	adjusted		absolute	
			budget	deviation	deviation	percent
General Public Services	10,154	11,420	8,926.8	2,493.2	2,493.2	0.279288
Economic Services	35,330	16,149	31,060.2	-14,911.2	14,911.2	0.480074
Environment Protection	819	929	720.0	209.0	209.0	0.290242
Housing	563	392	495.0	-103.0	103.0	0.208015
Health	14,152	13,970	12,441.7	1,528.3	1,528.3	0.122841
Recreation, Culture	3,063	3,639	2,692.8	946.2	946.2	0.351371
Education	28,351	29,645	24,924.6	4,720.4	4,720.4	0.189385
Social Protection	33,161	29,714	29,153.3	560.7	560.7	0.019232
Defence, Public Order	17,231	19,705	15,148.5	4,556.5	4,556.5	0.300785
allocated expenditure	142824	125563	125,563.0	0.0	30,028.3	
interests	7020	5,727				
contingency	650	154				
total expenditure	150494	131444				
aggregate outturn (PI-1)						87.9%
composition (PI-2) variance						23.9%
contingency share of budget						0.1%

Table 5 - Results Matrix

year	for PI-1.1	for PI-2.1	for PI-2.3
	total exp. Outturn	composition variance	contingency share
2017	102.0%	15.3%	
2018	87.9%	23.9%	0.1%
2019	92.2%	17.8%	

Table 4		Data for year =		2019					
		budget	actual	adjusted budget	deviation	absolute deviation	percent		
administrative or functional head									
General Public Services		10,988	10,869	10,132.0	737.0	737.0	0.072745		
Defence, Public Order		19,733	19,749	18,195.6	1,553.4	1,553.4	0.085369		
Economic Services		20,695	8,127	19,082.7	-10,955.7	10,955.7	0.574117		
Environment Protection		669	642	616.9	25.1	25.1	0.040721		
Housing		956	1,542	881.5	660.5	660.5	0.749251		
Health		15,118	14,614	13,940.2	673.8	673.8	0.048336		
Recreation, Culture		2,872	3,510	2,648.2	861.8	861.8	0.325404		
Education		29,000	32,249	26,740.7	5,508.3	5,508.3	0.20599		
Social Protection		33,730	32,038	31,102.2	935.8	935.8	0.030089		
	10			0.0	0.0	0.0	#DIV/0!		
	11			0.0	0.0	0.0	#DIV/0!		
	12			0.0	0.0	0.0	#DIV/0!		
	13			0.0	0.0	0.0	#DIV/0!		
	14			0.0	0.0	0.0	#DIV/0!		
	15			0.0	0.0	0.0	#DIV/0!		
	16			0.0	0.0	0	#DIV/0!		
	17			0.0	0.0	0	#DIV/0!		
	18			0.0	0.0	0	#DIV/0!		
	19			0.0	0.0	0	#DIV/0!		
	20			0.0	0.0	0.0	#DIV/0!		
	21 (= sum of rest)			0.0	0.0	0.0	#DIV/0!		
allocated expenditure		133761	123,340.0	123,340.0	0.0	21,911.4			
interests		8,048	7,680.0						
contingency		516	161						
total expenditure		142325	131181						
aggregate outturn (PI-1)									92.2%
composition (PI-2) variance									17.8%
contingency share of budget									0.1%

Table 5 - Results Matrix			
	for PI-1.1	for PI-2.1	for PI-2.3
year	total exp. Outturn	composition variance	contingency share
2017	102.0%	15.3%	0.1%
2018	87.9%	23.9%	
2019	92.2%	17.8%	

Annex 7: MoF ORGANISATION CHART

