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Ministry of Finance  
of the Republic of Tajikistan

## Republic of Tajikistan

# Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report

April 2022

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**REPUBLIC OF TAJIKISTAN**

**PUBLIC EXPENDITURE AND FINANCIAL  
ACCOUNTABILITY (PEFA) PERFORMANCE  
ASSESSMENT REPORT**

**April 2022**

**Final Report**

## **CURRENCY AND INDICATIVE EXCHANGE RATES**

**Currency unit = Tajikistan somoni (TJS)**

**US\$1.00 = TJS 11.3**

**(National Bank of Tajikistan exchange rate as of 17 December 2021)**

**Fiscal year: Calendar year (January 1 - December 31)**



## REPUBLIC OF TAJIKISTAN

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### Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report

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

PEFA Secretariat,  
18 July 2022

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# Abbreviations and acronyms

ABA	Administrator of budget allocations
ACS	Agency for Civil Service
APPGWS	Agency for Public Procurement of Goods, Works and Services
ASIP	Agency for Social Insurance and Pensions
CIT	Corporate income tax
CoA	Chamber of Accounts
COFOG	Classification of the Functions of Government
DCC	Development Coordination Council
DeMPA	Debt Management Performance Assessment
DMFAS	Debt Management and Financial Accounting System
DTS	Debt Tracking System
EFC	Economy and Finance Committee under the Lower Chamber of the Parliament
FY	Fiscal year
GDP	Gross domestic product
GFS	Government Finance Statistics
GFSM	Government Finance Statistics Manual
GNI	Gross national income
GoRT	Government of the Republic of Tajikistan
IFRS	International Financial Reporting Standards
IGFT	Intergovernmental fiscal transfer
IMF	International Monetary Fund
INTOSAI	International Standards for Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
ITMIS	Integrated Tax Management Information System
MABA	Main administrator of budget allocations
MDAs	Ministries, departments and agencies
MoF	Ministry of Finance
MoEDT	Ministry of Economic Development and Trade
MTEF	Medium-term expenditure framework
NBT	National Bank of Tajikistan
NDS	National Development Strategy of the Republic of Tajikistan
PEFA	Public expenditure and financial accountability
PFM	Public finance management
PFMRS	Public Finance Management Reform Strategy of the Republic of Tajikistan
PIP	Public Investment Program
QPE	Qualified procuring entity
RBA	Recipient of budget allocations
SAI	Supreme audit institution
SBP	Sector budget plans
SCISPM	State Committee for Investment and State Property Management
SECO	Swiss State Secretariat for Economic Affairs
SNG	Subnational government
SOE	State-owned enterprise
SUE	State unitary enterprise
TADAT	Tax Administration Assessment Tool
TFMIS	Tajikistan Financial Management Information System
TPSAS	Tajikistan Public Sector Accounting Standards (national standards)
TSA	Treasury Single Account
UCoA	Unified chart of accounts
VAT	Value added tax



# Executive summary

## Purpose and management

1. The purpose of the assessment is to review the changes in Tajikistan's Public Finance Management (PFM) system performance since the last PEFA assessment that was carried out in 2017 and to provide the MoF with an objective and up-to-date assessment of current performance of Tajikistan's PFM system. The 2021 PEFA Assessment Report is the second assessment that is based on the 2016 PEFA Framework and provides a renewed baseline for strategic policy actions and reform implementation in PFM.
2. The main motivation for undertaking the 2021 PEFA assessment, which was formally requested by the Ministry of Finance (MoF) of the Republic of Tajikistan, is twofold: (i) to establish a baseline of policy reforms vis-a-vis the PFM Reform Strategy (PFMRS) of the Republic of Tajikistan for the period until 2030 and its mid-term operational framework; and (ii) to identify gaps and challenges in PFM system which could serve as potential entry points for future technical assistance interventions by development partners.
3. The 2021 PEFA assessment will be used to inform adjustments in the programmatic approach to PFM reform in Tajikistan. The findings of the PEFA assessment are important inputs into further implementation of PFMRS and the corresponding three-year action plan. Comparison of results from the 2021 PEFA assessment with the previous assessment (completed in 2017) will also represent a measure of progress with regards to PFM reform in Tajikistan.
4. The lead agencies of the 2021 PEFA assessment are the MoF on behalf of the Government of the Republic of Tajikistan (GoRT) and the Swiss State Secretariat for Economic Affairs (SECO) on behalf of members of the Development Coordination Council (DCC) Working Group on PFM and Public Administration. The assessment is managed by the SECO through the Lucerne University of Applied Sciences and Arts (HSLU) and the Zurich University of Applied Science (ZHAW), and is undertaken by national PFM experts representing IRSHAD Consulting. The lead agencies have also established an oversight team that ensures overall guidance on the assessment process and peer reviews the draft and final 2021 PEFA Assessment Report, and includes the SECO, the MoF, the World Bank (WB), and the International Monetary Fund (IMF).

## Scope, coverage, and timing

5. Similar to previous assessments, the 2021 PEFA assessment focuses on the national (i.e. central government) level of the country's PFM system. At the national level, it covers the entire PFM system, including cross-cutting and overall issues: the revenue side, the budget cycle from planning through execution to control and auditing; and the interaction of development partners with the PFM system. None of the additional PEFA Modules (e.g. service delivery, gender, climate, subnational) was applied.
6. The central government entities covered by the assessment are listed in Table 1, which includes the Parliamentary Budget Committee (representing the legislative branch) and the Chamber of Accounts (an equivalent of Tajikistan's supreme audit institution). The assessment also includes several financial and non-financial public corporations and special funds of government sector entities (i.e.

own revenues generated by government sector entities, which are regarded as extrabudgetary funds in line with the IMF's 2014 Government Finance Statistics). The large number of central government entities reflects the requirement to triangulate data from multiple sources.

**Table 1: Main units of government to be covered by the assessment**

<b>Budgetary units (central government entities)</b>
Ministry of Finance (MoF)
Ministry of Economic Development and Trade (MoEDT)
Ministry of Education and Science (MoES)
Ministry of Health and Social Protection of the Population (MoHSPP)
State Committee for Investments and State Property Management (SCISPM)
Tax Committee
Customs Service
Chamber of Accounts (CoA)
Agency for State Financial Control and Fight Against Corruption under the President
Agency for Civil Service (ACS)
Agency for Public Procurement of Goods, Works and Services (APPGWS)
Agency for Social Insurance and Pensions (ASIP)
Economy and Finance Committee under the Lower Chamber of the Parliament ( <i>Majlisi Namoyandagon Majlisi Oli of the Republic of Tajikistan – legislative branch</i> )
<b>Public corporations (state-owned enterprises)</b>
Open Joint Stock Company 'Barqi Tojik' ( <i>public non-financial corporation</i> )
State Unitary Enterprise 'Obu Korezi Dushanbe' ( <i>public non-financial corporation</i> )
State Savings Bank 'Amonatbank' ( <i>public financial corporation</i> )
State Unitary Enterprise 'Tojiksugurta' ( <i>public financial corporation</i> )
<b>Extra-budgetary funds</b>
Special funds of government sector entities

7. The assessment focuses on PFM performance looking at the last three years, namely 2018-2020 (i.e. the reference years). The cut-off date was December 17, 2021 in line with the implementation timetable. Due to significant fiscal consolidation measures and other policy constraints caused by the COVID-19 pandemic, the oversight team recognizes that 2020 may be regarded as an outlier year, possibly affecting some PFM outturns. For example, unforeseen revenue shortfall resulted in larger-than-expected deviation of budget outturns against original allocations, and fiscal risks exacerbated due to weaker financial performance of budgetary units. The budget preparation process was briefly disrupted due to restrictions that were briefly imposed by the government in May-August. Audit planning and procurement planning were also negatively affected by the pandemic-induced risks, and fiscal consolidation measures were put in place.
8. Depending on PEFA requirements, the assessment under an indicator may be concerned with the current status of PFM or performance over the last completed fiscal year (2020), or performance over the last three completed fiscal years (2018-2020).

## **Impact of PFM on budgetary and fiscal outcomes**

9. The ability of the national PFM system in Tajikistan to provide relevant information on status of, and risk to, debt and deficits is its most significant contribution. For efficient allocation of resources, a PFM system that focuses on providing relevant information on available resources, and a timely budget preparation process that is inclusive and transparent, is likely to contribute to the right allocation. The government-led PFM strategy, which has been put in place in January 2020, contributes to further improving the PFM outcomes in Tajikistan.
10. Tajikistan has also been hit by the COVID-19 pandemic, which interrupted the government's mid-term development plans. The pandemic imposed substantial costs on the economy and the budget, and highlighted the substantial fiscal and structural challenges that the country faces.
11. In this context, improved effectiveness and efficiency of spending requires strengthened PFM. The main areas of improvement include better budget planning, sustained treasury and accounting reforms, improvements in public procurement, and measures to mitigate fiscal risks.

### *Macro-fiscal discipline*

12. Robust medium-term fiscal planning has significantly improved but remains challenging in the presence of potential new borrowings by the government, fragility of Tajikistan's economy to external disturbances and shocks, and economic uncertainty. Improved debt management and assessment of fiscal risks would also support greater fiscal discipline.

### *Strategic allocation of resources*

13. With the objective to strategically allocate limited resources, the GoRT is developing sector plans, strategies and programs. Assumingly, they will be appropriately linked to public resources, such as through the medium-term expenditure framework. However, it does not appear that the principles of policy-based budgeting are fully in place across the government sector. A performance culture needs to be built which will examine critically the use of manpower, and require public sector managers to be accountable for the results of the expenditures under their control.

### *Operational efficiency*

14. Persistent in-year changes in government expenditure and weak oversight function in medium-term expenditure planning may be seen as evidence that expenditure control should be strengthened. Some of the changes in recent years - improvements in the content and timeliness of budget execution reporting, improvements in the transparency of public procurement – should help to create conditions in which inefficiency can more effectively be challenged. Further development of internal and external audit functions and practices should shed more light on the scope for improvement. But much remains to be done. Effective internal financial control arrangements need to be instituted throughout the government, and management and control of the public sector payroll should be enhanced.
15. Compared to the previous assessment, 10 out of 31 performance indicators showed improvement, and 7 out of 31 performance indicators demonstrated deterioration. Nearly half of all performance indicators, i.e. 14 out of 31, did not change in comparison with the previous PEFA assessment in 2017.

**Table 2: Overview of the scores of the PEFA indicators**

PFM performance indicator		Scoring method	Dimension score				Overall score
			i.	ii.	iii.	iv.	
<b>Pillar I. Budget reliability</b>							
PI-1	Aggregate expenditure outturn	M1	B				B
PI-2	Expenditure composition outturn	M1	D	D	A		D+
PI-3	Revenue outturn	M1	A	B			B+
<b>II. Transparency of public finances</b>							
PI-4	Budget classification	M1	B				B
PI-5	Budget documentation	M1	A				A
PI-6	Central government operations outside financial reports	M2	A	A	A		A
PI-7	Transfers to subnational governments	M2	D	A			C+
PI-8	Performance information for service delivery	M2	D	D	D	D	D
PI-9	Public access to fiscal information	M1	B				B
<b>III. Management of assets and liabilities</b>							
PI-10	Fiscal risk reporting	M2	D	C	C		D+
PI-11	Public investment management	M2	C	B	C	C	C+
PI-12	Public asset management	M2	C	C	C		C
PI-13	Debt management	M2	B	B	A		B+
<b>IV. Policy-based fiscal strategy and budgeting</b>							
PI-14	Macroeconomic and fiscal forecasting	M2	B	B	C		B
PI-15	Fiscal strategy	M2	D*	A	A		B
PI-16	Medium-term perspective in expenditure budgeting	M2	B	C	C	D	C
PI-17	Budget preparation process	M2	B	C	A		B
PI-18	Legislative scrutiny of budgets	M2	B	B	A	A	B+
<b>V. Predictability and control in budget execution</b>							
PI-19	Revenue administration	M2	A	C	D	A	B
PI-20	Accounting for revenue	M1	A	A	A		A
PI-21	Predictability of in-year resource allocation	M2	C	C	A	C	C+
PI-22	Expenditure arrears	M1	B	C			C+
PI-23	Payroll controls	M1	B	A	C	B	C+
PI-24	Procurement management	M2	B	A	B	D	B
PI-25	Internal controls on non-salary expenditure	M2	A	B	A		A
PI-26	Internal audit	M1	B	C	B	B	C+
<b>VI. Accounting and reporting</b>							
PI-27	Financial data integrity	M2	A	A	C	A	B+
PI-28	In-year budget reports	M1	C	B	A		C+
PI-29	Annual financial reports	M1	B	B	D		D+
<b>VII. External scrutiny and audit</b>							
PI-30	External audit	M1	C	A	B	D	D+
PI-31	Legislative scrutiny of audit reports	M1	A	C	B	D	C+

16. Analysis of current scores with the previous assessment showed that in some instances, the assessment team noted discrepancies, different interpretation of data, or lack of evidence to support the scoring in the previous PEFA assessment report, which was completed in 2017. In hindsight, the *trajectory of change* for at least some of the indicators and dimensions between 2017 and 2021 would be different from what is currently presented if the scores from the previous assessment were supported by robust evidence and fully complied with the 2016 PEFA Framework and guidelines. If the 2017 scores were to be adjusted retrospectively in accordance with the requirements of the PEFA Framework, then only 2 out of 94 dimensions (or 2 out of 31 performance indicators) would show a deterioration in the 2022 PEFA compared to the 2017 PEFA. On balance, this shows that overall the PFM environment has improved in the past five years.

### PFM reform agenda

17. Policy and reform planning in PFM are guided by the overarching National Development Strategy (NDS) of the Republic of Tajikistan until 2030 and the Public Finance Management Reform Strategy (PFMRS) of the Republic of Tajikistan until 2030. The NDS and the PFMRS provide an overall strategic framework with regards to implementing the government’s national policy priorities in PFM. Both strategies are operationalized through corresponding mid-term action plans, which define specific activities, links to reforms in other thematic areas, implementation years, funding sources, and responsible or contributing institutions.

18. The NDS outlines national priorities in the areas of PFM, such as: (i) program budgeting; (ii) linking the budget process with strategic planning; (iii) tax administration; (iv) fiscal decentralization; and (v) transparency and accountability (e.g. fiscal risk management of state-owned enterprises, Parliamentary oversight, and citizens' participation in the budget process). In turn, the PFMRS is aligned with these national priorities and employs a coherent and systemic approach to supporting the PFM reform agenda. Through the PFMRS, the GoRT is committed to implementing PFM reforms. Key PFM reform areas and development priorities from the PFMRS are shown in Table 3.

**Table 3: PFM reform elements and development priorities**

#	Development priorities	Key PFM reform elements
1.	Macroeconomic stability	<ul style="list-style-type: none"> <li>• Timely and reliable fiscal and financial information</li> <li>• Sound and robust debt management</li> <li>• Fiscal risk management (maintaining fiscal discipline)</li> </ul>
2.	Efficient allocation of resources	<ul style="list-style-type: none"> <li>• Timely and reliable fiscal and financial information</li> <li>• A well-structured budget formulation process</li> <li>• Internal financial control and external audit/scrutiny</li> </ul>
3.	Public service delivery	<ul style="list-style-type: none"> <li>• Regular payments of salaries and other social payments</li> <li>• Participatory budget process and accountability</li> <li>• Transparency in the allocation and use of public resources</li> </ul>
4.	State-building	<ul style="list-style-type: none"> <li>• Basic budgeting in the sense of expenditure control and execution</li> <li>• Regular and timely payment of salaries and other social payments</li> <li>• Sound and rational prioritization of spending decisions</li> </ul>

19. The GoRT expects, in the long run, that a significantly improved PFM environment will create favorable conditions for effective management of public finances in Tajikistan. In turn, this is commonly regarded as a basic condition for enhancing the quality of life of the population, achieving

sustainable economic growth, modernizing the economy and social sectors, and achieving the country's other strategic socio-economic goals. The strategic framework for PFM reform in the PFMRS also implies that PFM reform elements are interconnected, and each component cannot be executed in isolation. Accordingly, effective and efficient PFM systems will support the delivery of development priorities outlined in Table 3.

# 1. Introduction

## 1.1. Rationale and purpose

20. Acknowledging that a strong PFM system is an essential aspect of macroeconomic stability, effective functioning of the state, and delivery of public services, the GoRT has pursued an ambitious PFM reform agenda since the early 2000s. Accordingly, implementation of PFM reforms is grounded on the endorsed policy framework, i.e. the PFMRS for the period until 2030, which was approved through a Presidential Decree on January 31, 2020. A three-year action plan, which was developed and approved by the GoRT in April 2021, serves as a mid-term operational framework for the PFMRS implementation. The government has agreed to assess implementation of the PFMRS and its operational framework at regular intervals through internationally recognized diagnostic tools, such as the PEFA assessment.
21. Three previous PEFA assessments in the Republic of Tajikistan were completed in 2007, 2012 and 2017. According to the 2017 PEFA assessment and based on the PEFA 2016 Framework, progress had been mixed and non-uniform. The last assessment was carried out five years ago and uses a reference period covering 2015-2016. Ever since, significant effort has gone into improving PFM systems, capacities, and processes which merits across-the-board review.
22. Against this background, the MoF has sought support from the Swiss State Secretariat for Economic Affairs (SECO) to undertake the 2022 PEFA assessment that offers a thorough, consistent and evidence-based analysis of PFM performance and enables national and international stakeholders to track changes over time and inform policy interventions in PFM.
23. The purpose of the assessment is to review the changes in Tajikistan's PFM system performance since the last PEFA assessment that was carried out in 2017 and to provide the MoF with an objective and up-to-date assessment of current performance of Tajikistan's PFM system at central government level. By the same token, this assessment provides sound justifications for development partners to provide technical assistance in certain areas of PFM based upon findings and observations included in the PEFA Assessment Report.

## 1.2. Assessment management and quality assurance

24. The lead agencies of the 2021 PEFA assessment are the MoF (acting on behalf of the Government of the Republic of Tajikistan) and the Swiss State Secretariat for Economic Affairs (acting on behalf of the Development Coordination Council Working Group on PFM and Public Administration). SECO is the sole funding agency of the 2021 PEFA Assessment Report.
25. On August 30, 2021, the MoF set up an Interagency Working Group, which engages in day-to-day coordination of the assessment team, resolves emerging issues, and offers a venue for the government entities to internally discuss and review the scores and draft analysis. The working group is chaired by the First Deputy Minister of Finance and composed of representatives of the government entities listed in Table 1, as well as national PFM experts from IRSHAD Consulting.

26. The Concept Note for the 2022 PEFA assessment in Tajikistan, which was finalized on September 16, 2021, establishes an oversight team that is composed of the MoF, the SECO, the World Bank, the International Monetary Fund (IMF), and the Delegation of the European Union. The oversight team provides overall guidance on the assessment process and peer reviews the draft and final Assessment Report.
27. The assessment team was composed of four experienced PFM experts, including the Team Leader, the Deputy Team Leader, and two locally based National Experts. National Experts undertook consultations with national stakeholders, collected data and information required for the assessment to be performed, and produced the initial draft of the 2022 PEFA Assessment Report that was further reviewed, and quality assured by the Team Leader and the Deputy Team Leader. National Experts also conducted an introductory workshop for members of the Interagency Working Group and explained the 2016 PEFA Framework and requirements of the assessment.

#### **BOX 1.1: Assessment management and quality assurance arrangements**

##### **PEFA assessment management organization**

- Oversight Team — Chair and Members: Mr. Reto Weyermann, Co-Chair, Swiss State Secretariat for Economic Affairs Program Manager; Mr. Jamshed Karimzoda, Co-Chair, First Deputy Minister of Finance of the Republic of Tajikistan; Mr. Hassan Aliev, World Bank Senior Public Sector Specialist; Ms. Nailya Menlasheva, IMF Economist; and Ms. Elisaveta Teneva, EU Delegation PFM Expert.
- Assessment Manager: Mr. Stefan Bruni, Lucerne University of Applied Sciences and Arts (HSLU).
- Assessment Team Leader and Team Members: Mr. Stefan Bruni, Team Leader, HSLU; Ms. Antonia Grafl, Deputy Team Leader, Zurich University of Applied Sciences and Arts (ZHAW); Mr. Shuhrat Mirzoev, National Expert, IRSHAD Consulting; and Mr. Ravshan Sobirzoda, National Expert, IRSHAD Consulting.

##### **Review of concept note and/or terms of reference**

- Draft concept note prepared and disseminated for internal review: June 23, 2021.
- Revised concept note disseminated for review by the PEFA Secretariat: July 14, 2021.
- Revised concept note disseminated to members of the Oversight Team: July 26, 2021.
- Invited reviewers: members of the Oversight Team (except the EU Delegation member who was invited to join the Oversight Team on November 5, 2021) and Ms. Julia Dhimitri from PEFA Secretariat.
- Reviewers who provided comments: Mr. Reto Weyermann, Swiss State Secretariat for Economic Affairs Program Manager (on July 9, 2021); Ms. Julia Dhimitri, PEFA Secretariat Public Sector Specialist (on July 20, 2021); Mr. Hassan Aliev, World Bank Senior Public Sector Specialist (on August 1, 2021); Ms. Nailya Menlasheva, IMF Economist (on August 11, 2021), and Mr. Sarvar Kurboniyon, the MoF Deputy Head of State Budget Department (on August 24, 2021).
- Final concept note prepared and disseminated to members of the Oversight Team: September 16, 2021.

##### **Review of the assessment report**

- Dates of reviewed draft report: February 23, 2022 – March 18, 2022.
- Invited reviewers: members of the Oversight Team and the PEFA Secretariat.
- Reviewers who provided comments: Mr. Gildas Monnerie, Program Manager, SECO; Mr. Hassan Aliev, Senior Public Sector Specialist, World Bank; Ms. Tia Elisa Raappana, Senior Public Sector Specialist, PEFA Secretariat; Ms. Nailya Menlasheva, Economist, International Monetary Fund (IMF); and MoF of the Republic of Tajikistan (on behalf of the Interagency Working Group).



### **1.3. Assessment methodology**

#### **Scope and coverage of the assessment**

28. The 2022 PEFA Assessment Report is based on the 2016 PEFA Framework and provides a comprehensive assessment across 31 performance indicators (PIs) and the corresponding 94 dimensions that reflect key measurable aspects of the PFM system.
29. The 2022 PEFA assessment reviews PFM systems, processes and capacities at the central government level, based upon triangulated information which was obtained from the following government entities: (i) the MoF; (ii) the Ministry of Economic Development and Trade; (iii) the Ministry of Education and Science; (iv) the Ministry of Health and Social Protection of the Population; (v) the State Committee for Investments and State Property Management; (vi) the Tax Committee; (vii) the Customs Service; (viii) the Agency for Civil Service; (ix) the Agency for Public Procurement of Goods, Works and Services; and (x) the Agency for Social Insurance and Pensions. Beyond the executive branch, the assessment also solicited relevant information from the Chamber of Accounts and the Committee for Economy and Finance under the Lower Chamber of the Parliament. Likewise, several international financial institutions and an individual civil service organization provided relevant data and information for validation purposes. According to Table 1, the assessment also covers public corporations and extra-budgetary funds (namely, special funds of government sector entities).
30. The assessment team carried out an online validation mission on January 16-26, 2022. The mission was conducted online due to COVID-related restrictions on travel and heightened risks with respect to the spread of the new coronavirus variant. The mission met with representatives of various departments of the MoF, Chamber of Accounts, MoEDT, MoES, Tax Committee, SCISPM, SAPGWS, and the Parliamentary Committee on Economy and Finance to validate initial findings and observations in the draft assessment report. The mission also held consultations with development partners and members of the oversight team. The concluding technical workshop with members of the Interagency Working Group was held on January 26, 2022 where preliminary findings and the scores were presented.
31. The assessment team followed the guidance provided in the 2016 PEFA Methodology and the detailed PEFA Handbook - Volume II: PEFA Assessment Fieldguide. The Team Leader also operated as the assessment manager and adhered to the PEFA Handbook – Volume I (2018). For additional interpretation of the framework and ad-hoc clarifications, the assessment team has sought advice from the PEFA Secretariat or discussed internally and agreed next steps or mitigation measures.

#### **When performance is assessed**

32. The fieldwork for this assessment commenced on September 3, 2021 when the MoF convened an introductory meeting of the Interagency Working Group. At this meeting, the assessment team presented the purpose and objectives of the 2021 PEFA assessment, including data requirements, proposed delivery timeline, and the role of each ministry, department and agency (MDA).
33. The assessment focused on PFM performance based on the last three completed fiscal years: 2018, 2019 and 2020 (which are regarded as reference years). The initial cut-off date was October 31, 2021, but it was subsequently moved to December 17, 2021 due to delays in the submission of relevant

data/information from government institutions. Where the assessment depended on information from the last three years, data for 2018-2020 were used. The last 'completed fiscal year' was FY'2020 while the 'current year' was regarded as FY'2021.

### **Sources of information**

34. The assessment team reviewed the government's legislative and regulatory documentation, budgetary and financial records; and other supporting documentation as required (reports, guidelines, and so on). Interviews with technical focal points from each relevant government institution were also conducted, which were followed up by discussions with development partners to complement and triangulate the information received from any single source. The assessment team signaled to the MoF and other members of the working group at an early stage if it encountered problems such as data discrepancies or lack of access to key staff/information.
35. The assessment team collected information for producing the PEFA Assessment Report from relevant government institutions that are listed in Table 1. Based on available guidance and methodology from the PEFA Secretariat's website, the assessment team had prepared questionnaires for members of the interagency working group, which contained detailed completion instructions and information requirements. The questionnaires were developed and shared with relevant government institutions for ease of reference and to speed up the data collection process.
36. The official data requests were sent out on behalf of the interagency working group, chaired by the MoF, to relevant government institutions. All emerging issues were discussed and addressed through the MoF and other members of the interagency working group or if issues persisted then they were escalated for addressing to the oversight team.
37. The assessment team also built its knowledge and evidence base from externally-commissioned studies and assessments, such as the World Bank's Public Expenditure Reviews (PER); the Tax Administration Diagnostic Assessment Tool (TADAT); the Debt Management Performance Assessment (DeMPA); the International Budget Partnership's Open Budget Survey (OBS); and project-specific progress reports on niche PFM areas, e.g. treasury modernization, fiscal risks, budget classifications, financial reporting, and others.
38. The assessment team collected relevant information for the assessment through in-person meetings and mainly electronically, and then cross-checked all findings and observations vis-à-vis external assessments and studies in PFM that were undertaken by non-governmental stakeholders.

## 2. Country background information

### 2.1. Country economic situation

#### Country context

39. Tajikistan, with a population of 9.8 million as of October 2021, is a lower middle-income country (LMIC)<sup>1</sup> with a GNI per capita of \$1,060 in 2020 and is a country in the Central Asia region. Tajikistan boasts high levels of literacy (99%), impressive record of poverty reduction (from 80% in 2000 to an estimated 26.5% in 2020), and dynamic demographics (with the population growth of 2% per year). At the same time, the economy is relatively small and exposed to external economic shocks.
40. Tajikistan has made notable progress in the past decade, and has bounced back from the initial COVID-hit year, with real GDP growth equaling 9.2% in 2021 or \$8.75 billion in current prices.<sup>2</sup> Macroeconomic fundamentals, such as GDP growth, inflation and trade have all improved (see Table 4), but macro-fiscal risks remain. Since 2010, the growth rate of the economy has marked an annual average rate of 6.8%, which is higher than the average of other economies in Central Asia (5.6%) and low-income countries (5.6%).<sup>3</sup> Official donor assistance averaged 5.3% of GDP per year between 2010 and 2019, boosting public expenditures and further accelerating overall growth.
41. Available fiscal and monetary buffers have been expanding, which enabled the GoRT to withstand economic downturns, although the National Bank of Tajikistan (NBT) reported in 2021 that gross reserves coverage equaled 8.3 months of imports of goods and services. Inflation has generally been contained within single digits, averaging 6.9% year-on-year in 2010-2020, but rose to 9.4% in 2020 due to a sharp increase in prices of staple foods, import restrictions, and the negative economic effect of the pandemic. According to the Agency for Statistics under the President, inflation surged in March 2021 by 10.1% year-on-year and reached 9% for the whole year as a result of tighter monetary policy and lower exchange rate pass-through.
42. The economy is expected to continue to grow after the COVID-induced slowdown in 2020, with growth projected by the Ministry of Economic Development and Trade (MoEDT) to reach 7.9% in 2022, 8.1% in 2023, and 8.2% in 2024.<sup>4</sup>

#### Main economic challenges and reforms

43. The COVID-19 pandemic affected Tajikistan's economy. Restrictions on labor mobility and economic activity at home and abroad led to a slowdown in production, but the Government of the Republic of Tajikistan took a number of timely measures to protect businesses and the population from the

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<sup>1</sup> According to the updated World Bank methodology (as of July 1, 2021), low-income economies are defined as those with a GNI per capita estimated using the World Bank Atlas method of \$1,045 or less in 2020; lower middle-income economies are those with a GNI per capita between \$1,046 and \$4,095; upper middle-income economies are those with a GNI per capita between \$4,096 and \$12,695; high-income economies are those with a GNI per capita above \$12,696.

<sup>2</sup> Agency for Statistics under the President of the Republic of Tajikistan.

<sup>3</sup> World Bank online database.

<sup>4</sup> According to the GoRT Resolution dated 30 June 2021, No.266, 'On projections for the key macroeconomic indicators of the Republic of Tajikistan for 2022-2024'.

negative effects of the pandemic during 2020. However, in the near future, strong pressure on the economy will be exerted by factors such as population growth, as an increasing number of citizens need social protection, employment and education opportunities, and the development of the private sector as an engine of economic growth.

**TABLE 4: Selected economic indicators**

	2018	2019	2020
GDP (million US\$)	7,305.5	8,116.5	7,326.1
GDP per capita (current US\$)	853.2	890.5	859.1
GNI per capita (Atlas method, US\$)	1,030	1,070	1,060
Real GDP growth (%)	7.6	7.4	4.5
CPI (annual average change) (%)	5.4	7.3	9.4
Remittances from migrant labor (million US\$)	2,624.9	2,731.3	2,559.2
Average monthly wage (in US\$)	130.9	140.1	148.3
Public debt, total (% of GDP)	46.8	43.1	49.9
Public debt servicing cost (in % of total revenues)	11.1	17.9	14.0
Foreign direct investment (million US\$)	249.2	189.6	36.2
Nominal exchange rate, period-average (TJS per 1 US\$)	9.424	9.531	11.267
Population (million people)	8.931	9.127	9.314
Trade balance (goods, % of GDP)	-25.1	-23.7	-18.1
Current account balance (% of GDP)	-5.0	-2.3	4.2
Total external debt (% of GDP)	38.7	36.7	44.6
Gross official reserves (in months of import of goods and services)	4.1	5.6	8.1

Source: Data provided by the Tajikistan authorities.

## 2.2. Fiscal and budgetary trends

### Fiscal performance

44. The increase in budget allocations observed in the last decade is primarily due to the commitment of the GoRT to financing social obligations and the progressive dynamics of development in general, but this can also lead to an increase in the fiscal deficit and the size of the public debt. The consolidation of budgetary accounts<sup>5</sup> led to budget deficits reaching about 0.2% of GDP in 2019 and 0.7% of GDP in 2020 (excluding the Public Investment Program). Total government spending rose from \$2.4 billion (34.3% of GDP) in 2015 to \$2.5 billion (or 30.2% of GDP) in 2020.<sup>6</sup>
45. To finance infrastructure spending, in 2017 the government obtained concessional loans<sup>7</sup> and issued a \$500 million (7% of GDP in the year of its issuance) Eurobond. As a result of a number of measures taken by the government to recapitalize banks and other circumstances (such as, for example, the depreciation of the national currency in 2014-2016), the public debt stocks rose from 37% of GDP in 2015 to 51.6% of GDP in 2020, but was significantly reduced to 43.9% of GDP in the following year.

<sup>5</sup> Republican and sub-national government expenditures plus an externally financed Public Investment Program (PIP). Notably, external loans received by the government were not classified as revenues (due to their inherent repayment obligations), as well as receipts from gold sale and inter-budgetary settlement revenues. Therefore, shown figures may differ from the Ministry of Finance's representation of budget deficits (which are averaging 0.5% of GDP each year according to national budget legislation).

<sup>6</sup> Ministry of Finance of the Republic of Tajikistan.

<sup>7</sup> According to the Debt Management Strategy, any debt with a grant element of at least 35% is considered as concessional.

**TABLE 5: Aggregate fiscal data**

Central government actuals (in percent of GDP)			
	2018	2019	2020
Total revenue	29.1	27.1	26.7
Own revenue (tax and non-tax)	26.2	24.9	23.1
Tax revenue	21.2	20.4	18.6
Corporate income taxes (CIT)	2.4	2.5	2.1
Personal income taxes (CIT)	2.6	2.5	2.3
Social security taxes	2.5	2.2	2.0
Property taxes	0.5	0.5	0.5
Value added taxes (VAT)	8.6	8.3	7.7
Excises	0.6	0.8	0.8
Other domestic taxes on goods and services	2.9	2.7	2.4
International trade and operations taxes	1.1	1.0	0.9
Non-tax revenue	4.9	4.5	4.5
Grants	2.9	2.2	3.5
Total expenditure	35.1	30.8	30.2
Noninterest expenditure	33.0	28.9	29.0
Interest expenditure	2.0	1.7	1.2
Aggregate deficit (incl. grants)	-0.2	-0.2	-0.7
Primary deficit	-0.2	-0.6	-0.9

Source: Ministry of Finance of the Republic of Tajikistan.

46. Tax revenues contribute almost 75% of all fiscal revenues and comprise approximately 20-22% of GDP. Value added taxes (VAT) have been the biggest contributor to tax revenues, reaching 8.5% of GDP in most years, followed by corporate income tax (CIT), personal income tax (PIT), and social security taxes. Each of these three taxes represent about 2.5% of GDP. Most tax revenues have remained stable over time, though CIT revenues have increased and revenues from trade taxes have declined during the COVID-19 pandemic.

### Allocation of resources

47. Total government spending rose from 28.5% of GDP in 2010 to 37.4% of GDP in 2016-2017 and subsequently moderated around 30% of GDP during 2018-2020. The increase in spending was driven by infrastructure investment and the expansion of public services. Investments in the energy, social, and agricultural sectors drove the growth of capital expenditures. Social spending is primarily driven by education and social protection sectors (see Table 6), and its gradual rise reflects Tajikistan's demographic structure and rapidly growing population. The share of external financing in the government's total capital spending rose from 34% in 2010-2015 to 39% in 2016-2020.

**TABLE 6: Budget allocations by functional classification**

Actual budgetary allocations by sectors (as a percentage of total expenditures)			
	2018	2019	2020
Public administration and governance	6.8	6.0	5.4
Education	15.3	18.2	17.8
Health	6.4	7.5	10.4
Social assistance and social protection	13.1	14.8	15.5
Housing and communal services	4.8	5.3	5.7
Culture and sport	3.1	4.0	4.0
Fuel and energy complex	26.8	19.6	20.0
Agriculture, fishery and hunting	2.4	2.7	2.5
Industry and construction	0.6	0.8	0.7
Transport and communications	5.3	5.0	4.2
Other economic activity and services	0.2	0.3	0.9
Expenditure not indicated in other categories	7.8	7.5	5.7
Other categories (contributions to the Stabilization Fund, etc.)	0.6	0.6	0.0

Source: Ministry of Finance of the Republic of Tajikistan.

48. The share of recurrent expenditure has steadily expanded from 66.8% of total public spending in 2018 to 74% in 2020, but capital expenditure but the volume of capital expenditures must be further increased to finance the growing needs in social sectors. The wage bill is also the main source of change in current expenditures in the public sector – over the past five years, the wage bill accounted for about 39% of the total government spending (see Table 7).

**Table 7: Budget allocations by economic classification**

Actual budgetary allocations by economic classification (as a percentage of total expenditures)			
	2018	2019	2020
Recurrent expenditures	66.8	72.0	74.0
Labor compensation (wage bill)	19.4	22.0	22.6
Purchase of goods and services	28.2	28.9	29.8
Interest payments	5.6	5.7	4.0
Transfers	12.8	14.2	15.7
Others	0.5	0.6	0.8
Capital expenditures	33.2	28.0	26.0
New construction	28.7	24.8	21.8
Vehicles and equipment	3.5	2.2	3.3
Others	1.0	1.0	0.9
Other categories (contributions to the Stabilization Fund, etc.)	0.6	0.6	0.0

Source: Ministry of Finance of the Republic of Tajikistan.

## 2.3. Legal and regulatory arrangements for PFM

49. The governance, political, and social protection systems in Tajikistan are governed by the Constitution of the Republic of Tajikistan, which was adopted on November 6, 1994 (and amended on September 26, 1999, June 22, 2003, and May 22, 2016), and a range of primary and secondary legislation. According to the Constitution, Tajikistan is a democratic, legal, secular and unitary State, where the state power is based on the principle of separation of powers. Article 1 of the Constitution states that ‘Being social oriented state Tajikistan shall provide relevant living conditions for every person’.

50. According to the Law of the Republic of Tajikistan 'On Public Finance,' Tajikistan's Parliament reviews the state budget proposal once it is finalized and adopted by the GoRT. November 1 is the deadline to submit the state budget proposal to Parliament that reviews and approves the state budget until December 31. The Committee on Economy and Finance of the Majlisi Namoyandagon of the Republic of Tajikistan scrutinizes budget proposal, and then the Parliament reviews and approves the state budget usually before the end of year.
51. The Chamber of Accounts (CoA) was created by the GoRT in 2011 and serves as the country's supreme audit institution (SAI). The main task of the CoA is to help enhance the accountability of the Parliament, the GoRT, and the management of public institutions. This is achieved through the Annual Financial Statements and compliance in the management of funds by public sector entities, and reporting the audit results directly to the President, Parliament, GoRT, the audited entities and other stakeholders. The CoA contributes to value for money of government operations through its performance audits.
52. The CoA is responsible for scrutinizing PFM for the country and providing independent opinion regarding public entities' use of public resources. Today, CoA audits and reporting promote (i) proper and effective use of public resources; (ii) development of sound PFM; (iii) proper execution of administrative activities; and (iv) communication of information to public and authorities through publication of objective reports.
53. The MoF along with field treasury offices oversee revenues, expenditures, and overall state budget performance based on the Law on Treasury. Local branches of treasury department report to the MoF Central Treasury Office. The working procedures of Central and local treasuries, financing, receipt of the documents, costs estimate of expenditures, types of reports on central and local budget performance are defined on the basis of instructions, approved by the MoF. The Law also defines the roles and responsibilities of the Central Treasury and its local branches, relationships with the banking system, management of the Treasury Single Account (TSA), responsibility of budget organizations, accounting and reporting procedures.
54. In July 2010, the Law on Internal Audit in Public Sector was adopted that established the basis for developing an internal audit function. The MoF is responsible for developing internal audit policy, coordination, and supervision of internal audit activities in budget organizations. It is compulsory for all budget organizations with budgets beyond a specified threshold and number of employees exceeding 800 to establish an internal audit body. All budget organizations submit their annual internal audit reports to the MoF before April 1. A consolidated annual internal audit report is then presented to the GoRT by May 1.
55. Likewise, in July 2010, the Law 'On Financial Management and Internal Control in Public Sector' was also adopted. All public sector organizations, funded by the state budget, should establish an internal control system that should include a control environment, risk management, information and communication, and monitoring. The MoF supervises developing financial management and internal control policy, coordination and supervision of internal control activities in budget organizations. Public organizations submit their annual financial management and internal control reports to the MoF before April 1. Similar to the internal audit reports, the MoF presents a consolidated annual financial management and internal control report to the GoRT by May 1.

56. There are three layers of subnational government (SNG) in the Republic of Tajikistan: (i) oblasts' administrations as the regional first tier level of SNGs; (ii) districts and cities as the second tier; and (iii) jamoats as the third or lowest SNG tier. Most of the districts and cities sit within oblast administrations as the hierarchically higher SNGs, but some districts/cities, known as Districts of Republican Subordination (DRS) – are subordinate directly to the central government. The two first tiers of SNGs (oblasts and districts) are remnants of the Soviet era. Jamoats were created later on and even though their legal framework exists, it is not fully established. Overall, there are 3 oblasts, Dushanbe city, and 13 DRS composed of 68 districts and 428 jamoats.
57. The PFM sector is governed by the Law of the Republic of Tajikistan 'On Public Finances of the Republic of Tajikistan' (#723 dated 28 June 2011; last amended in 2018). Other laws that support PFM include the following:
- 'On State Budget of the Republic of Tajikistan' (adopted annually);
  - 'On Targeted Social Assistance' (#1396; February 24, 2017);
  - 'On Payment Services and Payment System' (#1397; February 24, 2017);
  - 'On Currency Regulation and Currency Control' (#964; June 13, 2013);
  - 'On Mandatory Pension Insurance' (#955; March 19, 2013);
  - 'On personified accounting in the System of Mandatory Pension Insurance' (#860; July 3, 2012);
  - 'On System of Public Administration of the Republic of Tajikistan' (#828; April 16, 2012);
  - 'On Mandatory Professional Pension Insurance' (#790; December 26, 2011);
  - 'On Insurance Activity' (#1349; July 23, 2018);
  - 'On Chamber of Accounts of the Republic of Tajikistan' (#749; June 28, 2011);
  - 'On Accounting and Financial Reporting' (#702; March 25, 2011);
  - 'On Financial Management and Internal Control in the Public Sector' (#626; July 21, 2010);
  - 'On Internal Audit in Public Sector Entities' (#631; July 21, 2010; amended on July 23, 2016);
  - 'On Insurance and State Pensions' (#595; January 12, 2010);
  - 'On State Statistics' (#588; January 12, 2010);
  - 'On Treasury' (#1674; January 2, 2020);
  - 'On Right to Access to Information' (#411; June 18, 2008);
  - 'On Agency for State Financial Control and Fight Against Corruption' (#374; March 20, 2008);
  - 'On National Bank of Tajikistan' (#722; June 28, 2011);
  - 'On Civil Service' (#233; March 5, 2007; amended in 2010, 2011, 2013, 2014, 2015, 2016 and 2017);
  - 'On Other Mandatory Payments into the Budget' (#197; July 28, 2006; amended in 2009, 2010, 2011, 2013, 2015 and 2016);
  - 'On Public Procurement of Goods, Works and Services' (#168; March 3, 2006; amended in 2012);
  - 'On Combating Corruption' (#1714; August 7, 2020);
  - 'On Local Bodies of State Power' (#28; May 17, 2004);
  - 'On State Enterprises' (#10; February 28, 2004; amended in 2008 and 2010);
  - 'On State Forecasts, Concepts, Strategies and Programs of Socio-Economic Development of the Republic of Tajikistan' (#1544; August 3, 2018);
  - 'On Electronic Document' (#51; May 10, 2002; amended in 2005, 2012, 2013 and 2014);
  - 'On State Financial Control of the Republic of Tajikistan' (#66; December 2, 2002; amended in 2007 and 2010);
  - 'On Protection of Information' (#71; December 2, 2002; amended in 2005);
  - 'On Informatization' (#40; August 6, 2001; amended in 2005);
  - 'On State and State Guaranteed Borrowing and Debt' (#886, December 11, 1999);



- ‘On State Social Insurance’ (#517; December 13, 1997; amended in 2003, 2006, 2007, 2008, 2012 and 2013);
  - ‘On Self-Management Bodies in Urban and Rural Settlements’ (#549; August 5, 2009);
  - ‘On Pension Provision of Citizens of the Republic of Tajikistan’ (#796; June 25, 1993; amended in 1996, 1997, 1998, 1999, 2002, 2005, 2007, 2009, 2011, 2012 and 2015);
  - Tax Code of the Republic of Tajikistan (#901; dated September 17, 2012; amended on 28.12.2013 #1045, 28.12.2013 #1046, 18.03.2015 #1188, 23.11.2015 #1244, 23.11.2015 #1245, 15.03.2016 #1297, 14.11.2016 #1367, 24.02.2017 #1398, 30.05.2017 #1423, 21.02.2018 #1510, 21.02.2018 #1511 and 03.08.2018 #1546).
58. Moreover, apart from the National Development Strategy (NDS), the GoRT also adopted the State Program for External Borrowing of the Republic of Tajikistan for 2018-2020 (#485 dated October 26, 2017; this program is approved annually for a three-year rolling period), the Concept of Regulatory Impact Analysis of the Republic of Tajikistan (#673 dated November 18, 2015), and the Model for a Regulatory Impact Analysis System in the Republic of Tajikistan (#522 dated July 11, 2015).
59. On January 31, 2020, the PFMRS for the period until 2030 was approved via the Decree of the President of the Republic of Tajikistan (#1446). The Strategy represents a continuation of PFM reforms that began since the implementation of the PFMRS 2009-2018, which was in line with the Poverty Reduction Strategy Paper (PRSP), Public Administration Reform Strategy (PARS), as well as sectoral and thematic programs.

## **2.4. Institutional arrangements for PFM**

60. The GoRT is the highest executive body of state power in Tajikistan. In accordance with Article 64 of the Constitution of Tajikistan, the head of government is the President of the Republic of Tajikistan. In accordance with Article 6 of the Constitutional Law of the Republic of Tajikistan ‘On the GoRT’, the structure of the government consists of ministries and state committees of the Republic of Tajikistan.
61. Following public-sector administrative reform that took place in 2013, the GoRT consists of 14 ministries and 3 state committees. In accordance with Article 73 of the Constitution, the government includes the prime minister, his first deputy and deputies, ministers, and chairmen of state committees.

**TABLE 8: Structure of the public sector (number of entities), 2020.**

	Public sector				
	Government subsector		Social security funds 1/	Public corporation subsector	
	Budgetary unit 2/	Extrabudgetary units		Nonfinancial public corporations	Financial public corporations
Central	1,122 budgetary units, including 14 ministries, 3 state committees, 13 agencies, 6 committees, and other state bodies.	--	Agency for Social Insurance and Pensions (ASIP), whose social payments are disbursed through the State Savings Bank (SSB) 'Amonatbank'	Approximately 740 state-owned enterprises (SOEs), including 27 SOEs that are monitored by the MoF	National Bank of Tajikistan (NBT) and 27 local financial institutions having some government ownership (majority or minority)
Subnational governments	6,131 units across three tiers of SNGs, including 68 highest-tier municipalities (i.e. districts and cities)				

1/ Depending on management control and funding arrangements, a social security fund is a public-sector entity that may form part of a particular level of government or be classified as a separate sub-sector of the government sector (GFS 2014, para 2.78).

2/ Budgetary central government comprises all central government entities included in the central government budget.

**TABLE 9: Financial structure of central government – budget estimates (in TJS), 2020.**

Year	Central government			
2020	Budgetary unit	Extrabudgetary units	Social security funds	Total aggregated 1/
Revenue	22,883	--	3,219	26,102
Expenditure	23,233	--	3,219	26,452
Transfers to (-) and from (+) other units of general government	322	--	--	322
Liabilities	1,743	--	--	1,743
Financial assets	--	--	--	--
Nonfinancial assets	--	--	--	--

1/Where available this is the consolidated total, but other aggregation method may be used (with explanation).

**TABLE 10: Financial structure of central government – actual expenditure (in TJS), 2020.**

Year	Central government			
2020	Budgetary unit	Extrabudgetary units	Social security funds	Total aggregated 1/
Revenue	21,016	--	3,078	24,094
Expenditure	21,735	--	3,078	24,813
Transfers to (-) and from (+) other units of general government	322	--	--	322
Liabilities	986	--	--	986
Financial assets	--	--	--	--
Nonfinancial assets	--	--	--	--

1/ Where available this is the consolidated total, but other aggregation method may be used (with explanation).

62. As outlined in the PFMR-2030, the MoF is responsible for development and execution of fiscal policy, treasury management, budget preparation and implementation, internal audit, and accounting and reporting. The MoF interacts directly with the main administrators of budget allocations (MABAs), administrators of budget allocations (ABAs), and recipients of budget allocations (RBAs), as well as 17 SNGs and their budgeting processes (Khatlon oblast, Sughd oblast, GBAO, Dushanbe, and 13 DRS).
63. The Executive Office of the President (EOP) coordinates and monitors the development and implementation of the Government of Tajikistan's social and economic policies. Likewise, the EOP coordinates and oversees PFM and public administration reforms through the Department of Finance and the Department of Strategic Planning and Reforms.
64. The Committee on Economy and Finance of the Lower Chamber of the Parliament scrutinizes the state budget. In particular, the Committee reviews and provides opinion on budgetary and financial legislation, as well as on matters related to economic reforms, public debt, private sector, statistics, financial sector, anti-monopoly, prices, and property management.
65. The Chamber of Accounts (CoA) is the supreme audit institution of the Republic of Tajikistan. The mandate of CoA is reflected in Articles 1 and 5 of the 2011 Law of the Republic of Tajikistan 'On the Chamber of Accounts of the Republic of Tajikistan' and is linked to the submission of opinions on the draft and execution of the state budget. Article 20 of this law outlines the purpose of audit activities, such as (i) assessment of the use of budgetary and other state resources and their compliance with the legislation of the GoRT on the state budget and other laws of the GoRT; and (ii) assessment of how much state resources are acquired economically and efficiently used to achieve the objectives set forth in the state budget as well as for the purpose of spending budget resources with corresponding results.<sup>8</sup>
66. In general, PFM responsibilities are entrusted to:
  - Executive Office of the President of the Republic of Tajikistan (EOP);
  - Ministry of Finance of the Republic of Tajikistan;
  - Chamber of Accounts of the Republic of Tajikistan;
  - Agency for State Financial Control and Fight Against Corruption under the President of the Republic of Tajikistan;
  - Ministry of Economic Development and Trade of the Republic of Tajikistan (MoEDT);
  - National Bank of Tajikistan (NBT);
  - State Committee on Investment and State Property Management (SCISPM);
  - Agency for Statistics under the President of the Republic of Tajikistan;
  - Agency for Public Procurement of Goods, Works, Services of the Republic of Tajikistan;
  - Tax Committee under the Government of the Republic of Tajikistan
  - Customs Service under the Government of the Republic of Tajikistan;
  - Majlisi Namoyandagon Majlisi Oli (Lower Chamber of Parliament);
  - Budget organizations (MABAs, ABAs and RBAs), including state-owned enterprises (SOEs); and
  - Subnational governments (SNGs).

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<sup>8</sup> Chamber of Accounts of the Republic of Tajikistan, *Development Strategy of the Chamber of Accounts of the Republic of Tajikistan for 2019 – 2023*, Dushanbe, 'R-Graph,' 2020.

## 2.5. Other key features of PFM and its operating environment

67. There is a high degree of centralization of the core features of the PFM system as evidenced by the inclusion of revenue and expenditure indicators of the national budget in the annual budget law that is comprised of the budget of central government, local government bodies and the Social Protection Fund. Only two types of taxes are assigned to local governments in the Tax Code, and none of them represent significant sources of revenues. For all other types of tax revenues, the GoRT adjusts its annual tax-sharing arrangements. Local authorities have the right to use revenues received in excess of the approved amounts, but those surplus amounts are not substantial. In fact, they help address only immediate needs and restrict the motivation of SNGs to develop their own strategic plans.<sup>9</sup>
68. The most recent reform strategy (PFMRS) outlines major policy objectives of PFM for the next decade as following: (i) improving fiscal discipline, (ii) enhancing allocative efficiency of public resources, (iii) strengthening control over the use of financial resources and targeted public expenditure, (iv) realistic strategic planning of public expenditure for defined priorities, (v) increasing operational efficiency, and (vi) ensuring transparency and accountability of public financial resources.
69. Until 2018, the main dialogue platform on PFM reform implementation between GoRT and development partners was the high-level PFM Council and a Secretariat within the MoF. Both structures were established by the initiative of the MoF to discuss and decide on strategic PFM issues, coordinate development partner activities, and monitor PFMRS implementation. The PFM Council and the PFM Secretariat used to meet quarterly (and later on, semi-annually), but in particular the PFM Secretariat over time became inactive. Lack of monitoring of the previous PFM Reform Strategy, frequent staff turnover in key economic institutions, and increased reliance of donors on bilateral communication channels with the government have all contributed to malfunctioning of the PFM Secretariat. There is presently no joint forum for the government and development partners to discuss PFM reforms, which is instead covered bilaterally and at project level. The COVID-19 outbreak has disrupted the MoF's plans, which were centered around the re-creation of a PFM Secretariat to monitor and discuss the implementation progress of newly approved PFMRS-2030 and its mid-term action plan.
70. Coordination between development partners in the area of PFM (and public administration) takes place through the Development Coordination Council's (DCC) thematic working group on PFM and Public Administration. The working group meets quarterly but additional meetings can be arranged upon need.
71. Many areas of PFM reform in Tajikistan are supported by development partners, but the PFM sector is by no means congested with donor presence. For instance, USAID and FCDO (ex-DFID) have phased out from PFM. IMF has not had a dedicated program with the GoRT under its flagship Extended Credit Facility (ECF) for several years, which has limited its engagement in PFM. Building on its past support, the European Union is currently designing new technical assistance intervention to support PFM reform, focusing on education and health sectors. SECO is also considering the provision of technical assistance to support PFM reform starting from 2022. As of December 2021, only the World Bank,

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<sup>9</sup> Ministry of Finance of the Republic of Tajikistan and the World Bank. *Public Expenditure and Financial Accountability Assessment, 2017*. Dushanbe, Republic of Tajikistan.

Embassy of the United States in Tajikistan and partner UN agencies are providing technical assistance in support of the implementation of PFM reforms in Tajikistan.

### 3. Assessment of PFM performance

#### PILLAR ONE: Budget reliability

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

72. This indicator measures the extent to which aggregate budget expenditure outturn reflects the amount originally approved, as defined in government budget documentation and fiscal reports. There is one dimension for this indicator – ‘Dimension 1.1. Aggregate expenditure outturn.’

##### 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	The government’s aggregate expenditure outturn amounted to 112.7% of the initially approved budget parameters in 2018, 97.5% in 2019, and 93.7% in 2020.

##### 1.1 Aggregate expenditure outturn

Table 11: Total budget and actual expenditure in Tajikistan, 2018-2020 (in million TJS).

Table: Total budget and actual expenditure (in million TJS)			
	FY 2018	FY 2019	FY 2020
Budget	21,337.4	24,271.8	26,451.8
Actual	24,045.5	23,665.3	24,798.5
% Deviation	12.7	-2.5	-6.3

73. For the period from 2018 to 2020, aggregate government expenditure outturn in Tajikistan deviated from 2.5% to 12.7% of the originally budgeted (i.e. planned) parameters. Accordingly, aggregate budget outturn deviated from planned expenditures by 2.5% in 2019, 6.3% in 2020, and more than 10% in 2018 respectively. In 2018, budget outturn exceeded planned parameters by 12.7% as a result of spending more than 3 billion somoni from the attracted Eurobonds. Because the deviation exceeds 5% in two of the three years, the score for the present dimension is ‘B’, representing a slight deterioration in budget reliability as compared with the previous assessment.

##### PI-2. Expenditure composition outturn

74. This indicator measures the extent to which reallocations between the main budget categories during execution have contributed to variance in expenditure composition. It contains three dimensions and uses the M1 (WL) method for aggregating dimension scores.

## Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-2. Expenditure composition outturn</b>	D+	
2.1 Expenditure composition outturn by function	D	Based on data from 2018-2020, analysis of expenditure composition by functional classification suggests that the deviation from the original plan exceeded 15% in two of the last three years.
2.2 Expenditure composition outturn by economic type	D	Based on data from 2018-2020, analysis of expenditure composition by economic classification suggests that the deviation from the original plan exceeded 15% in the past three years.
2.3 Expenditure from contingency reserves	A	Expenditure outturn from contingency reserves comprised on average 1.6% of total government expenditure in 2018-2020.

### 2.1. Expenditure composition outturn by function

75. In total, there are 14 functions (or sectors) which are subsequently broken down into second-tier and third-tier sub-functions in accordance with the functional budgetary classification. During the three years assessed, variance of aggregate expenditure composition by functional classification comprised 27.7% in 2018, 13.4% in 2019, and 19.6% in 2020 (see Annex 5). High level of capital expenditure in 2018, e.g. for continued construction of Rogun HPP, was largely financed by the remaining balance of Eurobond proceeds issued the year before and also by gold sales from government deposits (although this information is not included in the draft budget proposal). The energy sector absorbed most funding increase in 2018. In 2019, energy sector, as well as culture and sport, accounted for the bulk of the increase in public expenditure. In the 2020 pandemic year, the government has significantly increased its health spending to ensure that the national healthcare system is able to cope with the pandemic.
76. According to reviewed data and estimation methodology that is standardized in the PEFA Framework, the score for the present dimension is 'D', which is the same as in the previous assessment.

### 2.2. Expenditure composition outturn by economic type

77. Expenditure composition outturn is consolidated and aligned across different budgetary classifications. The discrepancy between budgeted expenditure allocations and expenditure outturn was 26.8% in 2018, 19.9% in 2019, and 18.7% in 2020 respectively. In addition to growth of capital expenditure in 2018, public-sector wages, pensions, and other social payments increased by 15% as of September 1, 2018. In the following year, i.e. in 2019, social payments and recurrent expenditure notably increased. And in the 2020 pandemic year, the government increased spending on medical services and significantly expanded its Targeted Social Assistance (TSA) program, ensuring its national coverage, coupled with additional one-time cash payments to the poorest families.
78. As a comparison, the variance between budgeted and outturn figures in 2017 was less than 15% in at least two of the three reporting years, whereas in 2021 the variance exceeded 15% in all three reporting years. At the same time, the quality of public spending improved slightly compared to 2017,

as evidenced by a sharp increase in social spending and fiscal outlays in response to the 2020 pandemic.

79. The score for this dimension is 'D', which is similar to the previous assessment.

### **2.3. Expenditure from contingency reserves**

80. Expenditure from contingency reserves over the course of financial year affects total government spending by functions and economic categories. This is because contingency reserves may be triggered and disbursed upon the decision of the GoRT or the President of the Republic of Tajikistan after the annual budget legislation is endorsed. At the same time, actual expenditures from contingency reserves are relatively small and cannot significantly alter total expenditure allocation across sectors and economic categories.

81. In Tajikistan, contingency reserves include the following: (i) Reserve Fund of the President of the Republic of Tajikistan, (ii) Contingency Fund of the Government of the Republic of Tajikistan, (iii) Stabilization Fund for the Development of Economy, and (iv) Reserve Funds of subnational governments. According to amendments to the Public Finance Law (#1535 dated May 17, 2018), the Fund of the Founder of Peace and National Unity, Leader of the Nation has been created (in the amount of 0.2% of the total volume of revenues in the government budget and included in the central government budget).

82. *Reserve Fund of the President of the Republic of Tajikistan* forms part of the central government budget and is equivalent to 2% of aggregate government revenues. This is provisioned in Article 46 of the Law of the Republic of Tajikistan 'On Public Finances' and Article 9 of the Law of the Republic of Tajikistan 'On the State Budget of the Republic of Tajikistan for 2021'.

83. *Contingency Fund of the Government of the Republic of Tajikistan* is governed by the GoRT. The Contingency Fund cannot exceed 0.5% of aggregate government revenues (Article 45 of the Law of the Republic of Tajikistan 'On Public Finances'). The Law of the Republic of Tajikistan 'On the State Budget of the Republic of Tajikistan for 2021' states that approved spending allocation to the Contingency Fund from the central government budget is 101 million somoni.

84. *Stabilization Fund for the Development of Economy* in the general government budget has been established in 2009 in order to maintain macroeconomic stability, ensure the stability of the public finance system, and create guarantees for the fulfillment of state obligations. The Stabilization Fund for the Development of Economy was established via the GoRT Resolution #428 on July 28, 2009, which regulates the procedure for the formation and use of the funds. According to point 2 of this Resolution, the fund is formed through 20% contribution from excess revenues of subnational governments and 30% contribution from excess revenues from the central government budget under certain conditions, which are set out in more detail in the Resolution.



**Table 12: Fiscal performance of contingency funds in Tajikistan, 2018-2020 (in million TJS).**

	FY 2018		FY 2019		FY 2020	
	Budget	Outturn	Budget	Outturn	Budget	Outturn
Reserve Fund of the President	315.4	315.4	350.0	54.5	384.0	155.1
Contingency Fund of the GoRT	78.8	28.5	87.5	29.6	96.0	84.2
Reserve funds of SNGs	24.0	19.7	29.3	22.8	32.0	24.5
Stabilization Fund for Econ. Development	213.5	147.5	213.5	158.7	213.5	56.2
Total government spending, total	21,337.4	24,045.5	24,271.9	23,665.3	26,451.8	24,798.5
Aggregate contingency expenditure (in % of total government spending)	2.96	2.13	2.80	1.12	2.74	1.29

85. *Reserve funds of subnational governments (SNGs)* equal 0.5% of total revenues of respective SNGs. Article 12 of the Law of the Republic of Tajikistan 'On the State Budget of the Republic of Tajikistan for 2021' determines that total revenues of SNGs are expected to comprise 8,211.5 million somoni (including inter-governmental fiscal transfers, IGFTs) or 7,049.9 million somoni (excluding IGFTs). Thus, aggregate reserve funds of all subnational governments are expected to equal about 35.2 million somoni in FY'2021. This is also based on the Resolution of the GoRT 'On Approval of the Standard Procedure for the Formation and Use of the Reserve Fund of Local Executive Bodies of State Power' (#946 dated 19 March 2013), and (iii) Article 33 of the Constitutional Law of the Republic of Tajikistan 'On Local Bodies of State Power' (#28 dated 17 May 2004; last amended on 22 July 2013, #1012).
86. According to the table above, total expenditure from contingency reserves comprised on average 2.83% of total government expenditure according to budgeted allocations at the beginning of each year, and 1.51% of total government expenditure according to outturn figures during 2018-2020. The actual disbursement of resources earmarked as contingency reserves deviated from original allocations by 19.1% in 2018, 61% in 2019, and 55.9% in 2020 respectively. Based on the review of budget performance, less than 3% of total government spending was charged to a contingency vote, i.e. earmarked for contingency reserves in line with the national legislation.
87. Hence, the score for this dimension is 'A' as it was in the previous assessment.

### PI-3. Revenue outturn

88. This indicator measures the change in revenue between the original approved budget and end-of-year outturn. It contains two dimensions and uses the M2 (AV) method for aggregating dimension scores.

#### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-3. Revenue outturn</b>	<b>B+</b>	
3.1 Aggregate revenue outturn	A	Revenue outturn was between 98.2% and 105.3% in the last three years (2018-2020), compared to original forecasts.
3.2 Revenue composition outturn	B	The variance in revenue composition was less than 10% in two of the last three years (namely, 2019 and 2020).

### 3.1. Aggregate revenue outturn

89. The MoF is responsible for revenue planning and forecasting, while the Tax Committee under the GoRT oversees tax administration. Other ministries, departments and agencies (MDAs) contribute by providing information about their respective (sectoral, territorial or institutional) tax and non-tax revenues.
90. The MoF records grants and loans from development partners as part of the overall revenue envelope, which is not consistent with the IMF's GFSM 2014. Special funds of budgetary organizations constitute own revenues generated by public sector entities that they are able to spend at their own discretion over the course of the financial year. Public investment program (PIP) is a sum of external financing for the implementation of investment projects and government co-financing of these projects. The calculations that formed the basis for scoring of Dimension 3.2 were based on the premise that loans (i.e. debt) from foreign governments and foreign organizations should not be included as government revenues.

**Table 13: Aggregate government revenue in Tajikistan, 2018-2020 (in million TJS).**

	FY 2018		FY 2019		FY 2020	
	Budget	Outturn	Budget	Outturn	Budget	Outturn
Tax revenues	13,058.2	12,926.9	14,311.5	14,069.2	13,333.8	12,978.1
Taxes in income, profit and capital gains	3,331.8	3,434.8	3,848.1	3,813.6	3,933.0	3,575.7
Taxes on property	340.6	357.6	355.8	371.0	370.1	374.3
Taxes on goods and services	3,695.2	3,320.8	4,051.0	3,449.4	3,790.5	3,317.6
Taxes on international trade/transactions	4,735.6	4,774.1	5,070.7	5,410.0	4,223.4	4,676.4
Other taxes	955.0	1,039.6	985.9	1,025.3	1,016.8	1,034.2
Social security contributions	1,682.0	1,638.0	1,810.0	1,706.2	1,748.0	1,686.9
Grants	1,914.9	1,970.8	1,862.3	1,720.0	2,950.1	3,046.4
Grants from foreign governments	405.0	100.7	300.0	0.0	1,230.0	1,150.7
Grants from international organizations	1,509.9	1,870.0	1,562.3	1,720.0	1,720.1	1,895.7
Other revenue	1,818.4	2,019.2	1,813.0	2,025.4	1,728.4	1,895.4
Sales of goods and services	466.8	476.0	543.5	575.2	562.8	535.0
Fines, penalties and forfeits	238.8	389.8	256.0	413.6	133.0	210.8
Transfers not elsewhere classified	1,112.7	1,153.4	1,013.5	1,036.6	1,032.6	1,149.7
Sum of rest	2,612.5	3,657.9	2,623.5	2,500.5	4,949.6	5,458.1
<b>Total government revenues*</b>	<b>21,085.9</b>	<b>22,212.8</b>	<b>22,420.3</b>	<b>22,021.4</b>	<b>24,709.8</b>	<b>25,065.0</b>
% performance (outturn vs. budget)	--	105.3	--	98.2	--	101.4
Loans from foreign governments, etc.	1,764.6	1,712.7	1,508.8	1,448.0	1,827.0	1,835.7
<b>Total government revenue (incl. loans)**</b>	<b>22,850.5</b>	<b>23,925.5</b>	<b>23,929.1</b>	<b>23,469.4</b>	<b>24,709.8</b>	<b>25,065.0</b>

/\* Excluding loans from foreign governments and organizations that the GoRT classifies as revenues.

\*\* Aggregate numbers are consistent with figures from the MoF's annual budget performance reports.

91. Taxes on goods and services, such as sales taxes, domestic VAT and excises, and taxes on international trade (e.g. external VAT and excises), have jointly accounted for one third of total government revenues and fluctuated by a significant margin in all three years. Other sizeable sources of government revenues include external grants (which accounted for 12.2% of total revenues in 2020 due to the pandemic) and special funds or revenues of public sector entities (which accounted on average for 10-13% of total revenues in the last three years). Both external grants and special funds have also fluctuated significantly against original forecasts in 2018-2020.
92. In 2018-2020, aggregate revenue outturn ranged from 105.3% in 2018 to 98.2% in 2019 and 101.4% in 2020 against budgeted allocations, which corresponds to a score of 'A', demonstrating improvement compared to the previous assessment.

### 3.2. Revenue composition outturn

93. In 2018-2020, the largest deviations between outturns and budgeted allocations were exhibited by property taxes, value added taxes (VAT) and excise taxes. At the same time, these observed deviations were compensated by improved performance of other categories of tax revenue. While tax revenue performance was modest in 2019, the 2020 pandemic year was largely affected by COVID-19 and its broader economic impact, most notably resulting in the initial reduction of revenues by 10% against the original plan before amendments were introduced to the state budget in July 2020 and sizeable support/financing provided to the government from external sources. Total government revenue composition variance was equivalent to 12.2% in 2018, 8.8% in 2019, and 9.3% in 2020 respectively (see Annex 5).
94. Based on the budgetary data analysis, the score for the present dimension is 'B'. This is similar to the score from the previous assessment.

## PILLAR TWO: Transparency of public finances

### PI-4. Budget classification

95. This indicator assesses the extent to which the government budget and accounts classification is consistent with international standards. There is one dimension for this indicator.

#### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-4. Budget classification</b>	B	
4.1 Budget classification	B	The budget classification breaks down revenues and expenditures are aligned with GFS 2001, but program classification is only being piloted since 2019 and has not yet been rolled out across the whole government sector.

#### 4.1. Budget classification

96. The Law on Public Finance of 2011 (Article 9) defines six categories of classification of the government budget: (i) functional, (ii) economic, (iii) administrative, (iv) program, (v) by sources of financing, and

(vi) territorial. Budget classification and the Unified Chart of Accounts (UCoA) are integrated, were approved by the MoF in July 2012 and were fully implemented in 2015. In 2015, the MoF issued Instructions on the Application of Classification of Revenues and Expenditures of the State Budget of the Republic of Tajikistan, which provides detailed breakdown of each category of budget classification using the Government Finance Statistics Manual (GFSM) and the Classification of the Functions of Government (COFOG).

97. The budget classification is aligned with the GFSM 2001. However, the MoF is currently implementing a transition path to GFSM 2014, which will improve budget presentation in line with the best international practice. To this end, a working group was established to implement this work in line with the timeline agreed upon with IMF (Order of the Minister of Finance of the Republic of Tajikistan #216 dated 2 November 2018).
98. Improvements since the last PEFA assessment are evident. At the same time, shortcomings in the application of the budget classification may affect presentation of the consolidated government budget. The Public Investment Program (PIP) is not classified across recurrent and capital expenditure categories, and remains unresolved. In addition, the proceeds of external loans received by the government are also classified as revenues, instead of borrowings (while only grants should be classified as revenues in accordance with the GFSM 2014). Furthermore, receipts from the sale of gold and inter-budgetary settlement revenues should be excluded from revenues to avoid double accounting. These and other issues in relation to budget classifications may lead to inaccurate reporting of fiscal deficits.

**Table 14: Description of budget classification structure in Tajikistan.**

Budget classification	Brief description
Functional classification	10 main headings of the COFOG with sub-functions are included within the functional budget classification.
Economic classification	The economic budget classification/Chart of Accounts is able to produce reports consistent with the Government Finance Statistics (GFS) 2001 standards with 3 digits.
Administrative classification	Administrative budgetary classification for central government and subnational governments are both available and have been used since 2010-2012.
Program classification	Program classification was introduced on a pilot basis in six sectors (education, health, social protection, energy, agriculture, and transport and communications) and corresponding program classifications are developed and published as an annex to the annual budget legislation.
Funding classification	The Central Treasury of the MoF uses the classification by sources of financing in accordance with the corresponding Ministerial Order issued in 2011.
Territorial classification	Territorial (or geographic) classification was fully utilized with the adoption of the new Tajikistan Financial Management Information System (TFMIS) in 2014. Territorial classification covers all 68 municipalities (districts and cities) across the country.

99. Program budgeting in Tajikistan was introduced in 2018 through the Order of the Minister of Finance of the Republic of Tajikistan #120 dated 11 April 2018. Program budgeting is currently being piloted in six sectors: (i) education, (ii) health, (iii) social protection, (iv) energy, (v) agriculture, fishery and hunting, and (vi) transport and communications.

100. As program budgeting is not fully rolled out yet across the government sector, the score for this dimension is 'B' as in the previous assessment. However, the piloting of program budgeting as well as the adoption of a migration path by the MoF towards GFS 2014 demonstrates substantive improvements.

## PI-5. Budget documentation

101. This indicator assesses the comprehensiveness of the information provided in the annual budget documentation, as measured against a specified list of basic and additional elements. There is one dimension for this indicator.

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-5. Budget documentation</b>	A	
5.1 Budget documentation	A	Budget documentation fulfills 10 elements (from the table below), including all four basic elements that should go into the budget proposal.

### 5.1. Budget documentation

102. Article 44 of the Law of the Republic of Tajikistan 'On Public Finances' defines which documents should be submitted alongside the draft budget legislation for next financial year. In accordance with the Instruction for the 2<sup>nd</sup> phase of the budget preparation (issued via the Order of the Minister of Finance No.75 on June 30, 2020), budget proposal for 2021 and estimated parameters for 2022-2023 are submitted initially to the Government of the Republic of Tajikistan by 20<sup>th</sup> September, followed by submission of draft budget proposal by the government to the Parliament in October for scrutiny and approval.

**Table 15: Basic and additional elements of the budget proposal in Tajikistan.**

Element/ Requirements	Met (Yes/No)	Evidence used/Comments
<b>Basic elements</b>		
1. Forecast of the fiscal deficit or surplus or accrual operating result	Yes	Forecast of the overall fiscal balance for the next three years is included in the macro-fiscal framework (in tabular format) and the 'Explanations of the Main Directions of Financial and Fiscal Policy of the Republic of Tajikistan,' which are annexed to draft budget legislation during its submission. However, forecast for fiscal deficit is not accurate as it is not in line with the GFSM 2014.
2. Previous year's budget outturn, presented in the same format as the budget proposal	Yes	Draft budget legislation that is submitted to the GoRT and the Parliament includes previous year's budget outturn, and is presented in the same format as the budget proposal (i.e. they are comparable at the same aggregate level).
3. Current fiscal year's budget presented in the same format as the budget proposal	Yes	Draft budget legislation that is submitted to the GoRT and the Parliament includes the current year's budget, which is presented in the same format as the budget proposal (i.e. they are comparable at the same aggregate level).
4. Aggregated budget data for	Yes	The budget proposal includes aggregate data for both revenue

both revenue and expenditure		and expenditure. The macro-fiscal framework and the draft Law of the Republic of Tajikistan 'On the State Budget' reflect this aggregated budget data presentation.
<b>Additional elements</b>		
5. Deficit financing, describing its anticipated composition	Yes	The budget proposal contains aggregated information on domestic, foreign, and guaranteed debt, including deficit financing and anticipated composition. This is subsequently reflected in the annual Law of the Republic of Tajikistan 'On the State Budget'.
6. Macroeconomic assumptions, including at least estimates of GDP growth, inflation, interest rates, and the exchange rate	Yes	The three-year macro-fiscal framework (in tabular format) and the 'Explanations of the Main Directions of Financial and Fiscal Policy of the Republic of Tajikistan' are part of the budget proposal and include key macroeconomic estimates and assumptions, including GDP growth, inflation, and exchange rate for the next three years (although information on the exchange rate forecasts is not publicly disclosed).
7. Debt stock, including details at least for the beginning of the current fiscal year presented in accordance with GFS or other comparable standard	Yes	Aggregate debt stock for the next three years is included in the macro-fiscal framework (including anticipated debt servicing cost in absolute figures) and the 'Explanations of the Main Directions of Financial and Fiscal Policy of the Republic of Tajikistan' that are submitted to the legislature. All figures are GFS-compliant, except plans for Rogun financing (such as external borrowing and sales of gold).
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	Limited information on the financial assets (in GFS-compliant format) is provided in the budget proposal, e.g. loans owned by the GoRT and foreign reserves, including the 'Explanations of the Main Directions of Financial and Fiscal Policy of the Republic of Tajikistan' at least for the beginning of the current fiscal year (namely, 2021).
9. Summary information of fiscal risks	No	The 'Explanations of the Main Directions of Financial and Fiscal Policy of the Republic of Tajikistan', which are provided to the GoRT and the Parliament as supporting documentation in the budget proposal currently do not include sufficient information on fiscal risks.
10. Explanation of budget implications of new policy initiatives and major new public investments, with estimates of the budgetary impact of <i>all</i> major revenue policy changes and/or changes to expenditure programs	Yes	All new policy initiatives and major new public investments are well-articulated in the budget proposal and subsequently discussed by the GoRT and the Parliament at the time of reviewing the proposed budget parameters. The budgetary impact assessment is rudimentary, but the information submitted to the legislature covers all major policy changes to revenues and/or expenditures.
11. Documentation on the medium-term fiscal forecasts	Yes	Medium-term fiscal forecasts are provided in the three-year macro-fiscal framework (in tabular format) and are further articulated in the 'Explanations of the Main Directions of Financial and Fiscal Policy of the Republic of Tajikistan'.
12. Quantification of tax expenditures	No	Although some information on the revenue foregone due to preferential tax treatments (e.g. exemptions, deductions, etc.) is provided by the MoF, it is not always as rigorous and often does not offer assessment of impact on the government budget.

103. The requirements are met for all four basic elements and 6 additional elements out of 8. The last assessment had indicated that all 12 benchmarks were achieved, though such an assessment may not

have been accurate. Unlike in the last assessment, summary information of fiscal risks and quantification of tax expenditures is not available (or available but not adequate or comprehensive). Thus, the score for the dimension is 'A', and the quality of supporting documents has improved.

## PI-6. Central government operations outside financial reports

104. 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.

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-6. Central government operations outside financial reports</b>	A	
6.1 Expenditure outside financial reports	A	There are no known expenditures outside consolidated financial reports of the Central Treasury of the MoF. Expenditure outside government financial reports comprises less than 1% of total government expenditure.
6.2 Revenue outside financial reports	A	All revenue categories are reported in the MoF's financial reports. Revenue outside financial reports comprises less than 1% of total government revenue.
6.3 Financial reports of extrabudgetary units	A	There are no extrabudgetary units (separately from public corporations) that are not fully covered by the general government budget. Financial reports are submitted to the government annually within three months of the end of the fiscal year.

### 6.1. Expenditure outside financial reports

105. All government expenditures are adequately recorded and reflected in the Treasury Single Account (TSA) and the Central Treasury of the MoF. This consolidation of financial accounts has been further strengthened by the adoption of new treasury legislation in January 2020. In particular, the new Law of the Republic of Tajikistan 'On Treasury' was adopted via the Decree of the President of the Republic of Tajikistan #1674 dated 2 January 2020. The new legislation builds upon the implementation of the TSA since 2015, which is institutionalized at central government and subnational levels.

106. Pension and social insurance payments are presently disbursed through the State Savings Bank (SSB) 'Amonatbank'. The government is currently transitioning accounts of the Agency for Social Insurance and Pensions (ASIP) to an integrated TSA. At the same time, financial reports produced by the MoF include consolidated information on the ASIP and its pension and social insurance payments. More recently, the Treasury System and Public Sector Accounting Reform Roadmap for 2019-2024 was approved in October 2019 and, once implemented, will enable the MoF to strengthen tracing of the flow of public funds in the treasury system across the board.

107. Since 2009, all financial operations with respect to special funds of budgetary organizations (at the central government level) – i.e. expenditure generated by public sector entities – are included in the financial reports of the MoF and submitted to the GoRT and the Parliament. Special funds are also adequately reflected in the Single Treasury Account (STA) and are routinely included in budget performance reports. Likewise, aggregated parameters with respect to special funds are included in the budget proposal submitted annually to the legislature.

108. Finally, although financial reporting format for the PIP is not fully streamlined with the MoF’s budget performance reports, PIP expenditures are fully included in the financial reports of central government operations. The proportion of PIP in total government spending ranged from 12.4% to 14.7% during 2018-2020. External financing of PIP varied from 7.6% to 8.8% of total PIP expenditure.

**Table 16: Proportion of special funds and PIP in total government spending, 2018-2020 (in million TJS).**

Year		Total government expenditure	Of which:			Share of special funds in total govt expenditure
			Core budget expenditure	Special funds of public sector entities	Externally financed PIP	
2018	Budget	21,337.4	16,865.5	1,461.1	3,010.8	6.8
	Outturn	24,045.5	19,232.5	1,819.7	2,993.3	7.6
2019	Budget	24,271.8	18,807.3	1,724.6	4,241.7	7.7
	Outturn	23,665.3	18,583.4	2,133.5	3,138.1	7.0
2020	Budget	26,451.8	19,849.5	2,078.8	4,523.5	7.9
	Outturn	24,798.5	18,957.5	2,186.9	3,654.1	8.8

109. On this basis, there are no public expenditures outside financial reports produced by the Central Treasury of the MoF. Hence, the score for the present dimension is ‘A’ as it was in the previous PEFA assessment from 2017.

## 6.2. Revenue outside financial reports

110. Government revenues include tax and non-tax revenues, external support in the form of grants and loans, as well as special funds (own revenues) of public sector entities. As with expenditure, all revenue categories are fully reflected in the Single Treasury Account (STA). MDAs cannot open bank accounts in credit/financial institutions without prior approval of the central treasury officials. All special funds are accounted for in the STA, including revenues in excess of anticipated parameters (i.e. revenues that exceed original plans). The proportion of special funds in total government revenue was 12.1% in 2018, 9.4% in 2019, and 9.7% in 2020. Revenues incurred by the Agency for Social Insurance and Pensions (ASIP) are fully accounted for by the ASIP and subsequently reflected in the financial reports of the Central Treasury of the MoF. Financial reports also include information on the revenues of externally funded PIP.

111. Accordingly, all categories of public revenue are reported in the MoF’s financial reports. Hence, based on the supporting evidence and the STA, the score for the present dimension is ‘A’ and is unchanged from the previous assessment.

## 6.3. Financial reports of extrabudgetary units



112. In reference to 2014 GFSM, special funds are regarded in this PEFA assessment as ‘extrabudgetary funds’, and all public sector entities (e.g. educational and healthcare institutions, administrative service units, SOEs, etc.) that generate revenues from the provision of fee-based services should be classified as extrabudgetary units. They operate under the authority and control of a central or subnational government and have their own revenue sources, which may be supplemented by transfers from the general government budget or from other sources. Annual financial reports of these public sector entities are routinely submitted to respective Main Administrators of Budget Allocations (MABAs) and subsequently to the MoF (or directly to the MoF) within three months of the end of the fiscal year. Discussions with relevant MoF officials and records demonstrated that all financial reports of extrabudgetary funds are submitted to MABAs, and subsequently to the MoF, accurately and in a timely manner. Financial reports of budgetary units (i.e. extrabudgetary units, EBU) are prepared on an accrual accounting basis and include guarantees and long-term obligations.

113. All special funds are effectively ‘on-budget’ and ‘on-treasury’, meaning that they are duly reflected in financial reports and budget performance reports. In accordance with Article 19 of the Law of the Republic of Tajikistan ‘On Treasury’, all central government entities and subnational entities are fully covered by the general government budget and are required to submit periodic budgetary and financial reports to the Central Treasury of the MoF. In 2021, the MoF issued a new instruction requiring all public sector entities, which have special fund accounts (i.e. which have their own revenue sources), to submit quarterly, semi-annual and annual reports to the MoF’s Central Treasury.

**Table 17: Financial reports of special funds of public sector entities in Tajikistan.**

Name of extrabudgetary unit	Date of annual financial report completed and submitted to the MoF	Date of annual financial report of the central govt consolidated by the MoF	Content of annual financial report (Y/N):			Expenditure as a percentage of total extrabudgetary unit expenditure (estimated)
			Expenditures and revenues by economic classification	Financial and non-financial assets and liabilities	Guarantees and long-term obligations	
Republican budget (67 MABAs) <sup>10</sup>	30 March 2021	15 June 2021	Revenue – TJS 11,034 million Expenditure – TJS 11,515.7 million	Financial and non-financial assets – TJS 48,176.9 million Liabilities – TJS 4,079.6 million	Yes	15.3
Subnational budgets (17 MABAs) <sup>11</sup>	30 March 2021	15 June 2021	Revenue – TJS 7,343.4 million Expenditure – TJS 7,068.6 million	Financial and non-financial assets – TJS 62,052.2 million Liabilities – TJS 4,405.4 million	Yes	5.7

<sup>10</sup> E.g. Executive Office of the President, 13 ministries (e.g. justice, foreign affairs, finance, education and science, agriculture, etc.), state committees (e.g. SCISPM, State Committee for National Security, etc.), committees (Committee for Women and Family Affairs, Committee for Emergency Situations and Civil Defense, Committee for Television and Radio, Central Committee for Elections and Referenda, etc.), agencies (e.g. Agency for Civil Service, Agency for State Material Reserves, Agency for Statistics, etc.), and other central government entities (e.g. General Directorate for State Secrets, Main Archive Office of the Government, Office of Human Rights Ombudsman, General Prosecutor’s Office, Constitutional Court, Supreme Economic Court, General Department of Geology, and others).

<sup>11</sup> These subnational MABAs include municipalities of Dushanbe, Soghd oblast, Khatlon oblast, GBAO, and 13 districts of republican subordination (DRS).

114. Based on the analysis and supporting evidence, the score for the present dimension is 'A'. It is similar to the score from the previous assessment.

## PI-7. Transfers to subnational governments

115. 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.

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-7. Transfers to subnational governments</b>	C+	
7.1 System for allocating transfers	D	Although the MoF discloses information on the amounts budgeted and transferred to subnational governments, the allocation of subventions (comprising more than 95% of all IGFTs) does not currently follow a rules-based approach.
7.2 Timeliness of information on transfers	A	Detailed information on IGFTs is provided to SNGs on a timely basis (in line with the regular budget calendar), is generally adhered to, and provides required information for SNGs several months in advance of the new financial year (often in August).

### 7.1. System for allocating transfers

116. Intergovernmental fiscal transfers (IGFTs) are allocated by the central government to balance revenues and expenditures of subnational governments (SNGs) on an annual basis. The Law of the Republic of Tajikistan 'On Public Finances' defines the following five types of intergovernmental fiscal transfers in Tajikistan: (i) *dotations* or general-purpose grants; (ii) *subventions* or targeted (i.e. earmarked) grants; (iii) *subsidies* or matching grants; (iv) *mutual settlements* (although not defined in legislation, but in practice these serve as transfers of funds between tiers of government in addition to transfers envisaged by the Law of the Republic of Tajikistan 'On the State Budget'); and (v) *individual grant* to Dushanbe as the capital city.

117. Until 2016, the annual budget legislation adopted only one type of transfer – subventions, with the objective 'to balance revenue and expenditure of SNGs'. Since 2017, the MoF allocates subventions for wage payments and '*dotations*', as general-purpose or balancing transfers. These transfers go to district, city, and regional municipalities. For instance, in 2020, regional municipality (*hukumat*) in the Gorno-Badakhshan Autonomous Oblast (GBAO) received subventions in the amount of TJS 38.3 million, while seven districts<sup>12</sup> in GBAO also received a combined TJS 150.9 million in subventions from the central government.

<sup>12</sup> Darvoz, Vanj, Rushon, Shughnon, Roshtqala, Ishkoshim, and Murghob.

**Table 18: Intergovernmental fiscal transfers in Tajikistan, 2020 (in million TJS).**

Category of horizontal transfer	Budget		Actuals	
	Amount (in million TJS)	Transparent and rule-based (Y/N)	Amount (in million TJS)	Transparent and rule-based (Y/N)
Subventions	900.57	No	882.53	No
<i>of which:</i> Khatlon oblast	485.33	No	477.98	No
<i>of which:</i> DRS	220.65	No	215.40	No
<i>of which:</i> GBAO	194.58	No	189.16	No
Dotations (to Sangvor district)	3.20	Yes	0.00	No

118. On the revenue side, the budget classification reflects only two lines for treasury operations on the transfer of funds from one tier of government to another ('subventions' and 'mutual settlements') and one line on the expenditure side to reflect general-purpose transfers (*dotations*). Historically, subventions and general-purpose transfers consolidated those two without providing further breakdown to track and analyze performance of IGFTs across the board.

119. Accordingly, IGFTs are not clearly specified in the budget reports. The volume of intergovernmental budget transfers to each SNG is estimated based on a common approach by weighing expenditure needs against the agreed projections on local tax collections and shared taxes and deriving the difference as the volume of a transfer to a particular SNG. Specifically, this is the situation in the case of subventions which comprise more than 95% of all IGFTs, followed by mutual settlements and dotations. In 2020, subventions to SNGs equaled 882.5 million TJS and were disbursed to 20 out of 24 municipalities in Khatlon oblast, 8 out of 13 districts of republican subordination (DRS), and all 8 municipalities in the Gorno-Badakhshan autonomous oblast (GBAO). In general, subventions are provided by the MoF to 36 out of 68 municipalities (i.e. districts and cities) throughout Tajikistan. The calculation of the level of IGFTs is not formula-based, but subject to negotiations based on financial needs of SNGs. There are no written and approved procedures defining these negotiations and subsequent determination of the amounts of budgeted IGFT allocations.

120. Therefore, based on the analysis of the current situation, the score for the present dimension is 'D', which differs from the score which was assigned in the previous PEFA assessment ('C'). The last assessment had accounted for per-capita financing (PCF) pilots that were rolled out in the education sector, but PCF should not have been regarded as a form of IGFT because PCF allocations do not imply that a transfer takes place across levels of government. Once PCF allocations are approved at the beginning of the fiscal year, their financing is ensured entirely by subnational governments without IGFTs. Since there is no need to account for PCF allocations, the last assessment score for this dimension should have been 'D' instead of 'C'.

## 7.2. Timeliness of information on transfers

121. Intergovernmental fiscal transfers (IGFTs) – namely, the size of each transfer (i.e. allocation) for a respective subnational municipality and the sum of all transfers to all subnational governments (SNGs) – are defined in the budget proposal and subsequently included in the annual Law of the Republic of Tajikistan 'On the State Budget' that enters into force from 1<sup>st</sup> of January. Relevant SNGs are informed about these parameters by the MoF – namely, hukumats of oblasts, districts and cities. This information on the prospective volume/size of IGFTs is provided to SNGs in August in line with the annual budget formulation process and budget circular. Hence, SNGs have several months in

advance of the new financial year to plan their budgets. In turn, hukumats submit these budget parameters – specifically, SNG budgets and any IGFTs - for approval to the assembly of people’s deputies (*собрание народных депутатов*). Upon approval, these parameters are broken down by quarterly transfers and are shared with respective finance departments at city, district and oblast levels. The disbursement schedule is well-known to all SNGs – the MoF establishes quarterly disbursements of IGFTs to respective subnational municipalities.

122. The largest type of IGFT, subvention, is transferred from the central government budget to the respective budgets of cities, districts and oblasts after the 20<sup>th</sup> of each reporting month, and is based on each municipality’s assessment of the financing gap and performance of the central government budget. Dotations are disbursed directly by relevant subnational governments.

123. The score for the present dimension is ‘A’ because information on IGFTs is provided to SNGs on a timely basis (in line with the regular budget calendar), is generally adhered to, and provides required information for SNGs several months in advance of the new financial year. This score is the same as in the previous PEFA assessment.

## PI-8. Performance information for service delivery

124. 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.

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-8. Performance information for service delivery</b>	D	
8.1 Performance plans for service delivery	D	Performance budgeting has not been introduced, although some elements were rolled out with program budgeting reform. Most ministries, departments and agencies (MDAs) either do not have and/or do not publish their performance information.
8.2 Performance achieved for service delivery	D	Most ministries, departments and agencies (MDAs) do not publish their performance information, including on outputs and outcomes. Outcome-level performance indicators are often not costed and thus not available.
8.3 Resources received by service delivery units	D	Resources received by service delivery units (SDUs) are duly recorded at SDU level, but are not collected and recorded (i.e. consolidated) at the central government level by relevant line ministries and are not compiled in a report.
8.4 Performance evaluation for service delivery	D	Independent evaluations of the efficiency and effectiveness of service delivery have not been carried out by the government.

## 8.1. Performance plans for service delivery

125. Although program budgeting has been launched in Tajikistan in 2010, program budget classification has been introduced on a pilot basis only in 2019. The pilot covers 6 sectors and defines program budget classification in annual budget legislation. The sectors that are included in the initial pilot for the roll out of program budgeting include education, health, social protection, energy, agriculture, and transport and communications. However, publicly disclosed budget documents in these six sectors do not currently include information on performance indicators, outputs and outcomes. Another major impediment to having adequate performance plans for service delivery is the fact that program budget classification only covers the central government. This is particularly problematic for the social sectors such as education and health which have a sizable proportion of their annual budgets financed by subnational governments (SNGs). In 2020, about 17.5% of total spending on education was broken down by program budgetary classification.
126. The sector budget plans (SBPs) represent budget proposals that are produced by all main administrators of budget allocations (MABAs) for a three-year period and include baseline budget and supplementary budget parameters. These SBPs include financial and non-financial performance indicators, but these indicators are not publicly available, and their performance does not affect resource allocation decisions. In other words, the budgeting practices are not performance-based, while limited performance indicators which are included in the SBPs are not published by respective line ministries, departments and agencies (MDAs). In sum, a common framework for performance indicators does not exist for the majority of MDAs.
127. Some limited performance information is published in progress reports on the implementation of respective sectoral strategies by respective line ministries (e.g. the National Strategy for Education Development for the period until 2030 and its medium-term operational framework), but this is largely ad hoc and does not cover the whole government sector. Besides, publicly available performance information is not published on the same basis as the budget estimates for the next financial year, i.e. by program, functional, administrative or other classifications.
128. Therefore, based on the analysis and supporting evidence, the score for the present dimension is 'D'. The score has not changed since the last assessment, indicating that progress has only been marginal in the past five years.

## 8.2. Performance achieved for service delivery

129. Performance budgeting principles have not yet been integrated in the domestic budgeting system. This means that most ministries, departments and agencies (MDAs) do not have realistic, adequately costed, and time-bound outputs and outcomes which are aligned with public resource allocations. Limited performance results are available in the MDA's sector budget plans (SBPs) but they are not aggregated in the executive's budget proposal, or in an annual budget performance report that is available in public domain. In other words, performance information (i.e. on the quantity of outputs produced and outcomes achieved, or the activities performed) is not published for the majority of the MDAs.
130. Hence, the score for this dimension has not changed since the last assessment – 'D'.

### 8.3. Resources received by service delivery units

131. In line with requirements of assessing this dimension, education and health sectors were selected to study their practices. Public resources allocated to these sectors in the past three years comprised 21.7% of total government spending in 2018, 25.7% in 2019, and 28.2% in 2020 respectively. They are also chosen because they account for the largest number of SDUs among all the other sectors in line with the functional budgetary classification.
132. In health and education, resources received (in cash or in kind) from SDUs – such as state kindergardens, schools, vocational institutions, and universities in the education sector, and primary health facilities, etc. in the health sector – are duly recorded by SDUs and available at the subnational level. They include the funds that SDUs receive from central government or subnational budgets, parental/patient fees, private sector or community contributions, donor grants, and other sources.
133. However, line ministries such as the Ministry of Education and Science (MoES) and the Ministry of Health and Social Protection of the Population (MoHSPP) do not presently consolidate this information at the central government level. Hence, information on resources received from SDUs exists but it is neither consolidated (aggregated) nor collected (requested) by respective line ministries. The Tajikistan Financial Management Information System (TFMIS) also does not contain information on resources received from SDUs by all sources and relevant breakdowns, and such information is not publicly available.
134. Therefore, background analysis and consultations warrant a score of ‘D’ for this dimension, which differs from the ‘C’ score in the last assessment. This is explained by the last assessment falsely referring to per-capita financing (PCF) in education and regular assessment of resources as justifications of the score. However, many other sources of funding of SDUs, such as private contributions (monetary and in-kind), parental fees, donor grants, and others remain unaccounted for and not consolidated by the Ministry of Education and Science (MoES). Therefore, the score in 2017 should have also been ‘D’.

### 8.4. Performance evaluation for service delivery

135. In 2017-2019, the Chamber of Accounts developed and adopted regulatory documents and guidance (i.e. manuals) on performance auditing, but various objective reasons have so far led the Chamber of Accounts to undertake performance audits only on a pilot basis. Limited externally commissioned studies have helped to broaden the understanding of the efficiency and effectiveness of service delivery, such as through the World Bank’s Public Expenditure Tracking Surveys (PETS) in the education and health sectors but they are largely ad hoc and are not undertaken systematically. However, these studies are not meeting the requirements of score ‘C’ because they were not carried out in the last three reporting years (i.e. 2018-2020) and covered only a few MDAs (namely, health and education ministries).
136. Individual service delivery agencies (e.g. education, healthcare, social security, construction and rehabilitation of roads and other infrastructure, support to agriculture, water supply, and other services) have no key performance indicators against which internal audit or external body (e.g. Chamber of Accounts) could carry out proper performance evaluation. It is necessary to train relevant employees of the services delivery agencies along with auditors of the Chamber of Accounts to conduct performance audits in accordance with the requirements of international standards. Only in

2021, the Standards of the Chamber of Accounts of the Republic of Tajikistan were adopted regarding performance audit.

137. As part of the implementation of the Public Financial Management Modernization Project II, supported by the World Bank and FCDO, all employees of the Chamber of Accounts are going through a training program to conduct performance audits. Two pilot performance audits would be launched upon the completion of the training program. Once performance auditing practice is in place, it will support the government in ensuring adequate scrutiny of performance-related information and performance-based budgeting.

138. Information on performance evaluation is limited and only loosely linked to public resource allocations. Likewise, there is a lack of information on the efficiency and effectiveness of service delivery, and such practices are not integrated into the domestic budgeting system. Performance budgeting has not been introduced, and thus no independent evaluations have been carried out to date of the efficiency and effectiveness of service delivery. Accordingly, the score for the present dimension is 'D'. The score remained unchanged to the previous assessment.

## PI-9. Public access to fiscal information

139. This indicator assesses the comprehensiveness of fiscal information available to the public based on specified elements of information to which *public access* is considered critical. There is one dimension.

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-9. Public access to fiscal information</b>	B	
9.1 Public access to fiscal information	B	The government makes available to the public 7 (out of 9) elements, including at least 4 (out of 5) basic elements, in accordance with the specified timeframes.

### 9.1. Public access to fiscal information

140. Public access to fiscal information is regulated by the Constitution of the Republic of Tajikistan (Article 25), Law of the Republic of Tajikistan 'On Information (2002), Law of the Republic of Tajikistan 'On State Secrets', and Law of the Republic of Tajikistan 'On Public Finances' (Article 8, Chapter 2). In particular, the Public Finance Law determines that approved budget proposals and budget performance reports should be made publicly available or published through local media outlets. In effect, this ensures completeness of and access to budget information at different stages of the budget cycle, and openness of the budget process for the public and mass media. The law defines that budget transparency is one of the main principles of the budgeting system in Tajikistan. The Constitution further determines that state bodies are required to ensure the provision of information to civil society or individuals whose interests are at stake.

141. Access to information on the budget process through the MoF's website facilitates its transparency and quality development of the state budget, including: (a) broad access to information on the

budget process, (b) improving the information quality of the budget process, taking into account public input and best practices in the area of PFM, (c) increasing the transparency of the government budget as compared with the countries included in the International Budget Partnership's (IBP's) Open Budget Index (OBI) and the Public Expenditure and Financial Accountability (PEFA).

142. On 30 September 2020, the MoF issued an Order (#108) that approved the Methodological Guidelines on ensuring transparency and public access to information on the budget process and the list of information available on the website of the MoF. This is an important regulatory document that determines public access to fiscal information and how the MoF interacts with the public.

143. Increased transparency and accountability are demonstrated by an increase in public access to and use of financial and budget information. A recent perception survey of a representative sample of Tajik citizens and civil society activists led by Panorama, subcontracted by OSI, indicates considerable improvements among 1200 households in Tajikistan. In 2019, 87% of respondents stated that they have more access to better quality financial and budget information compared to just 20% in 2016. In contrast, the Open Budget Index score shows some deterioration in transparency. The index score declined from 30% in 2017 to 17% in 2019 and further down to 16% in 2021.

**Table 19: Basic and additional elements of fiscal information available to the public in Tajikistan.**

Element/ Requirements	Met (Yes/No)	Evidence used/Comments
<b>Basic elements</b>		
<b>1. Annual executive budget proposal documentation.</b> A complete set of executive budget proposal documents is available to the public within one week of the executive's submission to the legislature.	Yes	In line with the Ministerial Order #108 and other internal regulatory documentation, MoF publishes the draft budget proposal on its official website (in Tajik and Russian languages) prior to its submission to the legislature.
<b>2. Enacted budget.</b> The annual budget law approved by the legislature is publicized within two weeks of passage of the law.	Yes	According to the Law of the Republic of Tajikistan 'On the Order of Publishing Laws of the Republic of Tajikistan' (#900 dated 11 December 1999), and amendments that were enacted on 3 May 2002, annual budget legislation is published in local media outlets no later than 15 days after their enactment. The Law of the Republic of Tajikistan 'On the State Budget for 2021' was endorsed on 20 November and published on 25 November, i.e. over a month before the beginning of the new fiscal year.
<b>3. In-year budget execution reports.</b> The reports are routinely made available to the public within one month of their issuance, as assessed in PI-27.	Yes	Consolidated quarterly in-year budget execution reports are published in state-owned newspaper 'Jumhuriyat', magazine 'Moliya', and are also published on the website of the MoF within one month of their issuance.
<b>4. Annual budget execution report.</b> The report is made available to the public within six months of the fiscal year's end.	Yes	Annual budget execution reports are printed out in hard copy and are available to the public upon request in May-June, i.e. within six months of the fiscal year's end. Consolidated annual budget execution reports are also published on the website of the MoF (usually in the second quarter of the year).
<b>5. Audited annual financial report,</b>	No	Although routine audits are carried out by the Chamber of



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.		Accounts, consolidated annual financial reports are not publicly disclosed.
<b>Additional elements</b>		
6. <b>Prebudget statement.</b> 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.	Yes	Pre-budget statement is issued by the GoRT and published on the website of the MoF – namely, 'Explanations of the Main Fiscal Policy Trends of the Republic of Tajikistan' for the next three years, which contains broad macro-fiscal parameters (including revenue and expenditure estimates), deficit and debt parameters, and sectoral growth forecasts. The pre-budget statement is endorsed by the high-level Budget Commission chaired by Prime Minister and published in August or September, i.e. at least 3-4 months before the start of the fiscal year.
7. <b>Other external audit reports.</b> All nonconfidential reports on central government consolidated operations are made available to the public within six months of submission.	No	Although Article 31 of the Law of the Republic of Tajikistan 'On the Chamber of Accounts of the Republic of Tajikistan' stipulates that audit reports should be published in media, none of the nonconfidential reports on central government consolidated operations were published on the website of the Chamber of Accounts during 2020.
8. <b>Summary of the budget proposal.</b> A 'citizens' budget', and where appropriate translated into the most widely 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.	Yes	A citizens' budget containing the approved budget proposal is routinely developed by the MoF and published on its official website. This is usually followed by a presentation of the citizens' budget to civil society activists and local media in a joint event convened by the MoF and local civil society organizations (CSOs). In 2020, the citizens' budget was released in Tajik, Russian and English languages in November, i.e. within two weeks of the submission of the draft budget to the legislature (Note: The draft budget proposal was submitted to the legislature in October).
9. <b>Macroeconomic forecasts.</b> The forecasts, as assessed in PI-14.1, are available within one week of their endorsement.	Yes	Macroeconomic forecasts form part of the MoF's medium-term macro-fiscal framework and are publicly available on the website of the MoF immediately after their endorsement in June. In 2021, macroeconomic forecasts were endorsed via the Resolution of the GoRT #266 dated 30 June 2021 ('On the Forecasts of Main Macroeconomic Indicators of the Republic of Tajikistan for 2022-2024).

144. The requirements are met for 4 *basic* elements out of 5 and 3 *additional* elements out of 4 in the last completed fiscal year (i.e. FY'2020). Hence, the score for the present dimension is 'B'. This is an improvement from five years ago when the score for this dimension was 'D'. The MoF made significant improvements to public disclosure of budgetary information since the last assessment, in particular, by publishing on the MoF website the annual executive budget proposal documentation and annual report on budget execution. An important step in improving budget transparency and openness was also the development and launch in 2020 of a modernized website of the Ministry of Finance (<http://moliya.tj>), which now contains more budgetary, financial and regulatory information and has better functionality for users.

## **PILLAR THREE: Management of assets and liabilities**

### **PI-10. Fiscal risk reporting**

145. This indicator measures the extent to which fiscal risks to the 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.

#### **Summary of scores and performance table**

<b>Indicator/Dimension</b>	<b>Score</b>	<b>Brief justification for score</b>
<b>PI-10. Fiscal risk reporting</b>	<b>D+</b>	
10.1 Monitoring of public corporations	D	Although not all financial statements are externally audited, they are received by the MoF within 9 months of the end of the fiscal year and most of them are publicly available. However, the government receives financial reports from only a few SOEs (about 3.6% of all SOEs in the country). Fiscal risk reporting is embedded in national legislation and should be submitted to the Parliament annually with the draft budget proposal, but in the reporting FY'2020 fiscal risk report was not prepared.
10.2 Monitoring of subnational governments	C	Although financial statements of subnational municipalities are published within 9 months of the end of the fiscal year in local media outlets and are audited by the Chamber of Accounts, not all audited financial statements are publicly accessible.
10.3 Contingent liabilities and other fiscal risks	C	The MoF quantifies some significant contingent liabilities (i.e. those with the potential cost in excess of 0.5% of total government expenditure) in its annual financial reports and fiscal risk reporting.

#### **10.1. Monitoring of public corporations**

146. Following the adoption of accounting and financial reporting legislation in 2011, the government has committed to apply International Financial Reporting Standards (IFRS) to all public corporations (or public interest entities). The GoRT subsequently issued a Resolution 'On Additional Measures of Regulating Accounting and Financial Reporting' (#154 dated April 3, 2012) requiring all large SOEs to prepare their financial statements on the basis of IFRS, audit those financial statements annually on the basis of international standards of auditing, and publish their audited financial statements. Since then, the MoF has: (i) created an SOE Fiscal Risk Management Committee, (ii) established the Department for Supervision of Financial Activity in Large SOEs, or the SOE Monitoring Department, and (iii) adopted the SOE Fiscal Risk Management Strategy for 2016-2020. In particular, the MoF oversees fiscal risks of public corporations with an authorized capital of more than TJS 100,000,000.

147. Accordingly, the greatest challenge hindering the implementation of these financial reporting standards is the large number of SOEs, most of which have limited technical capacity. As of January 1, 2021, there were 740 SOEs, which are classified in accordance with the 2014 GFS Manual and for the purpose of PEFA assessment as *public corporations*. Currently, the MoF's SOE Monitoring Department oversees and scrutinizes financial statements only from 27 large SOEs, representing approximately 3.6% of all SOEs in the country.

**Table 20: Financial reports of public corporations that are monitored by the Ministry of Finance.**

#	Public corporations	Date of audited financial statements (covering FY'2020)	Total expenditure (in million TJS)	As % of total exp. of public corporations monitored by MoF	Are contingent liabilities of public corporations disclosed in the financial report? (Yes/No)
1.	OJSHC 'Barqi Tojik'	March 30, 2021	10,084.9	60.5	Yes
2.	LLC JV 'Zarafshon (gold production)	February 2, 2021	1,773.4	10.6	Yes
3.	OJSC 'Tajik Aluminum Company'	February 10, 2021	851.2	5.1	Yes
4.	SUE 'Tajik Railways'*	February 15, 2021	608.9	3.7	Yes
5.	State Savings Bank (SSB) 'Amonatbank'	January 25, 2021	532.7	3.2	Yes
6.	OJSC 'Tojiktransgas'	January 20, 2021	373.9	2.2	Yes
7.	OJSC 'Dushanbe International Airport'*	April 5, 2021	371.5	2.2	Yes
8.	OJSC 'Rogun Hydropower Plant'	February 24, 2021	332.8	2.0	Yes
9.	OJSC 'Sangtuda-1 Hydropower Plant'	February 11, 2021	247.6	1.5	Yes
10.	SUE 'Angishti Tojik'*	January 21, 2021	235.7	1.4	Yes
11.	JV 'Aprelevka' (gold production)	March 29, 2021	183.0	1.1	Yes
12.	OJSC 'Tajik Cement'*	February 8, 2021	179.5	1.1	Yes
13.	SUE 'Housing and Communal Services'*	February 3, 2021	172.8	1.0	Yes
14.	OJSC 'Tajik Air'*	February 23, 2021	133.7	0.8	Yes
15.	OJSC 'Tojiktelecom'*	March 1, 2021	133.2	0.8	Yes
16.	SUE 'Obu Korezi Dushanbe'	February 2, 2021	101.4	0.6	Yes
17.	SUE 'Bakaydgiriyi Molu Mulk'*	February 3, 2021	64.3	0.4	Yes
18.	OJSC 'Khujand International Airport'	February 1, 2021	53.6	0.3	Yes
19.	OJSC 'Teleradiocom'	January 20, 2021	46.8	0.3	Yes
20.	SUE 'Tajikaeronavigation'	January 27, 2021	41.2	0.2	Yes
21.	OJSC 'Korhonayi Kimiyovi' (chemicals)	April 28, 2021	34.0	0.2	Yes
22.	SUE 'Khujandobukan' (water supply)*	February 9, 2021	27.7	0.2	Yes
23.	SUE 'Tojiksugurta' (insurance)	January 27, 2021	25.3	0.2	Yes
24.	OJSC 'Aluminsotmon'	February 25, 2021	17.4	0.1	Yes
25.	OJSC 'Kulob International Airport'*	January 22, 2021	11.7	0.1	Yes
26.	SUE 'Fuluzoti Nodiri Tojik'*	February 10, 2021	10.0	0.1	Yes
27.	SUE 'Sanoatsodirotbank'	March 16, 2021	7.6	0.0	Yes
TOTAL:			16,655.9	100.0	--

/\* Indicates financial statements which were not audited at the time of submission to the Ministry of Finance.

/ Note that OJSHC 'Barqi Tojik' is subject to restructuring into three separate entities (with separate balance sheets) from 2021.

148. The list of 27 SOEs that are subject to monitoring by the MoF was approved through the GoRT Resolution 'On Large State-Owned Enterprises Whose Shares are Owned by the State' (#632 dated December 28, 2019). The updated list of SOEs has been in effect in the last two years (i.e. 2020 and 2021). The government is the sole owner or has a controlling interest in most of these SOEs, except for the Rogun hydroelectric plant (HPP), although the government retains full control over it, and the Zarafshon joint venture (JV), in which the government is a minority shareholder. According to Table

20, 15 out of 27 public corporations are registered as open joint stock companies (OJSCs), 10 are state unitary enterprises (SUEs), and the remaining two are limited liability companies (LLCs). There are three financial public interest entities that are monitored by the MoF, including a bank, an insurance company, and a SUE that provides supplementary financial services.

149. The MoF also reports that 17 out of these 27 SOEs submitted audited financial statements to the MoF while others have submitted their financial statements, but these were not audited.
150. The financial statements submitted by 27 SOEs to the MoF include information on revenue, expenditure, financial and non-financial assets, liabilities, guarantees, and long-term obligations. All other SOEs report to respective line ministries and other central government bodies, although there is an account of the presence and quality of annual financial statements. The majority of the remaining SOEs, which are not monitored by the MoF, do not publicly disclose their financial statements. These statements are also rarely audited on the annual basis.
151. Consolidated financial statements and reports on fiscal risks used to be submitted by the MoF to the GoRT, and were published on the MoF website. However, in 2020 no fiscal risk reports were produced and/or published by the MoF, which affects the scoring of this dimension. In line with the Law of the Republic of Tajikistan 'On Public Finances' (2013), fiscal risk reporting should be prepared and submitted to the Parliament on the annual basis alongside the annual budget proposal.
152. Because the financial statements of only a few large public corporations are audited, the score for this dimension is 'D', which is the same as the score from the last assessment, but progressively more SOEs are now being covered (i.e. monitored) by the MoF, leading to the submission of their financial reports to the government within six months of the end of the fiscal year.

## 10.2. Monitoring of subnational governments

153. Financial performance of 68 subnational municipalities (i.e. subnational governments, SNGs) is monitored by the Central Treasury of the MoF and is reflected in the consolidated annual financial report prepared by the MoF. The breakdown by 68 municipalities is in line with the territorial budgetary classification of the MoF, and includes: districts and cities in three oblasts (i.e. regions: Khatlon, Soghd, and GBAO), Districts of republican subordination (DRS), and Dushanbe (the capital). At the same time, these financial statements of SNGs are not specifically audited unless a financial or compliance audit is initiated on an ad-hoc basis by the Chamber of Accounts. In 2020, the majority of subnational municipalities published their aggregated reports on financial/fiscal performance in local media outlets, but these reports do not include information about recorded assets, liabilities and equity. The publication is often done in local and state-owned newspapers, and on the websites of respective subnational governments.
154. In terms of transparency, audited financial accounts of SNGs are not always publicly available, but aggregated annual budget performance reports of the *majority* of SNGs are published by the MoF on its website on a quarterly basis. These reports include basic aggregated data broken down by functional and economic budgetary classifications, and they are published within nine months of the end of the fiscal year.
155. Accordingly, the score for the present dimension is 'C', showing no change since the last assessment in 2017.

### 10.3. Contingent liabilities and other fiscal risks

156. The assessment methodology requires that this dimension assesses only monitoring and reporting of the central government's *explicit contingent liabilities*, which include umbrella state guarantees for various types of loans, state insurance schemes, and special financing instruments (e.g. public-private partnerships), and exclude liabilities arising from public corporations and subnational governments. In accordance with the PEFA methodology, the GoRT does not currently monitor and report against all categories of explicit contingent liabilities.
157. The MoF's consolidated statement on fiscal risks includes: (i) explicit direct liabilities from on-lending arrangements, (ii) sub-loans from the government budget, (iii) direct loans to SOEs from government budget, (iv) contingent liabilities from guaranteed loans, (v) the materialization of risks, (vi) statistics on direct subsidies, (vii) legal disputes against SOEs, (viii) quasi-fiscal activities by the SOEs, and other sections.
158. Fiscal risks and costs arising from the provision of state and state-guaranteed loans – or, more specifically, associated with government guarantees, including their quantification – are accounted for and monitored because they are a form of contingent liabilities. These direct and indirect government guarantees are provided by the government for loans made by SOEs and are provided in exceptional circumstances. The government does not provide guarantees for loans made by entities other than public corporations.
159. Similarly, financial performance of the Social Insurance Fund is managed by the Agency for Social Insurance and Pensions (ASIP) and monitored through weekly, monthly, quarterly, and annual reporting arrangements with the Central Treasury of the MoF. Yet, risks arising from ASIP activities, as well as state insurance programs (e.g. through SUE 'Tojiksugurta') and PPP arrangements (managed by the State Committee for Investment and State Property Management through its subordinate SUE 'Center for PPP Projects') were not fully accounted for or included in the fiscal risk reports from the past years. In 2020 no fiscal risk report was produced and/or published, which is likely attributable to the pandemic year.
160. The MoF is currently developing the SOE Fiscal Risk Management Strategy for 2022-2026, but other risks arising from explicit contingent liabilities (as noted above) remain unaddressed.
161. Therefore, the score for this dimension is 'C', showing no change since the last assessment.

## PI-11. Public investment management

162. This indicator assesses the economic appraisal, selection, costing, and monitoring of public investment projects by the government, with emphasis on the largest and most significant projects. It contains four dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-11. Public investment management</b>	C+	
11.1 Economic analysis of investment projects	C	Economic analysis to assess major investment projects is guided by guidance on economic appraisal of investment projects that was put in place in 2018. All major investment projects undergo economic analysis. However, economic appraisal reports or feasibility studies are not always published, i.e. published for less than 25% of major investment projects.
11.2 Investment project selection	B	Prior to their submission to the MoF, most major investment projects are prioritized by the Ministry of Economic Development and Trade (MoEDT) on the basis of standard selection criteria.
11.3 Investment project costing	C	Five-year projections of the total investment cost of major investment projects are included in the budget documents but presented in different format which differs from applied budget classifications.
11.4 Investment project monitoring	C	MoEDT, SCISPM and MoF undertake monitoring of major investment projects against the disbursement profile and physical progress. Although standard procedures and rules are in place, performance information or monitoring reports are not publicly available.

**Table 21: List of major investment projects\* in the Public Investment Program (PIP) in Tajikistan, 2020.**

#	Project name	Ministry in charge	Grant/Loan	Project cost (in million TJS)
Projects within the eligibility threshold (of 1% or more of total annual budget expenditure):				
1	Rogun Hydropower Plant	Ministry of Energy and Water Resources, Ministry of Finance	--	54,259.68**
2	Regional Power Transmission Project (CASA-1000)	Ministry of Energy and Water Resources	Grant and Loan	(loan) 385.30 (grant) 175.80
3	Energy Company Rehabilitation Project	Ministry of Energy and Water Resources	Grant	352.60
4	Construction of CAREC Corridors 2, 5 and 6 (Dushanbe-Bokhtar Highway Project)	Ministry of Transport	Grant and Loan	(loan) 158.07 (grant) 145.29
5	Dushanbe-2 Power and Heating Center Construction Project (Phase 2)	Ministry of Energy and Water Resources	Loan	271.11
6	Rehabilitation of Nurek Hydropower Plant	Ministry of Energy and Water Resources	Grant and Loan	(loan) 135.91 (grant) 131.09
Projects marginally below the eligibility threshold (of 1% or more of total annual budget expenditure):				
7	Highway Construction Kulob-Shurobod (A) and Shkev-Qalaihumb (G) Sections	Ministry of Transport	Loan	173.01
8	Rehabilitation of Qayraqqum Hydropower Plant (Phase 1)	Ministry of Energy and Water Resources	Grant and Loan	(loan) 101.06 (grant) 29.15
9	Improving Water Supply and Sanitation in Dushanbe	Ministry of Energy and Water Resources	Grant	121.50
10	240 kV Switchgear Rehabilitation Project (Sarband)	Ministry of Energy and Water Resources	Grant	119.85
11	Dushanbe-Tursunzoda Highway Construction Project	Ministry of Transport	Loan	117.55

/\* Major investment projects are defined as projects meeting both of the following criteria: (i) the total investment cost of the project amounts to 1% or more of total annual budget expenditure, excluding PIP and special funds, and (ii) the project is among the largest 10 projects (by total investment cost) for each of the 5 largest central government units, measured by the units' investment project expenditure.

\*\* The total estimated cost is \$4.8 billion, converted on the basis of the 2021 nominal exchange rate of TJS to US dollars.

163. In 2020, the Rogun hydropower plant construction (HPP) project was not included in the approved list of PIP because Rogun has not yet received any external financing, but it is regarded also as a *major investment project*. The total project cost of Rogun HPP construction is estimated at \$4.8 billion, while in 2020 total public spending on Rogun was equivalent to 2.2 billion somoni (\$195.3 million). It is by a distance the largest investment project implemented in Tajikistan.

164. In 2020, PIP consisted of 80 investment projects which were selected for external funding and co-financing from the central government budget. The total cost of all 80 investment projects in 2020 was 1,835.7 million TJS in loans (49.2% of total cost) and 1,895.7 million TJS in grants (50.8% of total cost).

### 11.1. Economic analysis of investment projects

165. The requirements and order of undertaking technical and economic feasibility studies of investment projects, and associated sectoral assessments, are provisioned in the Resolution of the GoRT #161 dated 27 March 2018 (namely, Chapter 7). Point 37 of this resolution articulates the composition and

content of technical and economic feasibility, as well as associated data requirements at project level. In addition, point 39 states that project documentation should be thoroughly reviewed vis-à-vis the project's overall feasibility. Finally, point 42 also states that project-level economic appraisals are undertaken by relevant ministries, departments and agencies (MDAs), which are subsequently consolidated and presented to the GoRT by the MoEDT.

166. The formulation and evaluation of the current public investment management (PIM) system includes both the PIP and public-private partnership (PPP) operations. Economic appraisals of projects include cost-benefit analyses and social return on investment, but they were performed only for *some* large projects. In 2020, economic appraisals were available for only three large investment projects, such as the Rogun hydropower plant (HPP) construction, Regional Power Transmission Project (CASA-1000), and Rehabilitation of Nurek HPP.
167. According to the above government resolution No.161, economic appraisals include comprehensive market assessment, analysis of social and economic significance of project interventions, technical and financial appraisals (including cost-benefit analysis), social and environmental justification, and independent sector assessment by the relevant line ministry. These appraisals or assessments are reviewed by a working group (comprising the sponsoring entity, lead government agency, and other government institutions) that is created to provide thorough review of economic and technical appraisals of investment projects.
168. The screening and appraisal phases focus only on policy and strategy coordination analyses, but do not compare the different project proposals. Economic appraisal reports or feasibility studies are not always published, with the exception of donor-supported projects. This is a challenge that deters effective investment programming, project appraisal and prioritization.
169. Based on the analysis and supporting evidence, the score for this dimension is 'C'. This corresponds to the score that this dimension received in the previous PEFA assessment in 2017, suggesting that the overall public investment management (PIM) environment has only marginally changed in the past five years.

## **11.2. Investment project selection**

170. Project selection is articulated in detail in the Resolution of the GoRT #161 'On the Order of Developing State Investment Projects and Implementing the Public Investment Program of the Republic of Tajikistan' (dated 27 March 2018). These standard selection criteria, which are described in greater detail below, are publicly available.
171. Importantly, the PIP is currently prepared on a five-year basis. Prior to 2016, the government issued three-year State Investment, Grants and Capital Construction Programs, incorporating domestic-financed and donor-funded projects. In 2016, the three-year investment planning practice was replaced by a five-year PIP framework that is updated annually based on the annual budget formulation process.
172. The selection process is well-established and well-articulated in the national regulatory documents. However, prioritization of public investment projects – namely, projects that are included under the PIP – is undertaken for most major investment projects, but not all of them. This is caused by the absence of sufficient staff and resources to undertake the full screening and prioritization of all



investment proposals that are submitted to the MoEDT. In 2020, most major investment projects are prioritized by the Commission for the Selection of Investment Projects (CSIP) and the Cabinet on the basis of standard criteria for project selection. These criteria are applied consistently in the evaluation of investment proposals (i.e. projects) prior to their inclusion in the budget.

173. The selection of state investment projects for their subsequent inclusion in the registry of PIP starts with the review and screening of proposed projects by relevant MDAs and other public entities. The MoEDT consolidates investment project proposals from central government entities/bodies and subnational governments, and checks their comprehensiveness (i.e. completeness) and the quality of cost estimates. The shortlisted public investment projects are included in the five-year PIP list, which is submitted to the MoF. On average, MoEDT receives about 500 public investment project proposals each year from different government entities which it has neither resources nor time to fully review and prioritize on the basis of pre-defined selection criteria.
174. The PIP annual prioritization and selection process commences on 15 July with the preparation of investment proposals to be added to the medium-term programs. The proposals from the MDAs should be submitted to the MoEDT no later than 1 August. Public investment projects which passed through initial screening by the MoEDT are subsequently submitted to the Commission for the Selection of Investment Projects (CSIP) no later than 1 October. After reviewing all submitted and screened proposals, the CSIP recommends the final list of PIP to the MoEDT, which is prepared and submitted to the CSIP for final approval (before they are submitted to the MoF for public resource allocation) no later than November. This process is revolving and takes place each year.
175. In line with the abovementioned government resolution, public investment projects are prioritized on the basis of four main selection criteria: (i) strategic importance (i.e. whether a project supports the strategic national development policy priorities of the government), (ii) economic justification (i.e. whether all project costs and benefits are identified, and the project appears to be economically feasible), (iii) social impact (i.e. whether the project will benefit employment), and (iv) financing sources and sustainability. The MoEDT often includes other criteria, such as the degree of readiness of construction sites and the total project costs as compared with other (similar) projects. Once the final list of PIPs is submitted by MoEDT to the MoF, the latter decides on the final amount of budget allocations within the overall capital expenditure ceiling.
176. Most (but not all) major investment projects are prioritized based on the four criteria. The MoEDT interacts with line ministries and other public entities projects at the central government level and subnational level as part of the project selection process. However, in practice, priority is sometimes given based on political grounds, especially for presidential programs, such as those announced during the President's annual address to the Parliament. Some construction projects are also approved after the regular selection procedure has closed. Projects announced during or after the President's regional visits and projects marked for Tajikistan's 30<sup>th</sup> anniversary of independence in 2021 or other similar events are recent examples of this practice.
177. Hence, the score for the present dimension is 'B'. This is a slight improvement from the 'C' score received by this dimension in the previous assessment, mainly due to establishing clear selection criteria for investment projects in March 2018.

### 11.3. Investment project costing

178. Resolution of the GoRT #95 dated 25 February 2017 determines the rules of attracting, utilization, coordination and monitoring of external assistance in Tajikistan. According to point 90 of this government resolution, relevant ministries, departments and agencies (MDAs) submit their project proposals along with the financial section containing estimated costs and disbursement structure. The new PIP for 2021-2025 was endorsed through the Resolution of the GoRT #358 dated 2 September 2021, but it does not provide detailed projections of the life-cycle recurrent and capital cost of all major investment projects.
179. The five-year PIP framework includes all major investment projects that are co-financed by an external investor/partner, but the PIP is not properly integrated in consolidated budget performance reporting and financial reporting. PIP also does not break down overall project costs by recurrent and capital expenditure. Currently, PIP registry is included in the budget documents, but its presentational format differs from the rest of the government budget. In most cases, the costing of investment projects at line-ministry level is carried out by two different departments (i.e. budget and construction departments).
180. Thus, the score for this dimension is 'C' because the budget for the last completed fiscal year (i.e. 2020) included the cost of the PIP, including the major investment projects. These cost projections are classified as capital expenditure and are included in the budget documents (although this is done in separate reporting and presentational format). This dimension's score has not changed since the last assessment.

### 11.4. Investment project monitoring

181. According to point 92 of the Resolution of the GoRT #95 dated 25 February 2017, the project's implementing institution submits to the MoEDT and the MoF monthly, quarterly, semi-annual and annual implementation progress reports. These reports should follow the pre-determined format and are often complemented by evaluation missions jointly with development partners and designated government entities. In this regard, the State Committee for Investment and State Property Management (SCISPM) has three responsibilities, one of which is the supervision of monitoring state investment projects (domestically-funded and externally-funded projects), as well as supervision of implementing the public-private partnership (PPP) law and its related regulations through its subordinate State Enterprise 'Center for PPP Projects'. Lack of resources and limited staffing hamper monitoring of donor-funded investment projects in partnership with the MoEDT.
182. The Resolution of the GoRT #161 dated 27 March 2018 introduces some principles of performance indicators in the assessment and evaluation of the investment projects, but the specific modalities for monitoring and evaluation of projects are not fully elaborated. The institutional fragmentation of the public investment management (PIM) process between the MoEDT, SCISPM and MoF also restricts adequate monitoring and evaluation of projects, particularly domestically funded projects. In hindsight, performance measurement is not at the forefront of project monitoring which renders monitoring efforts of relevant MDAs somewhat ineffective.
183. Monitoring of domestically funded projects is conducted by the construction departments of relevant MDAs (including the MoEDT), with the MoF's Investment Policy Department receiving and compiling quarterly information from the Central Treasury and from the accounting sections of the construction

departments of the line ministries, which also submit completion forms together with the invoices to the Treasury. In turn, monitoring of externally funded projects results in the preparation and submission of reports to the MoF’s Investment Policy Department and to the SCISPM on a quarterly basis. In both cases, reporting includes physical progress, but is only based on disbursement profile and not on performance indicators.

184. Since monitoring of the major investment projects by implementing government MDAs in 2020 covered the total cost and physical progress, and corresponding implementation reports were prepared annually, this dimension scores ‘C’ and its performance has not changed since the last assessment.

## PI-12. Public asset management

185. 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.

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-12. Public asset management</b>	C	
12.1 Financial asset monitoring	C	The MoF maintains a record of the majority of financial assets in the Treasury’s financial statements, but information on the performance of financial assets is not routinely published on the annual basis.
12.2 Nonfinancial asset monitoring	C	The government maintains three separate registers of its holdings of fixed assets in the SCISPM (movable and immovable property), State Committee for Land Management (land cadaster), and the Main Geology Department under the Government (subsoil resources), but none of them are published or have universal coverage.
12.3 Transparency of asset disposal	C	Procedures and rules for the transfer or disposal of non-financial assets are established, but only limited basic information (original purchase cost and disposal value) on the transfers and disposals of financial and non-financial assets is provided in the budget proposal.

### 12.1. Financial asset monitoring

186. The Central Treasury of the MoF – specifically, its Division of Financial Reporting and the Public Sector IFRS under the Department of Accounting – is responsible for all account reconciliations and the consolidation of financial statements. The Treasury produces a set of financial statements, including the statement of financial position (Form 1) that incorporates information on the majority of financial assets and liabilities of the Treasury, the statement of financial performance (Form 2), and the

statement of change in net assets. The financial statements do not capture investment budgets (i.e. PIP) and SOEs.

187. The MoF maintains a register of its holdings in the major categories of financial assets, such as foreign currency reserves, gold reserves and long-term investment, and they are reflected in the consolidated annual financial statements. All categories of financial assets are monitored by the Treasury, including: (i) cash, securities, loans, and receivables owned by the government; (ii) foreign reserves and long-term funds (e.g. equity in state-owned and private sector institutions); and (iii) gold bullion and financial claims. The review of the consolidated financial statement for FY'2020 reaffirmed that all categories of financial assets are included in the financial statements and are routinely monitored.
188. As the MoF does not publish any information on the performance of its financial assets, the score for this dimension is 'C', which corresponds to the previous assessment.

## **12.2. Nonfinancial asset monitoring**

189. There are three registries of non-financial assets that are maintained by central government institutions in Tajikistan, including: (i) register of fixed assets (movable and immovable property), maintained by the State Committee on Investment and State Property Management (SCISPM); (ii) land cadaster that is maintained by the State Committee for Land Management and Geodesy (SCLMG); and (iii) register of explored subsoil resources, which is maintained by the Main Geology Department under the Government (MGD).
190. All three registers include partial information on the usage and age of each nonfinancial asset, and none of the registers are available in the public domain. Besides, the accumulated depreciation of the nonfinancial assets is based on outdated rates that are not considered to reflect the estimated useful lives of these assets. Significant construction work-in-progress was also excluded from the asset records until the work was completed.
191. The land cadaster management is based on the Resolution of the GoRT #447 'On the Rules for Maintaining the State Land Cadaster' (issued on October 3, 2006) and the Law of the Republic of Tajikistan 'On Land Assessment' (#18 dated May 12, 2001). The SCLMG manages overall cadastral process, which includes the following elements: (i) state registration of land use; (ii) accounting for the quality and quantity of land; (iii) soil assessment; and (iv) economic valuation of land. The process is managed by the SCLMG through the state unitary enterprise 'Registration of Movable Property', which was created in 2013 and serves public and private sectors. The SCLMG also performs routine monitoring of state-owned land and produces annual consolidated reports on the availability and use of land assets for the GoRT. However, this information is not publicly available.
192. The Main Geology Department under the Government (MGD) compiles and updates the register of subsoil resources, based on its routine exploration and surveillance activity. The register is not published, but access is provided for prospector companies and potential investors. The MGD maintains the register through the state unitary enterprise 'State Fund of Geological Information on Subsoil' (created through Resolution of the GoRT #210 on May 6, 1997). The Provisions of this State Fund clearly indicate the types and categories of subsoil assets that are routinely monitored by the MGD.

193. Lastly, the fixed assets registry management is governed by the Law of the Republic of Tajikistan ‘On State Registration of Immovable Property’ (#375 dated March 20, 2008) and Instruction on the Procedure and Methods for Assessing the Value of State Property and Privatized Facilities (approved through Resolution of the GoRT #387 on August 1, 2012). At this time, each budgetary unit maintains its own record of movable and immovable property, which are submitted to the SCISPM but not systematically (i.e. not regularly and not by all budgetary units). Accordingly, the fixed assets registry does not provide universal coverage of all public sector fixed assets, but it is transitioning from a paper-based record to a fully digitized and automated register. Once the transition is completed, implementation of the asset management module in the TFMIS would ensure cross-linkages with the fixed assets registry in the SCISPM for more efficient and streamlined monitoring of financial and non-financial assets.
194. Tajikistan’s public sector aims to eventually adopt an accrual accounting framework and transition from the currently used ‘modified accrual’ accounting method. In doing so, establishing an opening balance sheet is an important starting point for any public sector entity planning a transition from cash to accrual accounting. The MoF envisages that during the transition process the nonfinancial assets could be verified over an agreed period (say, over the last three years) and an interagency working group could be established to identify and value significant infrastructure assets. This work has not yet commenced, which is why the government cannot meaningfully monitor its public-sector nonfinancial assets.
195. Although some reforms have commenced, such as the introduction of a single window for movable property registration through the SCLMG and digitization of the fixed assets register in the SCISPM, the score remains the same as in the previous assessment (‘C’).

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

196. Basic information (i.e. the original purchase cost and disposal value) on the transfers and disposals of financial and non-financial assets is provided in the annual budget proposal that is submitted by the MoF to the Lower Chamber of the Parliament, and the consolidated annual financial statement that are submitted to the GoRT. Information is provided on the original purchase cost (which shows the asset’s value) and disposal value (in case the asset is disposed of). The transfer and/or disposal of financial assets is regulated by the National Bank of Tajikistan and the MoF, such as through the NBT Instruction #215 ‘On the procedure for the transfer and use of fund to cover possible losses on assets’ - and is partly reflected in the balance of payments (BoP) with respect to transactions with the rest of the world, as is the transfer and/or disposal of non-financial assets (i.e. fixed assets).

**Table 22: Tajikistan’s legislative and regulatory framework on transfer/disposal of nonfinancial assets.**

Date	No.	Document name
March 2, 2013	392	Procedure of the Government of the Republic of Tajikistan for Transferring Facilities of the National and Municipal Property
August 1, 2012	387	GoRT Instruction ‘On the Procedure and Methods for Assessing the Value of State Property and Privatized Facilities’
April 30, 2012	184	Procedure of the Government of the Republic of Tajikistan for Writing Off (Disposing Of) Publicly Owned Fixed Assets
November 2, 2011	537	Resolution of the Government of the Republic of Tajikistan ‘On the Procedure for Leasing State Property’
August 2, 2010	392	The GoRT Procedure for reorganization of a state-owned enterprise and its structural units into an open joint-stock company
August 2, 2010	391	The GoRT Procedure for placing for sale the state property as an independent privatization facility
March 20, 2008	375	Law of the Republic of Tajikistan ‘On State Registration of Immovable Property and Rights’
November 30, 2007	570	Rules of the Government of the Republic of Tajikistan for Transferring Land from One Category to Another
March 5, 2007	237	Law of the Republic of Tajikistan ‘On Joint Stock Companies’
September 1, 2005	342	Rules of the Government of the Republic of Tajikistan for Land Allocation to Legal Entities and Individuals
March 1, 2004	98	Regulation of the Government of the Republic of Tajikistan ‘On the Sale of State Property at Auctions and Tenders’
May 12, 2001	18	Law of the Republic of Tajikistan ‘On the Assessment of Land’
April 17, 1998	129	Procedure of the Government of the Republic of Tajikistan for Transferring Property of State-Owned Enterprises, Organizations, Institutions, Buildings and Facilities
August 12, 1997	366	Regulations of the Government of the Republic of Tajikistan ‘On the Sale of Unfinished Construction Facilities’
May 16, 1997	464	Law of the Republic of Tajikistan ‘On Privatization of State Property in the Republic of Tajikistan’

/ In line with the assessment methodology, the list excludes laws and other regulatory documents which relate to the privatization of state property (fixed assets). The transfer of assets includes transfer of usage rights where ownership is retained by the government.

197. For instance, in line with the GoRT’s procedures that were issued on April 30, 2012, fixed assets may only be written off in the following circumstances: (i) full physical depreciation and unsuitability for further use, (ii) if the asset’s further maintenance or restoration is not feasible, (iii) absence of residual value and economic viability, (iv) when it is unlikely to transfer the asset’s balance sheet to another state-owned enterprise (SOE), organization or state body, as well as its sale through privatization, (v) destruction of the asset as a result of natural disasters, fire or other unforeseen circumstances, and other reasons.

198. Although some regulations have not been updated for some time, they have been put in place by the government and were generally followed by all public entities in the last completed fiscal year (i.e. 2020), but only limited basic information was included in the government’s budget documents and statements in the reporting period. Therefore, the score for this dimension is ‘C’.

### PI-13. Debt management

199. 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.

#### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-13. Debt management</b>	B+	
13.1 Recording and reporting of debt and guarantees	B	Despite the outdated DTS, debt records are well-maintained, complete, and accurate. Domestic, foreign, and guaranteed debt information is reconciled quarterly with Treasury and creditors, and detailed consolidated annual public debt performance reporting that covers debt service, stock, and operations is publicly available.
13.2 Approval of debt and guarantees	B	There are two central government entities – namely, the MoF and the National Bank of Tajikistan (NBT) – that are authorized and mandated to borrow and issue new debt on behalf of the GoRT. Policies and procedures, as well as selection criteria, are well-established and embedded in primary and secondary legislation. New borrowing is subject to GoRT and Parliamentary approval on the annual basis.
13.3 Debt management strategy	A	The MoF produces and publishes a comprehensive three-year debt management strategy. The current Public Debt Management Strategy for 2021-2023 includes all required key indicators, while debt reporting is provided to the Parliament on the annual basis and is consistent with the GoRT’s mid-term debt management strategy.

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

200. Public debt is managed and overseen by the MoF’s Main Department of Public Debt and Attraction of State Investment, which is broken down into three units: (i) Department of Joint Investment Projects Management, (ii) Department of External Debt Management, and (iii) Department of Domestic Debt Management. Public debt information is recorded and managed by this Main Department.

201. Presently, the MoF uses an Access-based debt tracking system (DTS) to record and manage foreign and guaranteed debt. As the DTS is outdated the MoF is in the process of transitioning from DTS to the 6<sup>th</sup> edition of the Debt Management and Financial Analysis System (DMFAS) – namely, appropriate software and hardware is being purchased and multiple on-the-job training sessions will

be provided to relevant staff of the MoF during 2022-2023. In doing so, the MoF is being supported by the Swiss Cooperation Office (SCO) and the U.S. Department of State.

202. The DTS can generate up to 40 reports in various currencies, including repayment schedules and forecasts. In terms of its functionality, the DTS is used to analyze loans, assess risks (such as currency volatility and interest rate fluctuations), and optimize repayment schedules. This system provides payment schedules, estimates of payments, predicts debt service payments, and reports on projected cash flows. The DTS stores all loan parameters and operations with respect to its disbursement and repayment. The DTS automatically calculates unallocated debt balances and delinquent principal and interest payments on debt service. The record for each loan contains information about the current unallocated loan balances, and the actual distribution of funds and debt repayments, which allows to generate up-to-date information about the current status of each loan. Furthermore, aggregated information for each loan is recorded separately, which guarantees quick access to annual parameters (in the past years and forward-looking).
203. All MDAs, including public corporations, are required to provide quarterly information on their debt position to the MoF. This is done in line with the Resolution of the GoRT 'Matters of Public and Publicly Guaranteed Borrowing and Debt' (#215 dated May 10, 2000). Debt data includes creditor classification, sources of new borrowings, types of loans and their conditions (interest, grace and maturity terms, etc.), administrative data on loan and sub-loan agreements (e.g. signing date, etc.), loan amounts, and disbursement/repayment schedules. This information feeds into the preparation of the MoF's annual public debt reports, which are available on the MoF website.
204. Information on new foreign debt and/or guarantees is normally recorded in the DTS within a week from the date of signing the loan agreement or approval of the guarantee. Most debt records are internally reconciled with the creditor records and the Treasury's records (on external debt) on a quarterly basis. The DTS is outdated and not streamlined or linked with the TFMIS, which is why reconciliation is performed manually. Aggregated payment amounts are reconciled quarterly with Treasury and with creditors. A monthly report on payment amounts is also sent by Treasury to the Main Debt Department for verification and filing.
205. Debt reporting is undertaken monthly to the management of the MoF. The MoF publishes on its website quarterly, six-monthly and annual debt progress reports, which are produced separately for domestic debt and foreign debt, including guaranteed debt. Publicly available annual reports consolidate information on debt (domestic and foreign) and guarantees, and the debt of the National Bank of Tajikistan (NBT). All reports cover debt service, stock, operations, and fiscal risks. Quarterly and consolidated annual public debt reports are submitted by the MoF to the GoRT and the Parliament within 20 days from the completion of the reporting period. In sum, debt reporting is frequent, comprehensive, and publicly accessible.
206. Accordingly, the score for this dimension is 'B' and has not changed since the last assessment. Reconciliation of debt data with creditors and treasury is undertaken on a quarterly basis rather than monthly, which is why the score is 'B' and not 'A'.

### **13.2. Approval of debt and guarantees**

207. Although the national debt legislation merits revision and updating, such as with respect to on-lending and domestic debt provisions, development of a debt management strategy, securities



market engagement, and other aspects, Article 5 of the Law of the Republic of Tajikistan 'On Public and Publicly Guaranteed Borrowing and Debt' (#886 dated December 11, 1999) establishes that the MoF and the National Bank of Tajikistan (NBT) have exclusive mandates to agree new state borrowings with bilateral or multilateral bodies on behalf of the GoRT. The NBT's mandate is also provisioned in the Law of the Republic of Tajikistan 'On the National Bank of Tajikistan' (#722 dated June 28, 2011; last amended in 2020). Guarantees are exclusively issued by the MoF, subject to GoRT approval and Parliamentary ratification.

208. In addition, Resolution of the GoRT 'On Approval of Procedures to Approve Investment Projects for the Provision of State Guarantees, Use, Payment, Accounting and Registration of Foreign Borrowings (Debt), and Guaranteed Debt Forming State Foreign Debt of the Republic of Tajikistan' (#385 dated September 21, 2000) establishes specific selection criteria for investment projects that qualify for borrowing and guaranteed debt by the GoRT. It also provides detailed procedures for the issuance of guarantees. These criteria are publicly available and are transparently applied by the MoF. This resolution (#385) determines that loans subject to registration must be submitted to the MoF within 10 days of the signing. International best practice recommends that the minimum requirement is for foreign loans to be registered within three weeks, but ideally it should be done within a three-day period. Another regulatory document is the GoRT Resolution 'Regulations on Attraction, Use, Coordination and Monitoring of External Aid in the Republic Tajikistan' (#95, dated February 25, 2017) that determines additional procedures for external borrowing, which are adhered to by the government.
209. The government's foreign and domestic borrowing for the next financial year is articulated in the annual Law of the Republic of Tajikistan 'On the State Budget', including measures to cover the fiscal deficit. Article 27 of the Law of the Republic of Tajikistan 'On Public Finances' further establishes that the MoF is authorized to facilitate additional grant-based and credit financing from domestic and external sources to cover the anticipated (or estimated) fiscal deficit. In its effort to strengthen accountability, the GoRT facilitated the creation of an Interagency Commission on External Debt (via the Resolution of the GoRT #215 dated May 10, 2000), which meets monthly and is co-chaired by the Minister of Finance and the Chairman of the National Bank of Tajikistan. Other members of the Commission include the Minister of Economic Development and Trade, Minister of Justice, Head of FX Control Unit in the Executive Office of the President, and Head of the MoF's Main Department of Public Debt and Attraction of State Investment.
210. Furthermore, the Law of the Republic of Tajikistan 'On Public and Publicly Guaranteed Debt' (#887 dated December 11, 1999) establishes policies and guidelines for the issuance of guarantees. The law stipulates that the MoF is the sole authority to issue and sign loan guarantees (Article 5) and that limits on the issuance of guarantees have to be specified in annual budget legislation. The review has proven that information on guarantees is included in annual budget legislation consistently and fully.
211. Thus far, guarantees have only been issued to SOEs for foreign loans. The law also states that the beneficiary of the state guarantee cannot have outstanding obligations or fiscal arrears. Guarantees can be provided both to the public and private sectors (including financial institutions) and for both foreign and domestic borrowings.
212. The regulatory basis for guarantees is the GoRT Resolution 'On Procedures to Approve Investment for State Guarantees, Issuance of Guarantees and Registering of Foreign Loans and State Guarantees' (#385, 2000), which is strictly complied with by the MoF. It details the documentation that the

beneficiary (of the guarantee) must provide, defines the role of the Interagency Commission on Public Debt (ICPD), and requires that a fee of 0.2% be charged for every guarantee.<sup>13</sup>

213. New borrowings, either directly or in the form of contingent liabilities through state guarantees, are subject to Parliamentary scrutiny and approval. Information on new borrowings is provided to the Parliament by the MoF as part of the draft annual budget proposal.
214. The approval of debt and guarantees has a good regulatory and legislative basis, and is complied with by the MoF; but since there is more than one entity that is authorized to borrow and issue new debt on behalf of the central government, the score for the present dimension is 'B'.

### 13.3. Debt management strategy

215. Since 2009, the MoF develops and approves a three-year Public Debt Management Strategy (PDMS), with the latest one covering the period 2021-2023. The MoF publishes the PDMS on its website in multiple languages (Tajik, Russian, and English). The PDMS includes the government's strategic objectives and intended medium-term targets, debt performance data (e.g. interest, amounts, refinancing, etc.) as compared to the previous mid-term period, debt sustainability analysis, mid-term macro-fiscal estimates, risks, future borrowing prospects, and recommendations. With the debt management strategy in place and being implemented, debt reporting and analysis by the MoF has improved – that is, the government's three-year plan for borrowing is consistent with the objectives and targets set in the PDMS. One drawback of the current debt management strategy is that once it is approved and it is not updated thereafter. The PDMS is therefore not yet coherent with the medium-term expenditure framework (MTEF), namely the three-year fiscal framework which is revised annually on a rolling basis.
216. The PDMS builds on the Debt Sustainability Analysis (DSA) and annual debt statistics produced through the Debt Tracking System (DTS). However, the DSA is produced by World Bank and IMF.
217. According to the Public Debt Law and the Provisions of the MoF's Main Department of Public Debt and Attraction of State Investment, the MoF should submit to the GoRT and Parliament quarterly progress reports on debt management and implementation of the debt management strategy. These reports are not publicly disclosed, but they are routinely prepared and submitted as required.
218. Following recommendations from international financial institutions (IFIs), the MoF has recently developed its Public External Borrowing Program (PEBR) for 2022-2024. The new Program aligns with the PDMS 2021-2023 and specifies new borrowing for the next three years. The Program is now being reviewed by the GoRT before its expected approval in early 2022. In the meantime, neither PEBR nor PDMS includes information on the public borrowing for the Rogun HPP project.
219. Based on the analysis and supporting evidence, the score for the present dimension is 'A' as in the previous assessment.

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<sup>13</sup> However, the assessment team understands that this is not practiced and that no fee is charged.

## **PILLAR FOUR: Policy based fiscal strategy and budgeting**

### **PI-14. Macroeconomic and fiscal forecasting**

220. 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.

#### **Summary of scores and performance table**

<b>Indicator/Dimension</b>	<b>Score</b>	<b>Brief justification for score</b>
<b>PI-14. Macroeconomic and fiscal forecasting</b>	<b>B</b>	
14.1 Macroeconomic forecasts	B	MoEDT and NBT prepare macroeconomic forecasts, which are included in the annual budget proposal, which is submitted by the MoF to the GoRT and the Parliament. The forecasts cover a three-year period and are updated at least once a year. Although MoF receives macroeconomic projections from other government entities, they are not subject to third-party scrutiny and/or reviewed.
14.2 Fiscal forecasts	B	The MoF routinely prepares three-year fiscal forecasts, which (together with underlying assumptions) are included in the annual budget proposal submitted to the Parliament. Explanation of the main differences from the past forecasts are not included or very limited.
14.3 Macro-fiscal sensitivity analysis	C	Basic macro-fiscal sensitivity analysis is undertaken by the MoEDT (with respect to macroeconomic parameters), MoF (fiscal parameters), and NBT (monetary parameters), including the use of alternative economic assumptions and development of various scenarios. However, these scenarios and sensitivity analysis are not included in the budget proposal.

#### **14.1. Macroeconomic forecasts**

221. The macroeconomic forecasting function in Tajikistan is entrusted to the MoEDT and the MoF. The MoEDT is mainly responsible for producing the forecast of selected macroeconomic indicators, which is then used by the MoF to prepare the budget for the following year. The National Bank of Tajikistan (NBT) produces exchange rate forecasts, which are subsequently shared with the MoF for its macro-fiscal framework. Interest rate forecasts are not produced, or if they are, they are not submitted by the MoF to the Parliament.

222. The MoEDT prepares its medium-term forecasts and submit them to the MoF, including medium-term estimates of nominal and real GDP growth, and GDP deflator. This is undertaken in line with Article 44 of the Law of the Republic of Tajikistan ‘On Public Finances’ regarding the development of

the government budget for the financial year and the Budget Calendar Instructions for the development of medium-term budget parameters. This is performed annually by April 1.

223. The MoF, annually by September 20<sup>th</sup>, prepares the government's macro-fiscal projections and submits them to the Parliament by 1<sup>st</sup> November. This macro-fiscal framework covers a three-year period and includes parameters on GDP, inflation, exchange rate, government revenue and expenditure, deficit, and debt. These forecasts are updated at least once a year, prior to the submission of annual budget proposal to the Parliament for review and approval.
224. The rationale and main assumptions applied in the macro-fiscal forecasts are presented in the form of brief analysis, which is included in the Main Directions of Fiscal Policy of the State Budget of the Republic of Tajikistan for Phase I and is publicly available on the MoF website. Although the underlying assumptions and explanations are included in this document, they could be further elaborated and fleshed out, and the Main Directions could be further strengthened from an analytical point of view.
225. Based on the analysis and supporting evidence, the score for the present dimension is 'B'. This is because the MoF receives forecasts of various macroeconomic variables, but they do not include interest rates and they are not reviewed by MoF. The score for this dimension is the same as in the previous assessment.

## **14.2. Fiscal forecast**

226. Budget parameters are estimated for a three-year period, following a medium-term expenditure framework (MTEF) and a macro-fiscal framework. The first macro-fiscal framework was developed by the MoF in 2017, and it is currently based on inputs (three-year projections) from central government bodies, such as the MoEDT, the National Bank of Tajikistan (NBT), and the Tax Committee.
227. Medium-term revenue forecasts are submitted to the legislature in accordance with the approved budgetary classifications and MoF document 'Macroeconomic Indicators, Revenues of the State Budget and Maximum Expenditure by Sectors' covering the next three years, which includes: (i) Public Investment Program (PIP), including grants and loans, (ii) Special funds of budgetary organizations (own discretionary revenues of the public sector entities), (iii) recurrent government revenues, including tax and non-tax revenues. Submissions to the legislature are complemented by an explanatory note, which describes the main assumptions and any deviations from the previous budgetary allocations.
228. Similarly, medium-term expenditure forecasts include statutory budget lines (e.g. wage bill, debt servicing costs, etc.), recurrent and capital expenditure, and special funds of budgetary organizations. The projections are broken down into 14 sectors, i.e. functional budgetary classification.

**Table 23: Variations between approved fiscal forecast and the projections in the previous year's plan.**

	2018	2019	2020	2021	2022
	<b>Budget Process 2018 (% variation)</b>				
<b>Approved aggregate expenditure estimates 2018 (mln TJS)</b>	20,977.4	23,624.1	26,593.0		
<b>Percent variation compared to last year's projections</b>	-2.4%	-1.7%	--		
	<b>Budget Process 2019 (% variation)</b>				
+ Core budget expenditure (w/o PIP and special funds)	--	2.2%	2.7%	--	--
<i>of which: Wage bill</i>	--	0.0%	3.7%	--	--
<i>of which: Capital expenditure</i>	--	-4.6%	2.7%	--	--
+ Public Investment Program (PIP)	--	0.0%	-1.7%	--	--
+ Special funds of public sector entities	--	0.0%	8.9%	--	--
<b>Approved aggregated expenditure estimates 2019 (mln TJS)</b>	21,337.4	24,165.1	26,285.7	28,417.8	
<b>Percent variation compared to last year's projections</b>	--	2.3%	-1.2%	--	
	<b>Budget Process 2020 (% variation)</b>				
+ Core budget expenditure (w/o PIP and special funds)	--	--	-1.2%	-2.4%	--
<i>of which: Wage bill</i>	--	--	11.7%	8.8%	--
<i>of which: Capital expenditure</i>	--	--	-3.6%	3.7%	--
+ Public Investment Program (PIP)	--	--	1.8%	18.9%	--
+ Special funds of public sector entities	--	--	17.0%	3.5%	--
<b>Approved aggregated expenditure estimates 2020 (mln TJS)</b>	--	24,165.1	26,403.5	28,809.4	32,168.0
<b>Percent variation compared to last year's projections</b>	--	--	0.4%	1.4%	--

229. The MoF's medium-term macro-fiscal framework also includes the budget balance for the next three years, which is complemented by the Main Directions of Fiscal Policy of the State Budget of the Republic of Tajikistan issued during Phase I of the budget cycle and published on the MoF's website. More detailed 'Explanations of the main directions of fiscal policy,' which are submitted to the legislature as one of the accompanying documents to the budget proposal, contain information on the key underlying assumptions that formed the basis of the forecast indicators and parameters, which in turn corresponds to the score of 'B'. Yet, neither the macro-fiscal framework nor the Main Directions include detailed explanations of the main differences from the forecasts made in the previous year's budget. Based on this information and evidence, the score for this dimension is 'B', which is an improvement compared to the last assessment.

### 14.3. Macro-fiscal sensitivity analysis

230. The MoEDT undertakes regular macroeconomic analysis based on an input-output (IO) model, which was later integrated into the macro-econometric model. It enhanced the ability to satisfy strong MoEDT demand in forecasting from inter-sectoral relationships within the real sector (using IO models and employing the Computable General Equilibrium (CGE) models for this purpose as a long-term objective) to modeling other sectors of the economy. However, the scenarios, which are computed based on econometric modeling, are regularly provided to the government but are not published.

231. The MoF estimates its overall revenue and expenditure envelope on the basis of inputs (i.e. projections) submitted to it by the MoEDT, NBT and the Tax Committee, but it currently does not produce various development scenarios based on changes in macro-fiscal parameters or the underlying assumptions. Medium-term parameters on public debt are based on rigorous debt sustainability analysis (DSA), which is predominantly conducted by external partners rather than the MoF. In general, the MoF and other government bodies (such as the MoEDT and the NBT) regularly

forecast macroeconomic parameters using various assumptions and scenarios, but these details are not included in the budget proposal.

232. On this basis, the score for this dimension is 'C', particularly as macroeconomic sensitivity analysis and simulation modeling is not complemented by its inclusion in the budget proposal. The score has improved slightly in comparison to the previous assessment.

## PI-15. Fiscal strategy

233. 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.

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-15. Fiscal strategy</b>	B	
15.1 Fiscal impact of policy proposals	D*	Fiscal impact assessments were reportedly produced (for all proposed changes in revenue and expenditure policy) and submitted by the MoF to the GoRT and the Parliament, but they only cover a single year and were not publicly accessible. The assessors were not provided with sufficient evidence to score this dimension.
15.2 Fiscal strategy adoption	A	The PFM Reform Strategy (PFMRS) has been developed and endorsed via the President's Decree in January 2020, and is supported by a medium-term operational framework. The PFMRS is published and, through its operational framework, includes time-bound quantitative and qualitative targets for a three-year period.
15.3 Reporting on fiscal outcomes	A	The MoF's Main Directions of the Fiscal Policy of the State Budget are prepared and submitted annually to the Parliament along with the budget proposal, and include reporting on the main fiscal outcomes. In 2020, this report was published on the MoF website.

### 15.1. Fiscal impact of policy proposals

234. The assessment of fiscal impacts of policy proposals varies and is regarded to be implemented irregularly or not comprehensively. Publicly available documents do not include information on the assessment of fiscal impact, drawing on the macro-fiscal sensitivity analysis and regulatory impact assessment (RIA) practices. For example, during budget preparation, each ministry submits budget proposals to fund new priorities over the medium term, taking into account the proposed policies of the Main Administrators of Budget Allocations (MABAs). An assessment of the impact of these fiscal policy measures on budget revenues and expenditures is developed during the budget preparation stage, and is carried out in the process of considering these budget applications, but is not indicated in a separate document. Main Directions of Fiscal Policy of the State Budget of the Republic of

Tajikistan are annually presented in the package of documents with the annual budget proposal to the Parliament, but impact assessment in this document is very limited and not provided.

235. During the last three years (i.e. 2018, 2019 and 2020), annual budget legislation included information on tax concessions and temporary investment incentives (e.g. tax exemptions or waivers). The assessment of their impact on government revenue (e.g. tax revenue losses for each tax incentive) and expenditure envelopes has been undertaken, but is not available in the public domain. Similarly, the adoption of the new Tax Code has also brought major changes to tax rates and tax categories. While an assessment of its impact has been produced by the MoF in coordination with the Tax Committee and the MoEDT, this information is not publicly available and only provided in an expanded format to the GoRT and the Parliament.
236. Since the evidence was not available for the assessment team, the score for the present dimension is 'D\*', which compares to the score 'C' from the last assessment. The last assessment's score should have also been revised to either 'D\*' or 'D' due to the lack of evidence or insufficiency of the explanatory note (which provides descriptive information about policy changes rather than an assessment of the fiscal impact).

## **15.2. Fiscal strategy adoption**

237. The GoRT has adopted the Public Finance Management Reform Strategy (PFMRS) of the Republic of Tajikistan for the period until 2030 through the President's Decree #1446 dated January 31, 2020. The strategy is published on the MoF website and sets out the government's ten-year plan for reforming its PFM system and strengthening fiscal policy, thus aligning with the overarching NDS of the Republic of Tajikistan for the period until 2030 and the Mid-Term Development Program (MTDP) for 2021-2025. The PFMRS aims to achieve the following objectives: (i) improving fiscal discipline, (ii) enhancing allocative efficiency of public resources, (iii) strengthen control over the use of financial resources and public expenditure, (iv) undertake realistic strategic planning of financial resources for defined priorities, (v) increase operational efficiency, and (vi) ensure transparency and accountability of public financial resources.
238. Building on the PFMRS targets and objectives, and the government's short- to medium-term priorities, the Main Directions of Fiscal Policy of the State Budget of the Republic of Tajikistan are developed by the MoF early in the budget preparation process. They include policy and spending priorities of the GoRT by each sector, baseline budgets (i.e. without new programs), investment budgeting, subnational budgets, public debt, deficit targets, and other information which is submitted to the GoRT and the Parliament. This is done annually on a rolling basis and includes medium-term quantitative and qualitative parameters.
239. The PFMRS is implemented through its medium-term operational framework, i.e. the Mid-Term Action Plan for 2021-2023 which was approved by the GoRT Resolution #112 on April 3, 2021. The Action Plan formulates quantitative fiscal goals and time-bound qualitative indicators, as well as institutions that are responsible for its implementation. Examples of such indicators (to be achieved by 2030) include the following: (i) fiscal deficit does not exceed 1% of GDP, (ii) the difference between the fiscal balance target and actual fiscal balance does not exceed 10%, (iii) tax revenue comprise 30% of GDP, (iv) external debt service does not exceed 15% of tax revenue, (iv) 80% of MABAs employ approved and costed strategies or mid-term action plans, (v) program budgeting covers total government expenditure, and many others.

240. Costing of this operational framework has not been undertaken due to COVID-19 and other circumstances, which also resulted in its delayed approval. Targets and policy parameters in the PFMRS are broken down into three stages, which correspond to: (i) ensuring basic financial discipline, (ii) achieving financial sustainability and stability of the PFM system, and (iii) improving efficiency and effectiveness of public service delivery. These medium-term stages are underpinned by a comprehensive Theory of Change, which is elaborated in the PFMRS to guide national reform implementation in PFM.
241. Thus, the score for the present dimension is 'A', demonstrating improvement from the previous assessment.

### 15.3. Reporting on fiscal outcomes

242. The budget proposal, developed by the MoF and submitted to the government (in June) and to the Parliament (in October), contains reporting against implementation of fiscal parameters and policy targets which are in turn formulated in the Main Directions of Fiscal Policy of the State Budget of the Republic of Tajikistan. The explanatory note includes any deviations from stated objectives and targets, and proposed corrective actions by the GoRT and, specifically, by the MoF.
243. The score for this dimension is 'A'. This is because the MoF submits to the Parliament the explanatory notes against its stated fiscal objectives and targets, which forms part of the budget proposal. The budget proposal is published. The notes explain deviations from planned objectives and targets and align with the PFMRS. This shows improvement in comparison with the score from the last assessment.

### PI-16. Medium-term perspective in expenditure budgeting

244. 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.



## Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-16. Medium-term perspective in expenditure budgeting</b>	C	
16.1. Medium-term expenditure estimates	B	The annual budget proposal and, subsequently, annual budget legislation presents medium-term expenditure estimates broken down by economic and functional classifications (high-level lines), and is shown by program classification as an annex to the budget proposal.
16.2 Medium-term expenditure ceilings	C	While sectoral expenditure ceilings are formulated for a three-year period and approved by the GoRT, expenditure ceilings for each MABA are not produced or disclosed until the second phase of the budget formulation process (around May-June).
16.3 Alignment of strategic plans and medium-term budgets	C	Only a small proportion of all ministries, departments and agencies (MDAs) at the central government level have comprehensive, time-bound, and adequately costed medium-term strategic plans, which are aligned with the annual budget estimates.
16.4 Consistency of budgets with previous year's estimates	D	The budget documents, which are submitted by the MoF to the GoRT and the Parliament, provide limited explanation of some of the changes to expenditure estimates between the second year of the last medium-term budget and the first year of the current medium-term budget at the aggregate level.

### 16.1. Medium-term expenditure estimates

245. Medium-term expenditure estimates were introduced in Tajikistan in 2007. On September 7, 2006, medium-term expenditure framework (MTEF) has been formally introduced through the GoRT Resolution #409 'On the Introduction of Medium-Term Expenditure Framework in the Republic of Tajikistan' to implement the Poverty Reduction Strategy Paper (PRSP) and the NDS. Following this Resolution, the MoF issued Regulation #2-3-21 'On the Formation and Implementation of Medium-Term Expenditure Framework' on December 1, 2006, and included information on MTEF process and its goals and objectives, the macro-fiscal framework, planning of the Public Investment Program (PIP), division of labor among key players, proposed MTEF calendar, methodology for the preparation of sector expenditure plans, formulation of budget ceilings, the importance of alignment with national priorities, and several annexes (suggested format of budget organizations' budget proposals). In 2020, the GoRT follows the same format and, having only started with the social sectors as the initial pilots, implements MTEF across the whole government sector.

246. Since 2007, the MoF has prepared three-year macro-fiscal frameworks, based on inputs from designated government institutions such as the MoEDT, the National Bank of Tajikistan (NBT), and the Tax Committee. These medium-term budget parameters are formulated in February each year and include high-level disaggregation by functional, economic and program budgetary classifications. The macro-fiscal framework is updated at least once a year and is submitted as part of the annual budget proposal to the GoRT and the Parliament for review and approval. However, in the absence of

a regulation requiring the GoRT or the legislature to scrutinize medium-term parameters, the priority is often given to annual budgets which could potentially undermine the credibility of medium-term expenditure projections. Annual budgets are shown by program classification as an annex to annual budget legislation.

247. In 2020, the annual budget presented estimates of expenditure for the three-year period (next year and two following years) by administrative and economic classifications. Hence, the score for this dimension is 'B', which is a notable improvement from the previous assessment. This improvement is directly linked to continued roll out of the MTEF reform, and preparation of expenditure estimates by various budgetary classifications, as opposed to 2017 when only economic classification was credibly prepared.

### **16.2. Medium-term expenditure ceilings**

248. The MoF's macro-fiscal framework establishes budget ceilings and a three-year outlook for each of the 14 sectors in accordance with the functional budgetary classification. These expenditure ceilings are formulated in April-May during the budget preparation process, following the determination of baseline medium-term investment plan (i.e. capital budgets), tax and non-tax revenues, and baseline budgets. The government approves these medium-term expenditure ceilings each year on a rolling basis.

249. At the same time, sectoral expenditure ceilings for outer years are only indicative in nature, which means that they are not scrutinized or debated by the executive or legislature. Clear fiscal procedures are lacking to define the degree to which these ceilings may change on a rolling basis - otherwise, this exercise will have little value to policy makers and spending units.

250. Importantly, sectoral expenditure ceilings are defined during Phase I of the budget formulation process and are not accompanied by ministry-level expenditure ceilings. In particular, expenditure ceilings for each Main Administrator of Budget Allocations (MABA) – high-level spending unit in a three-tiered budget structure – are only formulated during Phase II of the budget formulation process in May-June. Therefore, ministry-level expenditure ceilings are not yet formulated at the time of issuing the Budget Circulars (i.e. instructions) by the MoF.

251. Accordingly, the score for the present dimension is 'C' and is the same as in the previous assessment.

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

252. Adequately costed and comprehensive medium-term strategic plans are produced, but for some ministries and other central government bodies (which govern sectors or sub-sectors). Sectoral strategies are only produced by the Ministry of Education and Science (MoES), Ministry of Health and Social Protection of the Population (MoHSPP), Ministry of Agriculture, Ministry of Industry and New Technologies (MoINT), and MoEDT – i.e. costed sectoral strategies have so far been put in place by 5 out of 14 ministries in 2020 (35.7% of the total number of MDAs). In other words, medium-term strategic plans were prepared for *some* MDAs in 2020, and *some* expenditure policy proposals in the annual budget estimates aligned with the strategic plans.

253. When medium-term strategic plans are in place, they are often found to be poorly prioritized or lack credible cost estimates and simulation modeling based on various development scenarios. Crucially,

the absence of cost estimates or their weak credibility loosens the link between policy formulation and public resource allocation at sector level.

254. While the government has not taken stock of its medium-term strategic plans or their quality, this dimension warrants a score of 'C'. This is consistent with the score from the previous assessment.

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

255. The changes to the previous medium-term estimates are not explained or elaborated in the annual budget proposal prepared by the MoF. Medium-term budget parameters are not required to be scrutinized or thoroughly reviewed by the GoRT or the legislature. The Main Directions of Fiscal Policy of the State Budget of the Republic of Tajikistan provides some information on some of the changes to expenditure estimates, although this is not systematic.

256. Accordingly, the score for the present dimension is 'D', which is the same as in the previous assessment.

### PI-17. Budget preparation process

257. 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.

#### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-17. Budget preparation process</b>	B	
17.1 Budget calendar	B	A clear annual budget calendar exists and is supported by national legislation and regulatory framework. The budget calendar is largely adhered to and allows budgetary units in total about 10 weeks for the preparation of respective budget proposals.
17.2 Guidance on budget preparation	C	Budget circulars (i.e. instructions) for Phase I and Phase II of the budget preparation process are issued to budgetary units and are generally adhered to, but they do not include medium-term expenditure ceilings at sector or MABA level.
17.3 Budget submission to the legislature	A	Annual budget proposal is submitted for scrutiny/review to the Parliament in line with endorsed deadlines. No delays or violations to these requirements were observed.

#### 17.1. Budget calendar

258. The FY'2020 budget preparation process was regulated by Articles 38-39 of the Law of the Republic of Tajikistan 'On Public Finances' and the Resolution of the GoRT #116f issued on December 30, 2019. The Resolution determined responsible public entities in the annual budget preparation process and issues instructions for a time-bound submission of the draft budget law to the legislature. On the

basis of this Resolution, the MoF issued detailed budget instructions to all public entities (mainly, MABAs) and designated responsible institutions, the timetable, and required actions to formulate budget parameters for next fiscal year and preliminary estimates for the following two years. Hence, budget parameters are estimated for a three-year period, following a medium-term expenditure framework. Yet, the priority is given to detailed preparation and scrutiny of parameters for next fiscal year.

**Table 24: Budget calendar for the 2021 budget submitted to the legislature.**

Activity	Submission date
<b>PHASE I</b>	
Ministry of Finance issues instructions for sectoral MABAs and SNGs on the formulation of medium-term budget parameters for 2021-2023.	February 1, 2020
Interagency Working Group meeting on the budget formulation (Working Group is under the Ministry of Finance).	Monthly
Creating interagency working groups and approval of the action plan on the development of medium-term sectoral spending plans.	February 1, 2020
Submission of preliminary macroeconomic projections for 2021-2023 by MoEDT to the Ministry of Finance (Annex 1 of the Budget Circular).	March 1, 2020
Submission of preliminary medium-term investment plan for 2021-2023 by MoEDT to MoF (Annex 2 of the Budget Circular).	March 1, 2020
Submission of preliminary tax revenue estimates for 2021-2023 by all MDAs/MABAs to the MoF.	March 1, 2020
Determining changes to prices and other costing parameters by the economic budgetary classification, and informing all MABAs.	April 1, 2020
Developing a baseline investment budget and informing all MABAs.	April 1, 2020
Estimating aggregate state revenues for the required period.	April 15, 2020
Submitting medium-term budget proposals by MABAs to the MoF for financing of their sectoral spending plans/strategies (Annex 2).	April 20, 2020
Determining sectoral expenditure ceilings by the MoF (Annex 3) and their disclosure on MoF website.	May 4, 2020
Submitting feedback and inputs by MABAs to MoF to resolve outstanding matters regarding financing of proposed new initiatives.	May 7, 2020
Budget hearings on sectoral expenditure ceilings.	May 7-13, 2020
Submission of the draft Main Directions of State Financial and Fiscal Policy to the Permanent Budget Commission under the GoRT.	June 3, 2020
<b>PHASE II</b>	
Ministry of Finance issues the Budget Circular (Instruction) for Phase II of the budget preparation process, and its publication and informing all MABAs.	June 10, 2020
Updating expenditure ceilings by the MoF and informing MABAs. Sharing the Budget Circular and medium-term forecasts with MABAs.	July 31, 2020
Updating the medium-term macro-fiscal parameters (projections) in line with socio-economic performance of regions, cities, and districts.	July 10, 2020
Updating the medium-term investment plan (investment budget).	July 25, 2020
Submission of budget proposals by RBAs to ABAs and MABAs.	August 5, 2020
Recording budget proposals in the budget planning module of the TFMIS in line with approved budgetary classifications and submitting draft republican and subnational budgets by all	August 7, 2020

MDAs/MABAs.	
Developing per-capita norms (i.e. expenditure allocations) for 2021-2023 within the approved expenditure ceiling and submitting to the MoF.	August 7, 2020
Submitting budget proposals by MABAs (broken down by MABAs, ABAs, and RBAs) to the MoF.	August 12, 2020
Submitting consolidated lists of investment projects by MABAs and subnational governments (SNGs) to the MoF.	August 12, 2020
Presenting strategic budget plans by sectors and consolidated budget proposals from MABAs, broken down by programs and MABAs/ABAs/RBAs.	August 13, 2020
Submitting commentary/feedback on budget proposals by MDAs (line ministries) to the MoF.	August 13, 2020
Budget hearings	August 15-30, 2020
Reviewing the draft annual budget proposal (for 2021) and parameters for two outer years (2022-2023) at the Collegium of the Ministry of Finance.	August 2020
Publishing the draft budget proposal for 2021 on the MoF website.	September 2020
Submitting the draft budget proposal for 2021 and parameters for two outer years (2022-2023) to the GoRT for review and approval.	September 20, 2020
Submitting the draft budget proposal to the Parliament.	October 2020

259. In the budget calendar presented above, ministries, departments and agencies (MDAs) are only given 15 days to develop the draft investment budgets from the moment of receipt of updated medium-term expenditure estimates, but there is sufficient time for public sector entities to develop their budget proposals between issuance of the second-Phase Budget Circular by the MoF (on June 10, 2020) and completion of budget hearings (August 30, 2020). There are occasional delays in the drafting and submission of budget proposals across the government sector, but these do not affect the timeline for submission of the budget proposal by the MoF to the legislature. Based on consultations with the MoF, minor submission delays occur in about 5-8% of all public sector entities and Main Administrators of Budget Allocations (MABAs).

260. Accordingly, the dimension score is 'B', as it was the case in the last PEFA assessment.

## 17.2. Guidance on budget preparation

261. For the formulation of FY'2021 budget, the first instruction (for Phase I) was issued on January 31, 2020 and the second instruction (for Phase II) was issued on July 10, 2020. Both instructions are largely followed by all MABAs, ABAs and RBAs in the education sector. Both instructions are essentially Budget Circulars that guide the budget preparation process at each phase and are issued every year by the MoF. Budget Circulars for all previous years are available on the MoF website in multiple languages.

262. However, the budget circulars do not set or define expenditure ceilings, because expenditure ceilings are issued a few weeks later by the MoF in its macro-fiscal framework. Instead, medium-term expenditure ceilings are set by the MoF at a later stage and are broken down by functional, economic, and other classifications. These ceilings are set for each of the three years. Prior to their submission to the Parliament, they are reviewed and approved by the high-level Budgetary Commission (i.e. by

the Cabinet). As a standard practice, expenditure ceilings are formulated and issued by the MoF in February and are subsequently updated and re-issued again for all budgetary units in July.

263. Hence, the score for the present dimension is 'C'. This is the same score as in the last assessment.

### 17.3. Budget submission to the legislature

264. Based on Article 43 (para 3) of the Law of the Republic of Tajikistan 'On Public Finances', the GoRT annually submits a draft annual budget proposal to the Lower Chamber of the Parliament by November 1<sup>st</sup>. The proposal is comprehensive and includes both recurrent and capital budgets, as well as total government revenue. No violations or delays to deadline requirements were observed in the last three completed fiscal years.

**Table 25: Actual dates of budget submission for the last three completed fiscal years.**

Fiscal year	Actual date of submission
2018	October 31, 2018
2019	November 1, 2019
2020	October 28, 2019

265. Accordingly, the score for this dimension is 'A', showing no change since the last assessment.

### PI-18. Legislative scrutiny of budgets

266. 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.

## Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-18. Legislative scrutiny of budgets</b>	<b>B+</b>	
18.1 Scope of budget scrutiny	B	The Parliamentary Committee on Economy and Finance and the Members of Parliament (MPs) review fiscal policy and aggregate annual parameters, but the scrutiny of medium-term fiscal estimates and medium-term priorities is limited.
18.2 Legislative procedures for budget scrutiny	B	Legislative procedures to review budget proposals are embedded in the Parliamentary Provisions and national PFM legislation. The Parliamentary Committee on Economy and Finance internally meets with other committees and discusses the budget proposals, but arrangements for public consultations are weakly followed.
18.3 Timing of budget approval	A	In the last three years, the Parliament approved the annual budget proposal and medium-term estimates at least one month before the start of the new year.
18.4 Rules for budget adjustments by the executive	A	Clear fiscal rules are in place for in-year budget adjustments and in 2020 they were fully adhered to by all budgetary units across the government sector.

### 18.1. Scope of budget scrutiny

267. According to Article 44 of the Law of the Republic of Tajikistan ‘On Public Finances’, the Main Directions of Fiscal Policies and Medium-Term Priorities are provided by the Minister of Finance to the Parliament. This document serves as an explanatory note to the draft annual budget proposal and medium-term parameters, and includes detailed data on revenue and expenditure of the government. Sector expenditure is also broken down by program budgetary classification and included in the submission package. The Provisions of the Committee on Economy and Finance indicate that it has the authority to review the government’s fiscal policy, forecasts, and financing priorities on behalf of the legislature.

268. In its annual review of the draft government budget for the next financial year, the Parliament through its Committee on Economy and Finance reviews fiscal policy and medium-term fiscal projections, but detailed scrutiny and analysis is not available. Reviews are undertaken by the Parliament at the end of October and November, depending on the date of submission of the annual budget proposal by the MoF. The time allocated for budget scrutiny is often insufficient to undertake comprehensive analysis and adequately scrutinize the budget parameters and fiscal policy.

269. Although the Parliament reviews fiscal policies and parameters for the next fiscal year, its review/scrutiny of the medium-term fiscal forecasts and state priorities is inadequate. Hence, the score for this dimension is ‘B’. The previous assessment score was ‘A’ because the donor-funded analytical unit had supported the Parliamentary Committee on Economy and Finance, which improved its efficiency and scrutiny of the medium-term parameters. In 2020, this unit no longer existed and the Parliament was capacity-constrained, which prevented adequate review of the medium-term fiscal forecasts and priorities.

## 18.2. Legislative procedures for budget scrutiny

270. The procedures for the consideration of the draft budget by the Parliament are spelled out in the Provisions of the Majlisi Namoyandagon Majlisi Oli of the Republic of Tajikistan (i.e. Lower Chamber of the Parliament), specifically in Chapter 15 which contains information on the procedure for the consideration and adoption of the law on the state budget and control over its implementation, and procedures for considering the budget by special committees, providing technical support, and procedures for discussing the budget among MPs and across thematic parliamentary committees.
271. The Parliamentary Committee on Economy and Finance, within the framework of the approved schedule, discusses the draft state budget and projections for the next two years in other parliamentary committees. To that end, in 2021, the Committee held 9 such discussions with the thematic parliamentary committees. Consultations with representatives from the Parliament and the MoF demonstrated that all Parliamentary committees fully comply with the Parliament's approved procedures for budget scrutiny.
272. However, the procedure for holding budget hearings with the participation of public organizations (or civil society organizations, CSOs) and other stakeholders is not spelled out in the regulations and in practice is not carried out at the parliamentary level.
273. Accordingly, the score for this dimension is 'B', which is in line with the previous assessment.

## 18.3. Timing of budget approval

274. According to current practice, the Parliament endorses the annual budget proposal and medium-term budget parameters annually before the commencement of the following financial year. The document that confirms the approval of the state budget by the Parliament is the Resolution of the Majlisi Namoyandagon Majlisi Oli of the Republic of Tajikistan on the adoption of the annual budget and medium-term estimates for the next two years.

**Table 26: Actual dates of budget approval for the last three completed fiscal years.**

Fiscal year	Actual date of approval
2018	December 31, 2018
2019	December 11, 2019
2020	November 18, 2020

275. Based on the analysis and supporting evidence, the score for the present dimension is 'A'.

## 18.4. Rules for budget adjustments by the executive

276. The fiscal rules governing budget adjustments by the executive are clear and provisioned in the national legislation. According to Article 51 of the Law of the Republic of Tajikistan 'On Public Finances', if the government's revenue budget needs to be amended, either due to an unforeseen revenue shortfall or rising revenue proceeds, leading to changes in aggregate government revenues of 10% or more, the MoF is obliged to notify the Lower Chamber of the Parliament and seek its approval within 15 calendar days. If the Parliament fails to endorse amendments to the government's



revenue budget within a predefined 15-day period, the GoRT may amend the revenue budget at its own discretion.

277. If subsequent changes to the general government budget do not exceed 10%, the GoRT may reallocate funds and amend the budget without altering the overall budget balance. The Parliament should be informed about any such change within 5 days and subjected to its mandatory publication (e.g. on the MoF's website and/or in local media outlets).
278. According to Article 55 of the Law of the Republic of Tajikistan 'On Public Finances', reallocation of approved expenditures across line items and administrative units is subject to approval through a Resolution of the Government of Tajikistan. Reallocation of approved expenditures across line items within a single administrative unit (i.e. budget organization), which does not alter the overall expenditure ceiling of this particular administrative unit, is subject to approval only by the MoF. Otherwise, the MoF is required to seek Parliamentary review and approval of changes to government expenditure.
279. Finally, statutory expenditure items include wages (salaries) of public sector employees, social payments, stipends, pensions, allowances and compensation payments (for vulnerable population groups), and utility payments. Financing of statutory expenditure items is carried out in full regardless of aggregate revenue performance of the government. Only in the event of delayed enactment of annual budget legislation, statutory expenditure items are financed in equivalence with the amounts from the previous year. This is provisioned in Article 18 the Law of the Republic of Tajikistan 'On State Budget of the Republic of Tajikistan' and Article 53 of the Law of the Republic of Tajikistan 'On Public Finance'.
280. Review of budget documentation, budget amendments and adjustments made in-year, and consultations with the MoF and the Parliamentary Economy and Finance Committee (EFC) reaffirms that these fiscal rules and regulatory procedures are adhered to in all instances. In the 2020 pandemic year, the MoF had to make significant changes to its annual budget (equaling 10% or more compared to initial budget allocations), which were endorsed by the Parliament on July 4, 2020. Minor expenditure reallocations within overall spending ceilings (of administrative units or sectors) did not require approval by the Parliament. In this instance, the budgetary units duly informed the MoF about proposed adjustments or reallocations, and sought its approval.
281. Thus, the score for the present dimension is 'A', which is the same as in the previous assessment.

## PILLAR FIVE: Predictability and control in budget execution

### PI-19. Revenue administration

282. This indicator covers the administration of all types of tax and non-tax revenue for the central government. It assesses the procedures used to collect and monitor central government revenues. It contains four dimensions and uses the M2 (AV) method for aggregating dimension scores.

#### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-19. Revenue administration</b>	<b>B</b>	
19.1 Rights and obligations for revenue measures	A	The Tax Committee and the Customs Service use multiple channels (e.g. local mass media, corporate websites and through web-based information portals, information sessions with taxpayers, etc.) to provide taxpayers with access to comprehensive and up-to-date information on the main revenue obligation areas and on rights.
19.2 Revenue risk management	C	Risk-based approach has been introduced into inspections of the taxpayers by the Tax Committee, including a structured approach for assessing and prioritizing compliance risks for some categories of government revenue for large revenue payers, but the new IT module has not been fully operationalized yet. The Customs Service has only just launched its new risk management module and will draw up and implement its first plan to reduce compliance risks in 2022.
19.3 Revenue audit and investigation	D	Audits and fraud investigations are embedded in the Tax Committee's and the Customs Service's routine audit planning and implementation. Audit plans are completed in full and on time, but neither entity has a compliance improvement plan, which is used as the basis for audit and fraud investigation planning.
19.4 Revenue arrears monitoring	A	In 2020, the total amount of outstanding tax debt in relation to tax receipts (i.e. total revenue collection) was 8.3%, and the revenue arrears older than 12 months were equivalent to 17.2% of total revenue arrears for the year.

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

283. In 2020, the Tax Committee accounted for 65.9% of total government revenues (i.e. 'the majority'), the Customs Committee – 21.8% of total government revenue (namely, external VAT, external excise taxes, and customs duties), the Agency for Social Insurance and Pensions (ASIP) – 12.2%. In addition, Central Treasury through the National Bank of Tajikistan (with respect to external grants and loans, which the GoRT also classifies as revenues) accounted for 4.6% of the receipts of the Tax Committee, and all other budgetary units with own revenue sources accounted for a combined 9.5% of the total receipts of the Tax Committee. This dimension captures information from the Tax Committee and the Customs Committee, which jointly account for 79.2% of total government revenues.

284. The Tax Committee under the GoRT, as an authorized state body, reports directly to the GoRT. The main legal powers of the Tax Committee are established by the Tax Code of the Republic of Tajikistan (#902 dated September 17, 2012; and in the new edition #1844 dated December 23, 2021) and the Regulation on the Tax Committee approved via the GoRT Resolution #456 dated August 31, 2012.
285. The Tax Committee has made significant progress in modernizing revenue administration during 2015-2021, which enables it to have more efficient and effective revenue collection, increase the level of voluntary tax compliance, and improve the overall quality of taxpayers' services. The development of the Integrated Tax Management Information System (ITMIS) helped to expand (digitize) the process of registration, filing tax returns, electronic payment of taxes, electronic invoicing for value-added taxes (VAT), creating pre-filled returns, abolishing internal and external audit mechanisms, and cross-matching of third-party information. The ITMIS provided secure access for businesses and individuals to their personal taxpayer accounts.
286. Based on data from the first nine months of 2021, the plan for collecting taxes and other budget revenues assigned to the Tax Committee was fulfilled by 100.7%, which is TJS 65 million more than the original plan. During this period, on the part of the tax authorities, the plan for collecting VAT was fulfilled by 87.7%; but the budget gap between budgeted and outturn amounts exceeded TJS 300 million. According to the MoF, total receipts of domestic taxes collected by tax authorities comprised 65.2% of total government revenues in the first nine months of 2021.
287. In accordance with Article 83 of the Tax Code of the Republic of Tajikistan, one of the main tasks of the tax authority is to assist taxpayers in fulfilling their tax obligations. To that end, comprehensive information regarding compliance with the tax legislation of the Republic of Tajikistan, as well as clarifications on tax administration issues, is disseminated through seminars, roundtables, and digital meetings (e.g. webinars) with the participation of a wide range of taxpayers, conducted by representatives of the Tax Committee.
288. All relevant and comprehensive taxpayer information, including redress processes and procedures, is available on the website of the Tax Committee, as well as on the web-based 'Personal taxpayer account' in the form of regulatory and legislative documents (e.g. laws, regulations, acts, orders, instructions, procedures, provisions, etc.) with respect to taxation coverage, tax benefits, tax rates, and other categories. All legislative and regulatory documentation on taxes is published by the Tax Committee in its weekly newspaper 'Boju Hiroj' and is publicly available. Taxpayers can also reach out to the Tax Committee with their inquiries through the short number '151' to connect to the call center.
289. The Customs Service under the GoRT was created in 2006. According to its Provisions, which were adopted through Resolution of the GoRT #612 on December 28, 2016, the Customs Service collects and manages the receipt into the state budget of customs duties, taxes, and other payments with respect to international trade and transactions. In accordance with Article 20 of the Provisions, the Customs Service also carries out information campaigns and consultations with taxpayers and other parties (using online and offline engagement modalities) on customs payment and administration matters, as well as taxpayers' rights and obligations.
290. The Customs Service managed TJS 4,879.9 million in 2018, TJS 5,510.6 million in 2019, and TJS 5,469.4 million in 2020 respectively. Of these amounts, external value added taxes (VAT) averaged 75-77%.

Overall, the collection plan by the Customs Service was fulfilled, on average, by 102.4% during 2018-2020.

291. Customs payment administration, rules and procedures are detailed in the Customs Code of the Republic of Tajikistan (e.g. Articles 43-48). Full account of all legislative and regulatory documents governing customs administration and redress processes, as well as all relevant taxpayer information (on coverage, eligibility, rates, payments, exemptions, dispute resolution, classifiers, export/import operations, declarations, freight details, risk criteria, etc.), is available on the website of the Customs Service at <http://www.gumruk.tj> and its information portal at <http://infoportal.customs.tj>. Besides, the Customs Service keeps the record of all transactions and payments in its own Customs Management Information System (CMIS), which is linked to the Central Treasury of the MoF, enabling efficient reporting and monitoring of customs payments and other relevant information.
292. Accordingly, the score for this dimension is 'A', which represents improvement from the previous assessment (with the score of 'B' in 2017).

## 19.2. Revenue risk management

293. To create the most favorable conditions for fulfilling tax obligations and improving the quality of taxpayer services, in accordance with the provisions of the Tax Code and the Standards of Service for Taxpayers, the Tax Committee has developed and implemented more than 60 electronic services, including: (i) submitting tax declarations in electronic format, (ii) paying taxes through bank cards, (iii) obtaining information from the Unified State Register, (iv) checking fiscal receipts online, (v) providing electronic VAT invoices, and (vi) digital warehouse of a taxpayer, and others.
294. These electronic services have been introduced as part of the development of a risk-based approach of tax authorities in order to prepare and implement new systems, based on information processing and database analysis, including tracking value added tax (VAT) transactions and cash register transactions. The list of risk criteria was developed and approved via the Order of the Chairman of the Tax Committee (#45 dated January 30, 2020), which is in line with Chapter 6 of the Tax Code (on risk management system). This was done to conduct proper analysis, oversee the tax authorities' activities, and improve the quality of tax audits in accordance with the provisions of Articles 43 and 44 of the Tax Code. Based on this Order, the Tax Committee's Integrated Tax Management Information System (ITMIS) introduced a new risk management module that analyzes and evaluates the activities of taxpayers based on approved criteria. On this basis, the level of taxpayer risks with respect to tax violations, or compliance risk, is determined. The processed information through this module is used to identify and prevent violations of tax legislation, planning tax audits, and other forms of tax control, as well as to identify irresponsible taxpayers and strengthen control over their activities to comply with the national tax legislation. Thus, the efficiency of tax control increases and unscrupulous taxpayers fall into the highest risk category, and conscientious taxpayers are checked less often, in accordance with which incentives are created to pay taxes on their own.
295. The current Tax Code clearly defines the risk criteria and the criteria of ensuring tax control, including dividing taxpayers by their total gross income (e.g. large and medium taxpayers), the time and place of tax audits, the method of tax control (e.g. documentary, cameral, etc.) the procedure for appealing against actions (inaction) of tax authorities and appropriate measures to collect additional charges of taxes. Although the risk module has been developed, it is not fully operationalized.

296. According to Article 29 of the Tax Code, scheduled documentary audits of taxpayers whose gross income (excluding value added tax, excise taxes, primary aluminum sales tax) for the previous calendar year exceeds TJS 25 million, are carried out no more than once a year, and in respect of taxpayers whose gross income for the previous calendar year is less than TJS 25 million, carried out no more than once every two years. In the meantime, the data analysis is not geared to systematic tax compliance risk management. Although there is an IT module on risk management, as indicated in the 2020 TADAT Report, it is not yet embedded in the organizational procedures and does not inform operation to the extent that it should.
297. According to the 2020 Tax Administration Diagnostic Assessment Tool (TADAT), the Tax Committee does not have a separate unit with responsibilities for tax compliance analysis and compliance risk information gathering. Analytical research tasks and risk knowledge accumulation are distributed to organizational departments based on their functions; however, consolidated and systematic analysis of compliance risks is not conducted and not focused on key segments of the tax administration system.
298. The Customs Service is currently modernizing its risk management system in partnership with the CUPIA and the Customs Service of the Republic of South Korea. The new risk management module was launched within the web-based Unified Automated Information System (UAIS) of the Customs Service on April 11, 2011. The system provides information on 47 risk criteria, and there are further plans in place to improve functionality of the module and develop an action plan to reduce compliance risks in 2022. Until now, risk management capacity of the Customs Service has been limited, implying that appropriate automated systems were not put in place and risk management practices were not embedded in the regulatory environment.
299. The Tax Committee and the Customs Service, as entities collecting the *majority* of revenues, do not use risk-based processes systematically and in a structured way to ensure compliance. In fact, both entities have only recently adopted new digital modules on risk management and risk-based approaches (e.g. in registration, filing, payment, and refunds), which are not fully operationalized yet. Neither entity is currently able to minimize evasion through an efficient risk management process, and neither entity has a compliance risk register which would have helped them to better understand the underlying risks. Current compliance risk mitigation covers only *some* revenue streams to incomplete automation and digitalization.
300. Based on the analysis and consultations with both entities, the score for this dimension is 'C'.

### **19.3. Revenue audit and investigation**

301. The Tax Committee asserts that the most important condition for effective organization of tax audits is to conduct a preliminary analysis based on risk criteria to identify the maximum number of taxpayers, whose activities are prone to violations of the national tax legislation.
302. Using the risk management system, and according to Article 43 of the Tax Code (part 3), the Tax Committee ensures more efficient use of available resources for the selection of taxpayers (tax agents) for conducting tax audits and for the taxpayers' inclusion in the audit plan. In accordance with the Order of the Chairman of the Tax Committee, the plan for audit of taxpayers is approved every six months and, on its basis, employees of the Main Directorate of Tax Control of the Tax Committee

(and its territorial representatives/bodies) provide tax control across the board. The registry of taxpayers, which are included in the audit plan of the Tax Committee, is subsequently updated. The Tax Committee plans its audit activity on the annual basis and implements it fully over the course of the financial year.

303. Although the Tax Committee made progress in revenue audit and investigation in recent years, the 2020 Tax Administration Diagnostic Assessment Tool (TADAT) stated that audit results are analyzed on a periodic basis, but aggregate analysis of audit outcomes is not yet systematic.
304. In recent years, the number of tax audits of taxpayers decreased several times and, on average, the number of taxpayers subject to annual tax audits equals 3-5% of the total number of registered taxpayers. The improvement of tax legislation in terms of tax control made it possible to reduce the burden on the activities of medium and small businesses, and to focus the direction of inspections on large enterprises and more risk-oriented taxpayers.
305. The Tax Committee documents annual plans which contains compliance improvement activities, but there are no consolidated documents to improve taxpayer compliance. The tax compliance multi-year priorities are described in the multi-year development program of tax administration and annual operation plans on budget collection but there is no consolidated operational plan at the Tax Committee.
306. Customs revenue inspection is undertaken by the Customs Service on the basis of desk-based audit (customs control after the release of goods) and field audit (based on annual audit plans). Field audits can be undertaken only once a year with respect to the same person/entity. Desk-based audits are not planned and do not have any other rules on their frequency and coverage. Revenue audit of the Customs Service is provisioned in the Order of the Customs Service under the GoRT #69-f 'Rules of Undertaking Customs Control in the Form of Customs Audit' (dated April 17, 2013). However, the Customs Service does not have a compliance improvement plan, but field audits are reportedly completed in full and on time.
307. Hence, the score for the present dimension is 'D' and has not changed since the last assessment.

#### **19.4. Revenue arrears monitoring**

308. Revenue arrears are defined in Chapter 12 of the Tax Code. Collective tax arrears are defined as the total amount of domestic tax, including interest and penalties, that is overdue for payment and which is not subject to collection impediments. Collectible tax arrears therefore exclude: (i) amounts that are formally disputed by the taxpayer and for which collection action has been suspended pending the outcome, (ii) amounts that are not legally recoverable, and (iii) arrears that are otherwise uncollectible.
309. The Tax Arrears and Collection Enforcement Department of the Tax Committee deals with arrears, which are monitored and recorded in the ITMIS by all main revenue sources. As of January 1, 2021, the total stock of outstanding revenue arrears was TJS 884 million. Tax receipts accounted for more than 83% of aggregate government revenue, including grants. The total amount of outstanding tax debt in relation to tax receipts (i.e. total revenue collection) was 8.3% in 2020, and the revenue arrears older than 12 months were equivalent to 17.2% of total revenue arrears for the year.

According to Chapter 12 of the Tax Code, facilitated collection of tax arrears should be done in the year that they occur.

310. Accordingly, this dimension scores ‘A’, which demonstrates improvement compared to the score (C) in the 2017 assessment. Although the percent of tax arrears is broadly similar, in 2017, the tax arrears over 12 months equaled 74.8% of the total volume of tax arrears, compared to only 17.2% in 2020. This difference contributed to the significant change in the score for this dimension.

## PI-20. Accounting for revenue

311. 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.

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-20 Accounting for revenue</b>	A	
20.1 Information on revenue collections	A	The Ministry of Finance obtains monthly revenue data from other central government entities (e.g. the Tax Committee), broken down by revenue type and consolidated into a report. Collected data corresponds to all central government revenue.
20.2 Transfer of revenue collections	A	The Tax Committee, the Customs Committee, and SSB ‘Amonatbank’ transfer the revenue collections directly into accounts of the Central Treasury of the Ministry of Finance through the treasury single account (TSA).
20.3 Revenue accounts reconciliation	A	The Ministry of Finance performs reconciliations of all government revenues on a monthly basis (with the Tax Committee and the Customs Committee) and on a daily basis (with the National Bank of Tajikistan).

### 20.1. Information on revenue collections

312. The government revenues are collected by the Tax Committee (with respect to tax and non-tax revenues), Customs Committee (with respect to customs receipts), and the Social Protection Fund (social contributions that are administered by the Agency for Social Insurance and Pensions, ASIP). In 2020, the Tax Committee accounted for 65.9% of all revenues collected by the government annually, while the proportion of total revenues collected by Customs Service was equivalent to 21.8% (see Table 27).

**Table 27: Collected revenues by entity and category of revenue, 2020 (in million TJS).**

Collecting entities	Category of revenue	Collected revenue (execution)	
		Amount	% of total
<b>Tax Committee</b>		<b>16,529.9</b>	<b>65.9</b>
	Income and profit taxes	3,575.6	14.3
	Taxes on immovable property	374.3	1.5
	Sales taxes	2.3	0.0
	Value added taxes (domestic)	2,150.3	8.6
	Special taxation regime	645.9	2.6
	Excise taxes (domestic)	187.4	0.7
	Environmental resource taxes	631.1	2.5
	Other domestic taxes and payments for G&S	331.6	1.3
	Automobile road user tax	403.1	1.6
	Non-tax revenues	1,895.4	7.6
	Grants from foreign governments	1,150.7	4.6
	Grants from international organizations	1,895.7	7.6
	Special funds of budgetary units	2,385.9	9.5
	Other revenues	900.6	3.6
<b>Customs Service</b>		<b>5,469.4</b>	<b>21.8</b>
	Value added taxes (external)	4,242.8	16.9
	Other revenues from external trade and operations	701.5	2.8
	Excise taxes (external)	433.6	1.7
	Other revenues	91.5	0.4
<b>Agency for Social Insurance and Pensions (ASIP)</b>		<b>3,065.7</b>	<b>12.2</b>
	Social contributions by individuals (25%)	2,510.3	10.0
	Social contributions by individuals (20%)	210.2	0.8
	Social contributions by enterprises	201.5	0.8
	Other revenues	143.7	0.6
	<b>TOTAL:</b>		<b>100.0</b>

Source: Ministry of Finance of the Republic of Tajikistan.

313. The Tax Committee under the GoRT is responsible for tax administration and collection of the majority of government revenues. Main legal authorities are derived from the Tax Code (dated September 17, 2012; and amended in 2021) and the Provisions of the Tax Committee (dated August 31, 2012). The Tax Committee's headquarters are located in Dushanbe, with three regional-level tax offices, a Large Taxpayer Office, and 68 district-level tax offices (i.e. inspectorates) across the country. The Tax Committee has around 2,300 staff, including support staff and 1,840 tax officials.

314. All core taxes are required by the Tax Committee to be paid electronically. The data submitted by the Tax Committee using ITMIS database indicates that all the core taxes were paid 100% using electronic payment methods. At the same time, tax withholding at source and advance payments are routinely used during tax collection. Chapter 11 of the Tax Code determines the provisions for payment, collection, and refund of taxes, including deadlines for payment, and penalties and interest in case of late payment. Withholding at source for employment income, interest income, and dividend income



are in place. Articles 157-158 of the Tax Code lay down that advance tax is required to be paid for corporate income taxes (CIT) by the 15<sup>th</sup> of the month following the month in which the income was earned. This also applies to rental income received by individuals. Although advance tax is paid monthly, declaration for CIT is required to be filed annually. Information regarding payment schedules is available on the website of the Tax Committee. There is no need for mandatory reporting since the tax withholding is final.

315. All government revenues are received through a Treasury Single Account (TSA) and the MoF (as the central government agency) obtains revenue data monthly from the Tax Committee, the Customs Committee, and all other revenue-generating entities, which is subsequently consolidated into a report.

316. In sum, the MoF receives all types of revenue data which is accurate and complete (broken down by functional classification and monthly data for a twelve-month period), and covers all central government revenue. Hence, the score for this dimension is 'A', as it was in the previous assessment in 2017.

## **20.2. Transfer of revenue collections**

317. According to Article 11 of the Law of the Republic of Tajikistan 'On Treasury', the Tax Committee, the Customs Committee, and the State Savings Bank 'Amonatbank' which serves the ASIP and administers all social payments, transfer their collected revenue directly to the accounts of the Central Treasury on a daily basis through the Treasury Single Account (TSA).

318. The Tax Committee's automated ITMIS meets government IT and accounting standards, and interfaces with the MoF's Tajikistan Financial Management Information System (TFMIS). The ITMIS's revenue accounting module allows all tax liabilities and related payments to be posted to taxpayers' ledger accounts within one business day of their occurrence.

319. Regular external audit by the Chamber of Accounts once a year and internal audit by the Tax Committee's Internal Audit Department once in two years are conducted to ensure that the accounting system aligns with the Central Treasury revenue accounting system and correctly calculates liabilities, penalties and interests.

320. Accordingly, the score for this dimension is 'A' and remains unchanged from the previous assessment.

## **20.3. Revenue accounts reconciliation**

321. Revenues are reconciled by the MoF with the Tax Committee, the Customs Committee, and SSB 'Amonatbank' on a monthly basis. Reconciliations with the National Bank of Tajikistan (NBT) are done daily. In addition, the tax authorities perform reconciliations with the Treasury for the repayable amounts of taxes and other mandatory payments for the reporting month for each budget classification code on revenues. This is done on the first day of the month following the reporting period.

322. Furthermore, Articles 19 and 69 of the Tax Code determine the procedure for reconciliation of all amounts paid under different taxes, through which offset can be made. Since the development of the ITMIS, suspense accounts were eliminated since the system does not accept a wrong payment where

either the Taxpayer Identification Number (TIN) is missing, or a wrong TIN has been keyed in by a particular taxpayer. All taxpayers have secure online access to their taxpayer account in ITMIS.

323. The score for this dimension is 'A', which is similar to the previous assessment.

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

324. This indicator assesses the extent to which the MoF 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 **M2 (AV)** method for aggregating dimension scores.

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-21 Predictability of in-year resource allocation</b>	C+	
21.1. Consolidation of cash balances	C	All bank and cash balances are consolidated by the Central Treasury on a daily basis. The ASIP manages its accounts separately and submits its monthly report to the Treasury.
21.2 Cash forecasting and monitoring	C	Cash flow forecasts are prepared for each next financial year by the Central Treasury, including consolidated cash plans covering the general government budget, but cash plans are not updated on at least monthly or quarterly basis.
21.3 Information on commitment ceilings	A	Budget departments and divisions have good information on annual spending (or commitment) ceilings for the next 12 months, with quarterly breakdowns.
21.4 Significance of in-year budget adjustments	C	In general, annual adjustments to the expenditure side of the general government budget continue to take place in the process of its execution.

### 21.1. Consolidation of cash balances

325. In Tajikistan, all funds of the republican and subnational budgets in national currency are consolidated in the Treasury Single Account (TSA), which is in the National Bank of Tajikistan (NBT) and is managed by the Central Treasury of the MoF. The consolidation of funds in the TSA takes place on a daily basis. Budget funds in foreign currency are in the treasury accounts with the National Bank of Tajikistan.

326. Pension funds at the central government and subnational levels are kept/located in the State Savings Bank (SSB) 'Amonatbank' and are managed by the Agency for Social Insurance and Pensions (ASIP). Accordingly, monthly payment reports are sent by SSB 'Amonatbank' to the Central Treasury.

327. The MoF plans to transfer all accounts of the pension fund (i.e. ASIP accounts) to the TSA. At this stage, the funds of the pension fund received from the government sector are transferred to the

accounts of the ASIP through separate transit accounts of the TSA for reconciliation. Consolidation of these transit accounts in the TSA takes place daily.

328. Presently, the score for this dimension is 'C' because most cash balances are consolidated on a daily basis, except the ASIP accounts that are administered separately and reconciled on a monthly basis. This score is the same as in the previous assessment.

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

329. Cash flow forecast is prepared by the Central Treasury of the MoF in line with Article 30 of the Law of the Republic of Tajikistan 'On Public Finances', Article 6 of the Law of the Republic of Tajikistan 'On Treasury', and Guidelines on the Execution of State Revenue and Expenditure and Preparation of Reports in the Treasury System (approved via the Order of the Minister of Finance #64 dated April 27, 2021). Cash flow forecasts are prepared within 30 days from the endorsement of annual budget legislation on the basis of inputs from budgetary organizations. Cash flow forecasts are prepared annually with monthly breakdowns, but are not updated at least monthly or quarterly. Inputs from budgetary organizations include commitment plans (including monthly breakdown of revenue and quarterly breakdown of expenditure). According to the abovementioned Guidelines, the disbursement profile of budgetary organizations is based on the cash flow forecast. The Central Treasury can set cash limits for Recipients of Budgetary Allocations (RBAs).

330. In order to enable budgetary organizations to plan expenditures and make commitments on expenditures within the framework of their respective annual budget allocations, starting from 2016, the TFMIS introduced a cash plan of expenditures for the coming month. Budget institutions introduce their funding needs for the coming month, but within the relevant quarter, which allows the Central Treasury to provide the necessary amount of liquidity for the coming month to fund their spending needs on a timely basis.

331. The Central Treasury produces a consolidated cash flow forecast for revenue and expenditure at the central government level, net of special funds, loans and grants. Consolidated forecast at the subnational level is formulated by respective treasury offices in the regions. The consolidated cash plan is formed in accordance with approved budgetary classifications, and is approved by the Director (or the First Deputy Director) of the Central Treasury. Rules and procedures for changes to cash flow forecast are provisioned in the abovementioned Guidelines.

332. The MoF has developed an additional cash management module and plans to fully implement it in the TFMIS during 2022-2023. Currently, the score for this dimension is 'C', i.e. the same as is the previous assessment.

### **21.3. Information on commitment ceilings**

333. Upon the adoption of annual budget legislation in 2020, in accordance with Article 52 of the Law of the Republic of Tajikistan 'On Public Finances', all budgetary organizations (i.e. public sector entities) submitted to the MoF their expenditure estimates, with a quarterly breakdown. This is performed every year. Once these estimates are reviewed, the Main Department of the State Budget of the MoF draws up a consolidated list of budget expenditures, with their breakdown by quarters, and enters it into the TFMIS for execution by the Central Treasury. Thus, budgetary institutions are assigned expenditure ceilings for the entire year by quarters. This is monitored and adhered to by the Central

Treasury. In other words, budget institutions have reliable information on spending ceilings for the whole year and by each quarter.

334. The MoF plans to introduce a new module on cash management, which will provide forecasting of revenues and expenditures for the whole year, broken down by each month, with the possibility of its daily updating, which will further improve liquidity management of the Treasury Single Account (TSA).
335. The score for this dimension is 'A', which is an improvement from the previous assessment (from 'B' score). The main difference is that in 2017, the budgetary units had reliable information on commitment ceilings at least quarterly in advance, whereas in 2020 the budgetary units have such information for the year, with the quarterly breakdown.

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

336. The procedure for reallocating (re-assigning) and limiting budgetary allocations in the process of budget execution is defined in Article 55 of the Law of the Republic of Tajikistan 'On Public Finances', which establishes that approved public expenditure of the MDAs or other public sector entities can be changed and redistributed by the decision of the GoRT. Furthermore, the redistribution of funds between expenditure line items within the estimates of expenditures of budgetary organizations are subject to approval of the MoF. The Law of the Republic of Tajikistan 'On Public Finances' does not establish any restrictions on the redistribution of budgetary appropriations in the process of budget execution with respect to volume or line items.
337. In addition, according to annual budget legislation and the GoRT Resolution 'On Measures to Implement the Law of the Republic of Tajikistan 'On the State Budget of the Republic of Tajikistan for the Corresponding Financial Year', the GoRT can amend revenue and expenditure of the government budget, including the revenue and expenditure of the republican budget without altering/affecting the overall budget deficit.
338. In the reporting period, i.e. FY'2020, the GoRT had to propose changes to annual budget legislation and eventually revise down budget parameters as a consequence of the Coronavirus pandemic. In light of development partner support and uncertainty surrounding the COVID-19 situation, further in-year budget adjustments were made by the MoF (equaling less than 10% of aggregate revenue and expenditure) in the second quarter of 2020, as well as adjustments exceeding 10% of aggregate revenue and expenditure, which required Parliamentary approval. Annual budget law was amended on July 4, 2020 (#1693). Aggregate expenditure estimates were revised down by 9.6% from 26.1 billion somoni to 23.6 billion somoni in line with corresponding adjustments to revenue plans, which weakened predictability of resource allocations across the board.
339. Due to in-year budget adjustments taking place in 2020 (and also in the previous years), the score for this dimension is 'C' as in the previous assessment.

#### **PI-22. Expenditure arrears**

340. This indicator measures the extent to which there is a stock of 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 aggregating dimension scores.

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-22 Expenditure arrears</b>	C+	
22.1. Stock of expenditure arrears	B	The stock of expenditure arrears amounted to 2.3% of total expenditure in 2020, 2.5% in 2019, and 1.6% in 2018 respectively.
22.2 Expenditure arrears monitoring	C	Data on the amount and composition of expenditure arrears is generated annually at the end of each year.

#### 22.1. Stock of expenditure arrears

341. Expenditure arrears are defined in the Guidelines on Accounting in Budgetary Organizations and Guidelines on the Execution of State Revenue and Expenditure and Preparation of Reports in the Treasury System (approved via the Order of the Minister of Finance #64 dated April 27, 2021). Both documents are issued by the Central Treasury of the MoF. According to these guidelines, arrears arise exclusively in the course of economic activities of budgetary organizations and cannot be long term, since they must be settled within the financial year. Expenditure arrears are reflected in TSA account 2.12.100, which has sub-accounts, including accounts payable.

342. The MoF keeps records of expenditure arrears across all budgetary organizations (i.e. public sector entities), and this information is subsequently consolidated by the Central Treasury at the end of each year. In the reporting period, there were no significant expenditure arrears. In 2018, stock of expenditure arrears amounted to 1.6% of total government spending. This proportion rose to 2.5% in 2019 and subsided at 2.3% in 2020 respectively. These are all short-term arrears and are included in the corresponding balance sheets of budgetary organizations.

**Table 28: Aggregate stock of expenditure arrears, 2018-2020 (in million TJS).**

	2018	2019	2020
Aggregate stock of expenditure arrears (source: Central Treasury of the MoF)	396.6	690.9	572.1

343. Due to the COVID-19 pandemic effects, budget revenues significantly decreased and, therefore, despite the commitments made by budgetary institutions, the budgetary institutions' expenditure plans needed to be adjusted accordingly. The MoF continues to take actions to reduce expenditure arrears and it is expected that their stock will amount to less than 2% of total government spending at the end of 2021.

344. The score for this dimension is 'B', which is a deterioration from the previous assessment ('A' score).

#### 22.2. Expenditure arrears monitoring

345. At the end of each financial year, the Central Treasury consolidates the data on expenditure arrears, which includes the amounts, timing, and their composition. Data on expenditure arrears is

consolidated on the basis of approved annual financial statements. Since quarterly and semi-annual financial statements are not approved, expenditure arrears are not consolidated at such frequencies.

346. Hence, the score for the present dimension is 'C', which is similar to the score from the last assessment.

### PI-23. Payroll controls

347. This indicator is concerned with the payroll for public servants only: how it is managed, how changes are handled, and how consistency with personnel records management is achieved. Wages for casual labor and discretionary allowances that do not form part of the payroll system are included in the assessment of non-salary internal controls, PI-25. This indicator contains four dimensions and uses the M1 (WL) method for aggregating dimension scores.

#### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-23 Payroll controls</b>	C+	
23.1 Integration of payroll and personnel records	B	Budget organizations provide on a monthly basis full documentation made to personnel records, which are checked by the Central Treasury against the previous month's payroll data. Hiring and promotion is performed within approved personnel records, budget allocations, and staff positions across the government sector.
23.2 Management of payroll changes	A	Payroll changes are adequately regulated, administered, and overseen by the Agency for Civil Service (ACS). Retrospective changes/adjustments are made in less than 3% of the total wage bill.
23.3 Internal control of payroll	C	Authority to change personnel records and payroll is restricted, but integrity of data is constrained by the lack of integration between HRMIS and TFMIS.
23.4 Payroll audit	B	External audit of the payroll covering all central government entities was carried out at least once in the past three years.

#### 23.1. Integration of payroll and personnel records

348. In Tajikistan, personnel records in the state bodies are managed by the Agency for Civil Service (ACS) under the President of the Republic of Tajikistan. The ACS employs 74 staff members and is responsible for managing human resources policy. All budget organizations are required to have personnel records, which are administered by respective human resources units. Personnel records are updated on a monthly basis in line with the Decree of the President of the Republic of Tajikistan 'On the Register of Civil Service Positions of the Republic of Tajikistan' (#737 dated August 15, 2016), Resolution of the GoRT 'On the List of Civil Service Positions (Including Technical and Support Personnel) of State Bodies' (#194 dated April 27, 2018). Other important regulations include the Resolution of the GoRT 'On Approval of the Procedure for Maintaining Work Books of Employees' (#154 dated April 12, 1999); and the joint Order of the ACS and the Agency for Statistics under the

President (ASP) 'On the Approval of State Statistical Reporting Form #1-GS on the Quantity and Quality of Civil Servants (Quarterly, Semi-Annual and Annual) and Guidelines on Their Use' (#151 dated August 16, 2010 by the ACS and #8 dated August 17, 2010).

349. Hiring and promotion of personnel across the government sector is checked by the ACS monthly against the approved personnel records, approved budget allocations for the wage bill of respective budget organizations, and approved provisions of each budget organization (which contain information on the organizational structure and approved staff positions).
350. Guidelines on the execution of state revenue and expenditure as well as on preparation of reports in the Treasury System, approved via the Order of the MoF #64 dated April 27, 2021, stipulate that payment of salaries is carried out monthly. Salaries are paid on the basis of staff lists that are approved by each budget organization and submitted to the ACS and the MoF monthly. HR units of each budget organization are responsible for keeping up-to-date records of personnel.
351. Personnel records are partly manually recorded. Since 2019 the development and phased implementation of the Human Resources Management Information System (HRMIS) has been going on throughout the country. A Ukrainian-based company – Softengi Ukraine – has been implementing this activity. So far, it has been successfully piloted in four government agencies. In addition, the HR units of other 21 state bodies have been trained to work with the HRMIS.
352. The introduction of changes in personnel records and payroll is very restrictive and is carried out by the HR units of relevant budgetary organizations. Each budgetary institution is allowed to introduce changes to the period of service and the coefficient of payroll against the base rate. On this basis, the formation of the wage fund should be reflected in the updated organizational structure and approved regulations. The ACS timely analyzes changes in personnel records, differences in payroll payments and other changes in the ACS, which is supported by the internal audit of payroll.
353. Verification of personnel records and payroll is carried out by the Department of Internal Audit and Supervision of the MoF and budgetary organizations and separately from the HR units of relevant budgetary organizations. The Department of Internal Audit and Supervision of the MoF oversees the submission of HR documents and payroll at the beginning of the financial year and then monthly. The incomplete integration between HRMS and TFMIS, which allows automated data transfer between systems managed by the ACS and the Ministry of Finance, significantly limits the ability to set up a verifiable audit trail. At present, the developers of Softengi Ukraine are working on integration between the HRMS and TFMIS. The final commissioning of this System is scheduled for June 2024.
354. The score for this dimension is 'B', the same as in the previous assessment.

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

355. Changes to personnel records are made by respective budget organizations on a monthly basis. Each budget organization is allowed to change its staffing numbers and composition once a year, and the changes should be reflected in the updated organizational structure and approved provisions. If changes are made to personnel records during the month, then they take effect and are reflected in the payroll at the end of this month. The ACS analyzes changes to personnel records, differences in salary payments, and other changes to staffing lists, which supports internal audit of payroll.

356. Discussions with the Central Treasury officials and internal audit unit of the MoF revealed that retroactive adjustments to wage bill are very rare (i.e. corrections in less than 3% of all salary payments across the government sector).

357. This dimension scores 'A', the same as in the previous assessment.

### **23.3. Internal control of payroll**

358. Changes to personnel records and payroll is highly restrictive and is performed by human resources units in the respective budget organizations. Verification of personnel records and payroll is undertaken by the Department of Internal Audit and Supervision of the MoF and the Agency for Civil Service (ACS) – and is done separately from the human resources units of respective budget organizations. The MoF's Department of Internal Audit and Supervision monitors the submission of personnel records and payroll in the beginning of the financial year and, thereafter, on a monthly basis. All changes and records with respect to personnel and payroll in the HRMIS and TFMIS are required to produce an audit trail.

359. However, inadequate integration between the HRMIS and the TFMIS, which do not allow for an automated data transfer between the systems managed by the ACS and the MoF, significantly restrict the ability to produce a verifiable audit trail.

360. Hence, the score for the present dimension is 'C' like in the previous assessment.

### **23.4. Payroll audit**

361. External audit of the payroll is carried out by the Chamber of Accounts and the Agency for State Financial Control and the Fight Against Corruption under the President of the Republic of Tajikistan. The Chamber of Accounts annually audits consolidated payroll records, which forms part of annual audit of the performance of the general government budget.

362. Budget organizations with less than 100 staff members are subject to audit, including payroll audit, once every two years. The last payroll audit covering all central government entities was conducted in November 2019 by the Agency for State Financial Control and the Fight Against Corruption under the President of the Republic of Tajikistan in accordance with its planned annual plan, and included monthly analysis of the actual number of personnel in the government sector, integrity of payroll calculations and their compliance with relevant national regulations, and that approval procedures for personnel and payroll changes were followed appropriately and correctly.

363. Accordingly, the score for this dimension is 'B'. This score is the same as in the previous assessment.

## **PI-24. Procurement**

364. This indicator examines key aspects of procurement management. It focuses on transparency of arrangements, emphasis on open and competitive procedures, monitoring of procurement results, and access to appeal and redress arrangements. It contains four dimensions and uses the M2 (AV) method for aggregating dimension scores.



## Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-24 Procurement</b>	B	
24.1 Procurement monitoring	B	Relevant databases, registers and records are maintained and regularly updated by the APPGWS. They are routinely audited by the Chamber of Accounts, and the data are accurate and complete for most procurement methods.
24.2 Procurement methods	A	In 2021, almost 98% of all procurement was conducted through competitive methods.
24.3 Public access to procurement information	B	At least four out of six elements of critical procurement information are available in the public domain, particularly on the website of APPGWS and e-GP website.
24.4 Procurement complaints management	D	The procurement complaints management system is at its early stages of development and, until the new public procurement legislation is in place, is not independent.

### 24.1. Procurement monitoring

365. The Law of the Republic of Tajikistan ‘On Public Procurement of Goods, Works and Services’ (#168 dated on March 3, 2016) establishes the public procurement system and covers all public procurement activities of the whole-of-government, with the exception of procurement for purposes of national defense, security, and state secrets, procurement of precious metals and stones, and emergency procurement in unforeseen circumstances.

366. Public procurement covers all procurement undertaken by the MDAs and any other budgetary units (including state-owned enterprises) in the government sector. In 2020, the government sector had 4,048 procuring entities, but only those assessed as qualified procuring entities (QPEs) can conduct their own procurement. In 2020, there were 42 QPEs which conducted three-quarter of all procurement by contract volume.

367. The Agency for Public Procurement of Goods Works and Services (APPGWS) is the central procuring entity and has a dual role as a regulatory and supervisory body for public procurement. The Qualification Committee, established through the GoRT Resolution #319 dated July 1, 2007, determines the qualifications of procuring entities (qualified procuring entities QPE) based on specific criteria. The Committee comprises the APPGWS, MoF, MoEDT, Ministry of Justice, Ministry of Transport, Ministry of Energy and Water Resources (MoEWR), Ministry of Industry and New Technologies (MoINT), and the State Committee on Investment and State Property Management (SCISPM). Only those budget entities assessed as QPEs can conduct their own procurement, other public procurement activities are carried out by the APPGWS.

368. A legal initiative is underway to align public procurement legislation with the World Trade Organization (WTO) post-accession requirement and decentralize procurement by increasing the number of QPEs. It has been developed and is currently pending review and approval by the GoRT.

The new law will expand coverage of public procurement, and further accommodate and strengthen electronic public procurement systems and approaches.

369. Monitoring of all procurement activities that have to be conducted using the government's e-procurement system/portal, is undertaken by the APPGWS (specifically, monitoring of the QPEs and the users of the government's e-procurement portal). The internal audit of the Agency is carried out by the Internal Audit Department of the MoF. The Chamber of Accounts could also undertake periodic external scrutiny and audit the APPGWS operations and public procurement as a whole or its separate elements. With the implementation of e-procurement system, the APPGWS maintains a database of PP activities, including procured items (e.g. goods, services and works), amounts, and bid winners. The e-procurement portal also includes a number of relevant registers, such as the registry of debarred vendors, vendor registration, procurement plans, contract registry, and registry of QPEs).
370. In general, the data is accurate and complete for most procurement methods for goods, services, and works, as was evidenced from past audit reports, e-GP portal, and consultations with the APPGWS and the Chamber of Accounts, but routine monitoring and performance measurement is challenging because currently not all SOEs are captured in the portal and APPGWS has insufficient IT staff capacity to maintain the system). Besides, no third-party review of the e-procurement system has been conducted.
371. Based on the analysis and consultations with the APPGWS, the score for this dimension is 'B'. This is similar to the previous assessment.

## **24.2 Procurement methods**

372. Article 24 of the Law of the Republic of Tajikistan 'On Public Procurement of Goods, Works and Services' lays out six different types of procurement methods: (i) tendering with unlimited participation, (ii) tendering with limited participation, (iii) shortlisting method, (iv) request for quotations, (v) single sourcing, and (vi) electronic procurement method.
373. The threshold for competitive method is at least TJS 750,000 – above this threshold open competition is the default method, and other procurement methods are regulated by Articles 26-28 of the Law of the Republic of Tajikistan 'On Public Procurement of Goods, Works and Services'. In 2021, APPGWS conducted procurement procedures at the amount of 2.18 billion somoni of which almost 2.14 billion somoni or about 98% were carried out via competitive methods (see Table 29).

**Table 29: Key procurement information that is made available to the public.**

Procurement method	2018	2019	2020	2021
<b>Procurement of goods, works and services</b>				
Total	1,992.6	2,370.9	2,978.7	2,186.2
Tendering with unlimited participation (competitive method)	1,972.2	2,363.4	2,967.9	2,137.3
Tendering with limited participation (non-competitive method)	8.0	3.3	5.4	9.2
Single sourcing (non-competitive method)	12.3	4.2	5.3	39.7
<b>Procurement of goods</b>				
Total	1,056.9	1,179.3	1,671.0	1,165.6
Tendering with unlimited participation (competitive method)	1,049.0	1,177.3	1,671.0	1,156.3
Tendering with limited participation (non-competitive method)	3.2	0.0	0.0	0.0
Single sourcing (non-competitive method)	4.6	2.0	0.0	9.2
<b>Procurement of works</b>				
Total	872.6	1,050.5	1,162.9	910.6
Tendering with unlimited participation (competitive method)	862.1	1,050.1	1,162.9	891.2
Tendering with limited participation (non-competitive method)	4.2	0.0	0.0	0.0
Single sourcing (non-competitive method)	6.2	0.4	0.0	19.5
<b>Procurement of services</b>				
Total	63.2	141.1	144.8	110.0
Tendering with unlimited participation (competitive method)	61.1	136.0	134.0	89.8
Tendering with limited participation (non-competitive method)	0.5	3.3	5.4	9.2
Single sourcing (non-competitive method)	1.5	1.8	5.3	11.0

Source: The Agency for Public Procurement of Goods Works and Services.

374. Accordingly, the score for the present dimension is 'A', which is the same as in the last assessment.

### 24.3. Public access to procurement information

375. Procurement information is published online on the official procurement website of the APPGWS, on the website of the National Information Agency 'Khovar', and printed periodicals. The APPGWS provides annual statistics and performance reports on procurement, which are available on its official website.

376. Procurement legislation and regulations, tender notices, contract awards, lists of QPEs and blacklisted suppliers, information on complaints, annual reports, training materials and various other procurement-related information is available on the official public procurement website (<https://zakupki.gov.tj/>) and on the electronic government procurement (e-GP) portal (<https://eprocurement.gov.tj/>).

**Table 30: Key procurement information that is made available to the public.**

Element/ Requirements	Met (Yes/No)	Evidence used/Comments
(1) legal and regulatory framework for procurement	Yes	Available on the official public procurement website ( <a href="https://zakupki.gov.tj/">https://zakupki.gov.tj/</a> (section 'Legislation')).
(2) government procurement plans	Yes	Available on the electronic government procurement portal ( <a href="https://eprocurement.gov.tj/ru/register/plansreg">https://eprocurement.gov.tj/ru/register/plansreg</a> ).
(3) bidding opportunities	Yes	Available on the electronic government procurement portal ( <a href="https://eprocurement.gov.tj/ru/searchanno">https://eprocurement.gov.tj/ru/searchanno</a> ).
(4) contract awards (purpose, contractor and value)	Yes	Available on the electronic government procurement portal ( <a href="https://eprocurement.gov.tj/">https://eprocurement.gov.tj/</a> ).
(5) data on resolution of procurement complaints	No	Not yet available
(6) annual procurement statistics	Yes	Annual APPGWS reports in the Tajik language ( <a href="https://zakupki.gov.tj/about/activity/">https://zakupki.gov.tj/about/activity/</a> ) and the e-GP portal contain annual procurement statistics on a number of indicators.

377. In accordance with the PEFA Framework, the requirements are met for 5 out of 6 elements, which represent most procurement operations in the government sector that are made available to the public. Procurement operations that are overseen by the APPGWS represent approximately 85% of all procurement in the government sector. Besides, the publication of the elements listed in Table 28 is performed in a timely manner. Hence, the score for the present dimension is 'B', which is similar to the score from the last assessment.

#### **24.4. Procurement complaints management**

378. The Agency for Public Procurement of Goods, Works and Services (APPGWS) under the GoRT participates in the procurement activity or in the decision-making process on awarding a contract. The APPGWS is also empowered to consider complaints on the basis of the powers delegated to it by the GoRT through the Law of the Republic of Tajikistan 'On Public Procurement of Goods, Works and Services'.

379. The current mechanism for administrative complaints resolution within the APPGWS is not independent. The e-GP portal is also used for review of complaints and completion of appeal procedures, but ideally it should be performed by an independent body that is not in any way engaged in procurement activity.

380. Once the new public procurement legislation is in place, it will facilitate the establishment of an Interagency Complaints Commission whose provisions and composition will be approved by the GoRT. The Commission will be independent – that is, its structure and independence will satisfy the requirement that the entity does not participate (in any capacity) in the procurement activity or in the process of deciding to award the contract. The draft law was sent to the GoRT in November 2021 and is pending review and approval before its submission to the Parliament.

381. Hence, the score for the present dimension is ‘D’, which has not changed since the last assessment (also score ‘D’).

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

382. This indicator measures the effectiveness of general internal controls for non - salary expenditures. Specific expenditure controls on public service salaries are considered in PI-23. It contains three dimensions and uses the M2 (AV) method for aggregating dimension scores.

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-25 Internal controls on non-salary expenditure</b>	A	
25.1 Segregation of duties	A	National legislation and regulatory environment, particularly with respect to internal controls and treasury operations, demonstrates that appropriate segregation of duties is prescribed throughout the expenditure process, and that responsibilities are clearly laid down.
25.2 Effectiveness of expenditure commitment controls	B	Expenditure commitment controls are in place and effectively limit commitments to projected cash availability and approved budget allocations for most types of expenditure (83.5% of total expenditure).
25.3 Compliance with payment rules and procedures	A	All payments are compliant with regular payment procedures. All exceptions are properly authorized in advance and justified.

### 25.1. Segregation of duties

383. The segregation of duties is embedded in the national PFM legislation and cuts across the enabling regulatory environment. Roles and duties of central government bodies and subnational municipalities are segregated by the Budget Circulars (or Instructions) that are issued by the MoF for Phase I and Phase II of the budget preparation process. The Law of the Republic of Tajikistan ‘On Public Finances’ also defines three tiers of budget organizations by delegated authority and oversight responsibilities. These include the Main Administrators of Budget Allocations (MABAs), Administrators of Budget Allocations (ABAs) and Recipients of Budget Allocations (RBAs). This three-tiered structure governs relationships and financial accountability and reporting arrangements across sectors and levels of government.

384. Authorizations, recording, reconciliation, and custody of assets is governed by the Central Treasury of the MoF, including treasury legislation and relevant regulations, such as on the functioning of the Treasury Single Account (TSA). Similarly, national procurement legislation defines the roles and criteria, under which qualified procuring entities (QPEs) can operate and undertake procurement activity, and which also prescribe the conditions under which potential conflicts of interests may occur and how they are resolved. All duties are adequately segregated and prescribed throughout the expenditure process at all levels of authority and budgetary units. According to the review of national

laws and regulations, and following consultations with the MoF, all responsibilities are clearly laid down without any exception vis-a-vis government operations. This was also confirmed by the Chamber of Accounts officials.

385. Furthermore, internal controls are also guided by the Law of the Republic of Tajikistan 'On Internal Audit of Public Sector Entities' (#563 dated July 21, 2010; last amended in 2020), Guidelines on the Execution of State Revenue and Expenditure and Preparation of Reports in the Treasury System (approved via the Order of the Minister of Finance #64 dated April 27, 2021), and treasury regulations. Each expenditure category has an owner, and a managing and supervising body, as well as appropriate instructions, governing rules, procedures and other documents that help govern public-sector expenditure management, and are publicly available. Robust internal audit regulations and procedures, which are described in greater detail in PI-26, that have been put in place ensure that rules and duties are appropriately and effectively segregated so that the same person cannot be responsible at the same time for authorization, execution, reporting, and audit or control. Discussions with the Department of Internal Audit and Supervision and other MoF officials demonstrated that this is reflective of the current situation in the reporting period.
386. The continued roll out and implementation of electronic systems – such as the TFMIS, DFMAS, and public procurement – is widely expected to further strengthen internal controls and maintain robust segregation of duties throughout the expenditure process. TFMIS is being rolled out since 2015 and includes modules on revenue planning, expenditure planning, revenue and expenditure execution (although ASIP expenditure are not yet integrated into TFMIS), while additional modules on investment budgeting, MTEF, cash management, asset management, and commitment control are being introduced. The MoF is also purchasing equipment and software to transition from an outdated Debt Tracking System (DTS) to DMFAS. While periodic testing and auditing (e.g. of IT systems) is normally highlighted as being weak or non-existent, these functions can be performed by external contractors via outsourcing.
387. The score for this dimension is 'A', which is an improvement compared to the previous assessment. This is mainly related to improvements in the ICT audit/testing capability of the MoF, namely, through its ICT Center. In contrast, periodic testing/auditing of IT systems was identified as a gap in the last assessment.

## **25.2 Effectiveness of expenditure commitment controls**

388. Commitment control functionality is integrated into the Tajikistan Financial Management Information System (TFMIS), applying to the major contracts for goods and services subject to commitment control, i.e. those that are subject to centralized procurement via tendering, and payroll. The automated TFMIS does not allow the financing of expenditure commitments beyond the commitment limits, which are the quarterly budget allocations. Commitments are also limited by monthly cash plans, i.e. a commitment will not be accepted if it exceeds the planned cash availability for that month defined by the economic classification.
389. Since 2015, establishment and implementation of a new Central Treasury organizational structure supports all modern budget execution functions, including commitment control, accounting and financial reporting. The updated Treasury instruction covers commitments for the following types of expenditure and describes the different control roles that the Treasury exercises in relation to them: (i) purchases subject to the public procurement system, (ii) compensation of employees, (iii)

purchases that do not require state orders, e.g. on utilities and travel, (iv) debt servicing and membership fees, and (v) subsidies and subventions. The expenditure commitment controls cover *most* types of expenditure (according to the MoF, about 83.5% of total government expenditure) because state-owned enterprises are not covered by the TFMIS and there is a small share of procurement operations outside the scope of APPGWS (e.g. defense and law-enforcement, which could go over the limit in the case of one-off contracts). Besides, the payroll module is not fully integrated with TFMIS, which also weakens the effectiveness of expenditure commitment controls (e.g. in the presence of ad hoc staff compensation across the budgetary units).

390. The new commitment management module in the TFMIS has been developed and will be operationalized in 2022. The new module will expand commitment control coverage to include multi-year commitments that are planned to be fulfilled beyond the end of the current fiscal year, and all types of expenditure, such as on social contributions, social benefits, the acquisition of financial assets, and the acquisition of non-financial assets not covered by the public procurement system.

391. Thus, the score for the present dimension is 'B', which differs from the score of 'A' in the last assessment. The last assessment overlooked other details (as described in the narrative above), which would have been important in adjusting the score for this dimension.

### **25.3. Compliance with payment rules and procedures**

392. All budget organizations must comply with the monthly cash allocations set by the MoF, and payment orders must be accompanied by supporting documentation. The Treasury departments and units affect payments of the budgetary spending units only if there are registered budget commitments available, and on the basis of a payment order that is duly executed in accordance with the procedure described in the treasury instructions. Hence, the Treasury system, which provides for control of the payments, prevents expenditures of budgetary units which exceed the spending limits during the year. The Treasury provides payments based on payment orders in cases if budget commitments were registered by the Treasury, and exceptions are not allowed.

393. The Tajikistan Financial Management Information System (TFMIS) was introduced in 2015 and became fully operational in 2016. Currently, the TFMIS includes the following main modules: (i) plan of government expenditures, (ii) plan of government revenues, (iii) treasury module (the general ledger in the system, which enables making debit and credit records and enables budgetary units to enter their fiscal/financial information), and (iv) accounting module. The next phase of treasury modernization includes adopting and implementing updated modules, such as: accounting, MTEF, asset management, cash management, commitment control, investment budgeting, and others. A simplified cash accounting module was activated in the TFMIS from April 1, 2016 and the commitment control module of the TFMIS is functional with respect to payroll and contracts for goods and services that are fulfilled within the fiscal year. The TFMIS does not cover state targeted funds and investment budgets (i.e. the Public Investment Program).

394. The TFMIS does not allow to go over the limit, i.e. above the cash forecast or cash plan and pre-defined expenditure commitments. A monthly cash plan covers the republican budget and is reflected in the cash planning module of the TFMIS. All payments by the Treasury for budget expenditures of budgetary organizations are shown as cash outflows, and a payments plan is prepared by budgetary organizations for the month and inputs it into the cash planning module of the TFMIS.

395. The new Treasury Instruction also includes rules stipulating that planned payment dates are required to be defined at the time commitments are registered in the TFMIS, and is in line with good international practice. Payment orders are submitted by budgetary organizations to the Treasury immediately after verification that contracts have been fulfilled and invoices have been received. Immediate submission helps to avoid accumulation of expenditure arrears in budgetary organizations without the Treasury’s knowledge.

396. The Chamber of Accounts and the MoF’s Department of Accounting Policy, Financial Reporting and Audit verify retrospectively the conformity and eligibility of financial transactions.

397. Based on the review of Treasury documentation and consultations with Treasury staff, all payments are compliant with regular payment procedures that are established by the Treasury, and all exceptions are properly justified and authorized. Thus, this dimension scores ‘A’, demonstrating an improvement from the previous assessment.

## PI-26. Internal audit

398. This indicator assesses the standards and procedures applied in internal audit. It contains four dimensions and uses the M1 (WL) method for aggregating dimension score.

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-26 Internal audit</b>	<b>C+</b>	
26.1 Coverage of internal audit	B	Internal audit functions are entrusted to 10 central government entities, while other public sector entities are covered by internal audit through the Ministry of Finance’s internal audit department. Internal audit is operational for entities accounting for most government revenue and most government expenditure.
26.2 Nature of audits and standards applied	C	Internal audit activities are based on international standards, but primarily focused on financial compliance.
26.3 Implementation of internal audits and reporting	B	Annual audit programs exist and are mandatory for all internal audit units across the government sector. Most programmed audits are completed.
26.4 Response to internal audits	B	Management of most audited public-sector entities provides a full response to audit recommendations. This is performed within 12 months of the report being produced.

### 26.1. Coverage of internal audit

399. Internal audit is governed by the Law of the Republic of Tajikistan ‘On Internal Audit in Public Sector Entities’ (#61 dated July 8, 2010; last amended in 2020). Following legal amendments in July 2016, the role and purpose of internal audit was clarified and the function was mainstreamed in the government sector. The MoF has a Department Internal Audit and Supervision, and in total 10 central government entities currently have their own internal audit units, including: seven ministries



(including education and science; health and social protection of the population; labor, migration and employment of the population; finance; and others), two committees (Tax Committee and Customs Committee), and one agency (namely, Agency for Social Insurance and Pensions). Together, they account for most government revenue (85.9%, based on 2020 data) and most government expenditure (87.5%, based on 2020 data).

400. In 2020, a number of amendments and additions were introduced to the Law of the Republic of Tajikistan 'On Internal Audit in Public Sector Entities.' According to amended Article 12, the procedure for the creation and liquidation of internal audit units in public sector entities is determined by the GoRT. Following this amendment, the GoRT adopted the Resolution 'On the procedure for the creation and liquidation of internal audit units in public sector entities' (#443 dated October 22, 2021). Article 7 of this procedure stipulates that internal audit units can only be created in public sector entities that satisfy the following criteria: (i) annual financing from the central government budget (i.e. from the republican budget) exceeds 1.5 million 'indicators for calculation' (NB: in 2020, according to Article 23 of the Law of the Republic of Tajikistan 'On the State Budget of the Republic of Tajikistan for 2020', one 'indicator for calculation' was equivalent to TJS 58); and (ii) average number of staff members exceeds 800 people. All other public sector entities, which do not satisfy these criteria for the creation of their own internal audit units, are subject to internal audit by the designated central government entity, i.e. the MoF. This is in line with Article 8 of the Law of the Republic of Tajikistan 'On Internal Audit in the Public Sector Entities'. This legislative provision also applies to subnational municipalities, or subnational governments (SNGs).

401. Although internal audit is not yet fully risk-based, all central government entities with their own internal audit unit prepare annual work plans (by December 15<sup>th</sup>) in line with Article 9 of the Law of the Republic of Tajikistan 'On Internal Audit in Public Sector Entities.' Each audit is adequately documented and archived by the respective internal audit unit. All internal audit units across central government entities undertake follow-up and monitoring activities to determine if the recommendations and corrective actions were implemented.

402. The score for this dimension is 'B', which demonstrates improvement from the previous assessment.

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

403. The national regulations and legislation in the area of internal audit have been developed by the MoF on the basis of the International Standards for the Professional Practice of Internal Auditing, which have been developed by the Institute of Internal Auditors (IIA), including: (i) guidelines on compliance with the mandatory elements of the above indicated standards, (ii) methodological framework for performing and promoting a wide range of internal audit services, (iii) basic criteria for evaluating the internal audit activities, and (iv) improvements to organizational and operational processes.

404. The following processes and outputs in central government entities are aligned with the International Standards: (i) preparation of analytical reports and overviews of internal audit environment, (ii) development of annual audit work plans/programs, (iii) audit reporting (and audit statements), and other areas. Methodological guidelines on internal audit activity in the government sector was approved by the MoF in 2014, and all regulatory documentation is publicly available on the MoF website. The MoF's Department for Internal Audit and Supervision is currently planning to adopt national internal audit standards, which will be based on the International Standards.

405. However, internal audit currently focuses only on financial compliance. Hence, the score for this dimension is 'C', which is similar to the previous assessment.

### **26.3. Implementation of internal audits and reporting**

406. Audit statements follow guidelines provided by the Institute of Internal Auditors (IIA) in the International Standards for the Professional Practice of Internal Auditing. These audit statements (or audit reports) are prepared within 10 days (from the date of audit completion) by internal audit units in the respective central government entities and are submitted to the heads of these entities and the MoF.

407. All central government entities which have internal audit units prepare and submit annual reports (by April 1<sup>st</sup>) to the MoF on the implementation of their annual work programs/plans. These reports include information on completed audits, cases in which there were restrictions on the scope of the audit engagement, and the reasons for the possible non-fulfillment of the annual work program/plan. These reports should be approved by respective heads of public sector entities prior to their submission to the MoF. Annually, no later than May 1<sup>st</sup>, the MoF consolidates information from these reports and submits the consolidated annual report on internal audit activity in the government sector to the GoRT for review and approval.

408. For example, in 2020, the MoF's Department for Internal Audit and Supervision, including its representation at subnational level, conducted 1,446 audits, of which 757 were planned audits, 96 audits were conducted at the request of the management of the MoF, and 246 audits were completed at the request of the GoRT's law-enforcement agencies. All of them were financial audits.

409. Based on the review of the audit plan (or annual audit program), more than 75% of audit activities were implemented in 2020 by the MoF's Department for Internal Audit and Supervision. The assessors were able to review the annual audit program and confirm their findings with the MoF staff.

410. Accordingly, the score for this dimension is 'B', showing improvement compared to the previous assessment. The difference between the two assessments is due to the improvement in audit planning, i.e. the majority of the annual audit plan was completed in 2017 (i.e. 50% or more), compared to most programmed audits in 2020 (more than 75%).

### **26.4. Response to internal audits**

411. Following each audit, the auditors (i.e. internal audit unit) prepare audit statements (or audit reports) which contain key observations and findings, as well as recommendations for undertaking corrective actions and proposed timeline to fully address the identified weaknesses and concerns. The MoF's Department for Accounting Policy, Financial Reporting, and Audit stated that, in 2018-2020, the management of audited entities provides full written response to audit recommendations for all entities audited. In 2018-2020, on average, management of more than 90% of audited entities provided at least a partial response to audit recommendations by internal auditors of the MoF. According to the guidance on internal audit in the government sector, approved by the MoF, entities are required to provide responses to audit recommendations within three months of the receipt of the audit report.

412. The internal audit units monitor on a quarterly basis implementation of corrective actions or recommendations. The main findings and outcomes of quarterly monitoring are reflected in the annual reports, which are submitted by respective internal audit units to the MoF and, subsequently, to the GoRT for review and approval.

413. The score for this dimension is 'B'. This is an improvement from the previous assessment and shows that the MoF's internal audit function has progressively improved in comparison with 2017.

## **PILLAR SIX: Accounting and reporting**

### **PI-27. Financial data integrity**

414. This indicator assesses the extent to which treasury bank accounts, suspense accounts, and advance accounts are regularly reconciled and how the processes in place support the integrity of financial data. It contains four dimensions and uses the M2 (AV) method for aggregating dimension scores.

#### **Summary of scores and performance table**

<b>Indicator/Dimension</b>	<b>Score</b>	<b>Brief justification for score</b>
<b>PI-27 Financial data integrity</b>	<b>B+</b>	
27.1 Bank account reconciliation	A	All accounts of the central government budget are reconciled on a daily basis at aggregate and detailed levels.
27.2 Suspense accounts	A	Within the TSA, there is an account intended for crediting unclear amounts. Reconciliations are performed before the end of each month and, once clarified, funds are deposited to the corresponding TSA account and the suspense account is duly cleared.
27.3 Advance accounts	C	Reconciliation of advance accounts is performed throughout the year. The vast majority of advance accounts are cleared in a timely manner.
27.4 Financial data integrity processes	A	Access and changes to records are limited and recorded. In the organizational structure of the Ministry of Finance, there is a SUE responsible for checking the integrity of financial data, but it currently does not have a separate unit responsible for ensuring data integrity.

#### **27.1. Bank account reconciliation**

415. In accordance with Article 13 of the Law of the Republic of Tajikistan 'On Treasury', treasury single account (TSA) has been opened in the National Bank of Tajikistan (NBT) for transactions of the central government in national currency. According to internal regulations issued by the MoF, such as Guidelines on the Execution of State Revenue and Expenditure and Preparation of Reports in the Treasury System (approved via the Order of the Minister of Finance #64 dated April 27, 2021), all

active central government bank accounts (i.e. the TSA) are reconciled on a daily basis at aggregate and detailed levels, including for example the foreign currency accounts and the ASIP accounts.

416. All revenue and expenditure transactions, including special accounts of budgetary organizations, republican and subnational budgets, are carried out through the TSA, serviced by the National Bank of Tajikistan (NBT). The Central Treasury reconciles the TSA balance sheet with the NBT on a daily basis. In accordance with Article 5 of the Law of the Republic of Tajikistan 'On Treasury, foreign currency treasury accounts are opened by the central treasury body in the NBT and authorized banks to carry out operations of the government budget in foreign currency. The Treasury keeps a weekly record of the balances of foreign currency accounts.
417. The MoF has a correspondence account in the NBT, which is reconciled at the aggregate level. Based on this account, the MoF has settlement accounts with appropriate purpose, such as accounts of the republican budget, subnational budgets, public investment program, and others. This is reconciled at the detailed level.
418. According to Article 11 of the Law of the Republic of Tajikistan 'On Mandatory Pension Insurance', the funds of the Agency for Social Insurance and Pensions (ASIP) are held in the SSB 'Amonatbank', and the reconciliation of the accounts of the pension fund is carried out directly by this agency. The Chamber of Accounts carries out audit of pension fund accounts once a year.
419. Hence, the score for this dimension is 'A', similar to the previous assessment.

## **27.2 Suspense accounts**

420. Within the TSA, there is a suspense account for crediting outstanding amounts in the event of receipt of funds to the TSA with incorrectly specified details, this amount is automatically credited to this suspense account. By the end of the current month, the details are specified and credited to the corresponding TSA account, except in cases where it is impossible to clarify the details. Accordingly, the suspense account is reconciled and cleared within one month.
421. Therefore, the score for the present dimension is 'A'. Note that in the previous assessment this dimension was not rated.

## **27.3. Advance accounts**

422. To receive advance payment for the purchase of works and services, the budgetary organization submits the necessary documents to the Central Treasury. After receiving advance payment, the contractor carries out the performance of work or services and presents them to the customer (acts of acceptance of services, acts of works performed, etc.). After acceptance of works and services, the previously paid advance is closed (or cleared). All advance payments are reflected in the general ledger in line with the UCoA line items. Based on discussions with the treasury officials and in line with the Guidelines 'On Accounting and Reporting on the State Budget Execution in the Treasury' (dated January 10, 2005), all advance payments for goods and services must be cleared monthly (for advance payments not associated with contracts and government priorities) or annually (for advance payments associated with contracts).

423. For travel and business expenses, advances are issues to state employees and are immediately closed upon return from an official trip or the expenditure of accountable funds. Advance payments for travel and business expenses are related to accounts payable, are short-term, and are included in the balance sheet of budgetary organizations as an advance. The advance payments must be closed during the financial year.

424. Upon approval of annual financial statement, the Central Treasury performs reconciliation of advance accounts. Thus, reconciliation of advance accounts occurs at least once a year, at the time of acceptance of the financial statements of budgetary organizations by the Central Treasury, but there are occasional delays in processing of advance payments. Upon receipt of the quarterly financial statements of the next financial year from the budgetary organization, the Central Treasury of the MoF reconciles the closure of advance accounts of the previous financial year.

425. This dimension warrants a score of 'C'. This is a deterioration from the previous assessment.

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

426. In 2015, a state unitary enterprise (SUE) – namely, the IT Center – was created within the organizational structure of the MoF, whose task is to ensure information security and support the required ICT infrastructure and information systems for effective public financial management. This IT Center has 107 staff positions and a division that is responsible for information security of both information systems and ICT infrastructure as a whole. At the request of the MoF, this unit provides appropriate access to information systems. Degree of access is divided into corresponding levels of authority.

427. The IT Center performs appropriate logging of all financial transactions related to budget planning, budget execution, accounting, and other areas that are integral to effective functioning of the national budget system resulting in audit trails. A manual procedure for verifying the integrity of data has been developed to operate in the PFM information system at unspecified intervals. The requirement to conduct data integrity checks is regulated by the approved functional responsibilities of the relevant employees of the IT Center who are responsible for managing and maintaining databases.

428. Access and changes to records are restricted and recorded. This is regulated via the Order of the Minister of Finance of the Republic of Tajikistan #204 dated April 9, 2015 'Instruction on the Procedure for Compiling and Submitting Annual and Periodic Financial Statements in Accordance with TPSAS.' In the local context, 'periodic' means monthly, quarterly and semi-annual reporting.

429. The specified SUE (IT Center) is also responsible for ensuring data integrity, but it currently does not have a separate department responsible for this aspect. Thus, this dimension scores 'A', which is an improvement compared to the previous assessment because of the newly established IT Center that may exercise auditing/testing of the IT system control.

## PI-28. In-year budget reports

430. This indicator assesses the comprehensiveness, accuracy and timeliness of information on budget execution. In-year budget reports must be consistent with budget coverage and classifications to allow monitoring of budget performance and, if necessary, timely use of corrective measures. This indicator contains three dimensions and uses the M1 (WL) method for aggregating dimension scores.

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-28 In-year budget report</b>	C+	
28.1 Coverage and comparability of reports	C	In-year budget reports are produced by the Ministry of Finance on a monthly, quarterly, and semi-annual basis and in a format, but does not allow direct comparability and alignment of performance with plan for the main administrative units (i.e. MABAs).
28.2 Timing of in-year budget reports	B	In-year budget reports are prepared on a monthly, quarterly, and semi-annual basis within one month from the end of each period.
28.3 Accuracy of in-year budget reports	A	There are no concerns regarding data accuracy and in-year reports capture data at both commitment and payment stage, and are accompanied by explanatory notes in line with financial reporting requirements.

### 28.1. Coverage and comparability of reports

431. According to the Instruction on the Procedure for Compiling and Submitting Annual and Periodic Financial Statements in Accordance with TPSAS (approved via the Order of the Minister of Finance #204 dated April 9, 2015) and Guidelines on the Execution of State Revenue and Expenditure and Preparation of Reports in the Treasury System (approved via the Order of the Minister of Finance #64 dated April 27, 2021), in-year budget reports are prepared by Main Administrators of Budget Allocations (MABAs) and consolidated by the Central Treasury of the MoF on a monthly basis.

432. In the meantime, review of budget execution reports demonstrates that coverage of data in in-year reports allows direct comparison of performance with plans for the main administrative units. The MoF consolidates separate annual budget execution reports by the main administrative units across the government sector, and these annual reports are directly comparable to the original budget for the main administrative units. This has also been confirmed during consultations with the Chamber of Accounts. The MoF expects that consolidated financial reports covering all budget items of the general government sector will be produced by 2025.

433. The basis for the generation of in-year reports is the TFMIS where budget data is drawn from. These in-year budget reports include financing operations, financial performance (revenue and expenditure), net cash flow, and net flow of assets. This is provisioned in section 5 of the above mentioned Guidelines.

434. Since direct comparability with the main administrative units is limited, the score for this dimension is 'C' and represents deterioration from the last assessment. However, the last assessment incorrectly marked that expenditures made from transfers to subnational governments (SNGs) are included in the report, which has not been the case - to date, IGFTs are not included in the consolidated financial reports.

## 28.2. Timing of in-year budget reports

435. Article 333 of the above mentioned Guidelines stipulates that in-year budget reports are produced monthly, quarterly, semi-annually, and annually. Monthly in-year budget reports are prepared and submitted to the MoF officials responsible for budget execution within one month of the end of the reporting period (i.e. by the end of each month), based on the Order of the Minister of Finance 'On the Submission Timelines of Annual and Interim Financial Reports of the Main Administrators of Budget Allocations' (#151 dated December 26, 2012). Submission of these reports for information to the GoRT is performed by the MoF on a quarterly basis.

**Table 31: Timing of in-year budget reports, 2020.**

Period covered by the report	Actual date of issuance by the Central Treasury
Monthly reports	
January	10/02/2020
February	10/03/2020
March	09/04/2020
April	08/05/2020
May	10/06/2020
June	10/07/2020
July	11/08/2020
August	08/09/2020
September	09/10/2020
October	10/11/2020
November	09/12/2020
December	09/01/2021

436. The score for this dimension is 'B' and is similar to the previous assessment.

## 28.3. Accuracy of in-year budget reports

437. In-year budget reports are generally regarded to be accurate and credible, and analysis is undertaken by relevant staff in the Central Treasury and the MoF. Information in in-year budget reports is provided for both the commitment stage (i.e. planned or budgeted figures) and the payment stage (i.e. outturn figures). No data issues were found with respect to in-year budget reports.

438. The score for the present dimension is 'A'. This is the same as in the previous assessment.

## PI-29. Annual financial reports

439. This indicator assesses the extent to which annual financial statements are complete, timely, and consistent with generally accepted accounting principles and standards. This is crucial for accountability and transparency in the PFM system. It contains three dimensions and uses the **M1 (WL)** method for aggregating dimension scores.

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-29 Annual financial reports</b>	<b>D+</b>	
29.1 Completeness of annual financial reports	B	The consolidated financial statement is prepared annually and covers the majority of assets and liabilities (such as on revenue, expenditure, financial and nonfinancial assets, liabilities, guarantees, and long-term obligations), except the Public Investment Program (PIP) and financial performance of state-owned enterprises. These reports are comparable with the approved budget.
29.2 Submission of reports for external audit	B	The Ministry of Finance routinely submits consolidated annual financial statements to the Chamber of Accounts within six months of the end of the fiscal year.  The deadlines for submission of annual reports on budget execution in Tajikistan are legally established up to six months after the end of the financial year.
29.3 Accounting standards	D	The 12 approved accounting standards are applied to all financial statements, however, the standard on consolidation is not fully adhered to. The national IPSAS-compliant standards that are used in preparing annual financial reports are publicly disclosed.

### 29.1. Completeness of annual financial reports

440. Financial reporting includes information based on Tajikistan's Public Sector Financial Reporting Standards and consists of the following types of reports: (i) statement of financial position, including attachments; (ii) report on financial performance, including its seven attachments, (iii) report on changes in net assets, (iv) cash flow statement, and (v) report on the execution of revenue and expenditure. All five types of reports and all corresponding attachments (on financial performance) are included in the consolidated financial statement of the general budget. Accordingly, annual financial statements include information on cash flows, securities, loans, cash balances held in bank accounts, equity position of the government in financial institutions, foreign currency reserves, gold reserves, foreign, domestic and guaranteed debt, and other assets and liabilities, as well as budget execution. However, investment budgets that form part of the Public Investment Program (PIP) and state-owned enterprises (i.e. contingent liabilities) are not covered by the consolidated financial statements.

441. The legal basis for financial reporting is the Instruction on the Procedure for Compiling and Submitting Annual and Periodic Financial Statements in Accordance with TPSAS (approved via the



Order of the Minister of Finance #204 dated April 9, 2015) and Guidelines on the Execution of State Revenue and Expenditure and Preparation of Reports in the Treasury System (approved via the Order of the Minister of Finance #64 dated April 27, 2021).

442. All budgetary units across the government sector are required to draw up annual (and periodic) financial statements and submit to higher government bodies that are called the Main Administrators of Budget Allocations (MABAs). In turn, MABAs consolidate their statements and submit to the Treasury in accordance with national regulation that stipulates the timing of financial statement submission (Order of the Minister of Finance ‘On the Submission Timelines of Annual and Interim Financial Reports of the Main Administrators of Budget Allocations’ (#151 dated December 26, 2012). On the basis of the received financial statements, the Treasury forms the consolidated annual financial statements of the government sector.

443. To date, 14 national TPSAS standards have been approved by the MoF, but only 12 of them are registered by the Ministry of Justice and fully implemented. Additional standards will be implemented in line with the government’s roadmap for the implementation of IPSAS for the period 2020-2025.

**Table 32: Financial reports of the central government budget.**

Financial report <sup>14</sup>	Date annual report submitted for external audit	Content of annual financial report (Yes/No):			Reconciled cash flow statement (Yes/No)
		Expenditures and revenues by economic classification	Financial and non-financial assets and liabilities	Guarantees and long-term obligations	
Statement of financial position	June 14, 2021	--	Yes	Yes	--
Statement of financial performance	June 14, 2021	Yes	--	--	--
Statement of changes in net assets	June 14, 2021	--	--	--	--
Cash flow statement	June 14, 2021	Yes	--	--	--
Statement on the execution of rev. and exp.	June 14, 2021	Yes	--	--	--

444. Based on the analysis and supporting evidence that confirms that the annual financial statements of the central government are consolidated, the score for the present dimension is ‘B’. This is the same score as in the previous assessment.

## 29.2. Submission of reports for external audit

<sup>14</sup> This may be a consolidated financial report or a list of financial reports from all individual BCG units.

445. Article 65 of the Law of the Republic of Tajikistan ‘On Public Finances’ establishes the requirement for an external audit and the submission of an external opinion on the report on the execution of the state budget to the President, the Government and the Parliament annually by October 1<sup>st</sup>. The above indicated law does not determine the deadline for submitting the financial reports of the government budget for external audit. At the same time, Articles 63 and 64 of the same law set the deadlines for submitting the annual report on the execution of the state budget to the Government (June 15<sup>th</sup>) and the Parliament (July 15<sup>th</sup>).
446. The MoF provided an annual budget execution report to the government (i.e. the Cabinet) and the Chamber of Accounts within six months from the end of the reporting year. However, the Chamber of Accounts audits only the budget execution reports, but not the financial reports (which includes information on cash balances in addition to expenditure and revenue). The consolidated financial statements are still produced on a pilot basis by the MoF, at least until 2025 when the Treasury will fully transition to an accrual accounting approach. Hence, the Chamber of Accounts does not audit the financial reports and no audit statements are issued by the Chamber of Accounts, but the MoF provides annual financial reports to the Chamber of Accounts within 6 months of the end of the fiscal year. In addition, the Chamber of Accounts, in accordance with the current regulatory and legal framework, is required to audit only the state budget execution reports, and not the consolidated financial statements of the government sector.
447. Hence, a score of ‘B’ is justified for this dimension. This score is an improvement from the last assessment (score ‘C’), particularly since there are no delays in the submission of financial reports by the MoF to the Chamber of Accounts.

### 29.3. Accounting standards

448. The accounting approach adopted in the government sector in Tajikistan is a *modified accrual* accounting approach. According to the accounting reform roadmap, the government plans to transition to full accrual accounting by 2025. Currently, all budgetary units submit their Financial Statements to the Treasury which prepares the consolidated annual financial statements in accordance with the Ministerial instructions and guidelines.
449. The process of preparing financial statements is guided by the Instruction on the Procedure for Compiling and Submitting Annual and Periodic Financial Statements in Accordance with TPSAS (approved via the Order of the Minister of Finance #204 dated April 9, 2015) and Guidelines on the Execution of State Revenue and Expenditure and Preparation of Reports in the Treasury System (approved via the Order of the Minister of Finance #64 dated April 27, 2021).
450. The government has made a decision to adopt national standards based on accrual IPSAS, and has gradually approved 14 national TPSAS standards by the MoF. However, only 12 of these standards have been implemented. It is impossible to properly apply TPSAS-12: Stocks (based on IPSAS-12) and TPSAS-17: Fixed assets (based on IPSAS-17) as there are shortcomings in the regulatory and legal acts. They are currently being developed and subsequently to be approved. The list of these 14 national TPSAS standards includes the following:
- TPSAS-1: Presentation of financial statements (based on IPSAS 1);
  - TPSAS-2: Cash flow statements (based on IPSAS 2);
  - TPSAS-3: Accounting policies, changes in accounting estimates and errors (based on IPSAS 3);

- TPSAS-4: Impact of changes in exchange rates (based on IPSAS 4);
- TPSAS-5: Borrowing costs (based on IPSAS 5);
- TPSAS-6: Consolidation (based on IPSAS 6);
- TPSAS-12: Stocks (based on IPSAS 12);
- TPSAS-17: Fixed assets (based on IPSAS 17);
- TPSAS-22: Financial statements disclosures about the government sector (based on IPSAS 22);
- TPSAS-23: Revenue from non-exchange transactions (taxes and transfers);
- TPSAS-24: Presentation of budgetary information in financial statements (based on IPSAS 24);
- TPSAS-28: Financial assets;
- TPSAS-29: Financial liabilities;
- TPSAS-30: Financial instruments (disclosure and provision of information).

451. Each standard has its own set of regulatory documentation, is approved by the MoF, and registered in the Ministry of Justice. At the same time, TPSAS-12 (stocks) and TPSAS-17 (fixed assets) are not yet operational and have not been registered by the Ministry of Justice. However, the standard on consolidation of financial statements is not fully adhered to: state owned enterprises are not covered by the financial statements of the CG level, and the financial statements of the respective budget entities are merely aggregated, and not consolidated. This negatively impacts on the scoring regardless of overall progress achieved.

452. Based on the analysis, the score for this dimension is 'D'.

## PILLAR SEVEN: External scrutiny and audit

### PI-30. External audit

453. This indicator examines the characteristics of external audit. It contains four dimensions and uses the **M1 (WL)** method for aggregating dimension scores.

#### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-30 External audit</b>	<b>D+</b>	
30.1 Audit coverage and standards	C	The Chamber of Accounts has audited financial reports of the majority of central government entities, accounting for 64.1% of total government expenditure and revenue during 2018-2020. Audits covered revenue, expenditure, and debt, highlighting relevant significant issues, and were based on national ISSAI-compliant standards.
30.2 Submission of audit reports to the legislature	A	The audit statements of the Chamber of Accounts on state budget execution were submitted to the legislature within three months from the date of receipt of budget execution reports from the Ministry of Finance.
30.3 External audit follow-up	B	Audited institutions formally, comprehensively and in a timely manner took appropriate measures based on the CoA recommendations.
30.4 Supreme Audit Institution independence	D	The Chamber of Accounts carries out its activities independently from the executive, except for the provisions of Article 8 (point 6) of the Law of the Republic of Tajikistan 'On the Chamber of Accounts of the Republic of Tajikistan'. The Chamber is accountable to the legislature and the President, who, in accordance with Article 64 of the Constitution of the Republic of Tajikistan, is the head of state and the executive branch. The Chamber of Accounts is not fully independent in terms of the decision regarding amount, conditions and procedures for the remuneration of the chairman, his deputy and chief auditors. At the same time, the auditors of the Accounts Chamber have full access to all financial documents necessary for conducting comprehensive audit activities in coordination with other central government bodies. (See footnote 15)

#### 30.1. Audit coverage and standards

454. The Chamber of Accounts (CoA), as the supreme audit institution (SAI) of the Republic of Tajikistan. The CoA mandate is reflected in articles 1 and 5 of the Law of the Republic of Tajikistan 'On the Chamber of Accounts of the Republic of Tajikistan' (2011). It is responsible for reviewing PFM and providing an audit opinion in relation to the draft republican budget, the execution of the republican budget and extra-budgetary funds as well as the utilization of public resources by the state and

municipal enterprises. As a result of audits, the CoA issues recommendations to eliminate all identified issues in audited institutions.

455. The objectives of audit activities are outlined in article 20 of the Law of the Republic of Tajikistan 'On the Chamber of Accounts of the Republic of Tajikistan' that covers such actions as (a) assessment of the use of budget and other state resources and their compliance with the legislation of the Republic of Tajikistan on the state budget and other laws of the Republic of Tajikistan; and (b) assessment of the volume of state resources that are utilized economically and efficiently to achieve the results outlined in the general government budget.
456. The CoA applies its own regulations, national audit standards, and some international standards (ISSAIs). Currently, the CoA conducts mainly financial and compliance audits, and undertakes efforts to fully adopt performance audit in its activities. Piloting of performance audits was slowed down as a result of the COVID-19 pandemic, but the CoA plans to resume these activities soon. The CoA applies in the course of its professional work national standards that are broadly ISSAI-compliant, however, limited resources and personnel limits the ability to fully apply the ISSAI. In accordance with Article 65 of the Law of the Republic of Tajikistan 'On Public Finance', the CoA produces audit statement on the state budget execution report, but for technical reasons related to incomplete consolidation of financial statements in the government sector, the CoA currently does not carry out an external audit of the consolidated annual financial statements of the government sector. In general, audit activity of the CoA covers government revenues, expenditures and debt (i.e. obligations of the GoRT), and identifies deficiencies and shortcomings in public finances.
457. Importantly, the CoA developed and approved in January 2019 its Medium-Term Development Plan for 2019-2023, which captures the range of proposed and planned measures to strengthen the external audit function in Tajikistan. This development plan contains provisions and proposed measures in various areas, such as professional audit services (including special audit investigations), methodological and regulatory improvements, audit of the general government budget, and other operational activities (such as activity planning, information exchange and transparency, interaction with the legislature, international cooperation, human resources development, monitoring and evaluation of current activities, and other areas).
458. Over the past several years, the CoA has been consistently working to strengthen its organizational capacity and human resources, including the organizational structure and governance in line with the standards and practices of the International Organization of Supreme Audit Institutions (INTOSAI), as well as strengthening the capacity of professional auditors and its other workers. In addition, the CoA has updated its operational guidelines for external audits (in particular, with respect to financial and compliance audits) to comply with ISSAI and facilitate audit piloting.
459. Currently, the ongoing and recently completed activities within the PFMMP II include (i) adoption of 31 International Standards for Supreme Audit Institutions (ISSAI) that started in January 2021; (ii) advancement of audit staff training on the new methodologies for financial, compliance and performance auditing that began in April 2021; (iii) completion of the development and installation of an e-auditing system and staff training that includes an audit management system, a web portal, a data warehouse, and connectivity interfaces; (iv) completion of work on implementation of a local area network at the CoA; (v) draft communication strategy, human resources development strategy, Information and Communications Technology (ICT) development strategy, and staff guidelines on financial audit and performance audit have been developed to be finalized in early 2022; and finally

(vi) the draft Law of the Republic of Tajikistan ‘On the Chamber of Accounts of the Republic of Tajikistan’ has been completed and submitted to an inter-ministerial committee for review and input.

460. In addition to the national standards with respect to financial, compliance and performance audits approved by the CoA, the CoA Board approved on July 27, 2017 (#32.1, 32.2 and 32.3) and applies instructions for the methodological support of its activities; financial audit guidelines; guidance on auditing the effectiveness of the use of public funds; and other documents. All available manuals and guidelines are available in three languages and meet the INTOSAI requirements, and are used by the auditors of the Chamber of Accounts in their audit activities.

461. There are around 7,000 budget institutions of which 129 are the main administrators of budget allocations (MABAs) including 57 ministries, departments, committees, agencies, and other entities, and 72 local authorities of the regional, city, and district levels (*local hukumats*). According to Table 33 (below), the number of audits at the local government level has increased over the last three years while audits at the central government and SOEs have declined for the same period. This can be explained owing to the pandemic that temporarily paused site visits of auditors, particularly in relatively larger cities.

**Table 33. Entities audited by the Chamber of Accounts of the Republic of Tajikistan (2018-2020).**

#	Entity	2018	2019	2020
1.	Ministries, departments and agencies (MDAs), budget institutions, and state funds (central government)	256	225	177
2.	Enterprises, institutions and other state economic entities (subnational governments)	24	37	54
3.	Investment companies, insurance companies, joint stock companies, joint ventures, banks and other non-governmental economic entities (state-owned enterprises)	58	46	41
Total		338	308	272

Source: Chamber of Accounts of the Republic of Tajikistan.

**Table 34. Audits undertaken by the Chamber of Accounts during 2013-2020.**

	2013	2014	2015	2016	2017	2018	2019	2020
Number of audits	20	314	438	530	349	338	308	272
<i>of which: MDAs</i>	15	241	289	438	267	256	225	177

Source: Chamber of Accounts of the Republic of Tajikistan.

**Table 35. Information on the volume of expenditure audited in 2018-2020 (in million TJS).**

Fiscal Year	Total audited amount of funds*	Budget funds	Special funds	Funds of state economic entities	Other funds	Total govt exp.	Coverage by CoA
2018	13,902.1	9,822.1	689.8	1,265.1	3,390.2	21,337.4	65.2%
2019	15,591.6	11,485.5	3,880.8	15,734.5	225.3	24,165.1	64.5%
2020	15,599.2	12,259.7	2,782.7	22,233.5	556.8	24,798.4	62.9%
Total in 2018-2020	45,092.9	53,567.2	7,353.4	39,233.0	4,172.2	70,300.9	64.1%

Source: Chamber of Accounts of the Republic of Tajikistan.

/\* Except funds of state economic entities (i.e. public corporations).

462. According to Table 33, during 2018-2020 the CoA conducted audits of the financial statements in 658 entities of the central government that are considered as the MABAs and other budgetary units; and for the same period the CoA audited the financial statements of budgetary units that are on aggregate equivalent to 64.1% of total government expenditure (i.e. *majority* of government expenditure, which in line with the PEFA Framework is defined as '50% or more').

463. During the reporting period, the CoA could not audit annual financial statements of the government sector because the Ministry of Finance does not fully consolidate the annual financial statement of the government sector, and also due to the fact that this is not required under national legislation and regulatory framework – in particular, in accordance with Article 65 of the Law of the Republic of Tajikistan 'On Public Finances' and Article 28 of the Law of the Republic of Tajikistan "On the Chamber of Accounts of the Republic of Tajikistan'.

464. Since in 2018-2020 the CoA routinely audited the financial statements of individual budgetary units in central government, which comprised the majority of expenditures and revenues of the general government budget (i.e. 64.1% as shown in Table 35), in line with the PEFA Framework the score for this dimension is 'C', which is similar to the previous assessment.

### 30.2. Submission of audit reports to the legislature

465. According to Article 28 of the Law of the Republic of Tajikistan 'On the Chamber of Accounts of the Republic of Tajikistan' and Article 65 of the Law of the Republic of Tajikistan 'On Public Finance', the CoA submits an annual audit report on the execution of the state budget to the President of the Republic of Tajikistan and the Parliament of the Republic of Tajikistan. The report, due annually by October 1<sup>st</sup>, provides an audit opinion and covers the previous year.

**Table 36: Timing of audit reports submission to the legislature.**

Fiscal year	Dates of receipt of the financial reports by the CoA	Dates of submission of the financial audit reports to the legislature
2018	July 16, 2019	September 18, 2019
2019	June 25, 2020	September 28, 2020
2020	June 12, 2021	September 24, 2021

Source: Chamber of Accounts of the Republic of Tajikistan.

466. Based on Table 36, combined audit reports on budget execution and annual activity of the CoA are submitted to the Parliament within a period of less than three months from the date of receipt of said reports from the Ministry of Finance. The submission of audit statement by the CoA is required by national legislation; and other audit reports (e.g. audit reports based on audited financial statements of budgetary organizations) are submitted to the President and Parliament only upon their request. As mentioned in dimension 30.1, the CoA does not audit the consolidated annual financial statements of the government sector, which is also not provisioned in (or required based on) national legislation.

467. In line with the 2016 PEFA Framework, the score of the present dimension is 'A' as in the previous assessment (since these combined audit reports were taken into consideration rather than audit reports of the consolidated financial statements).

### 30.3. External audit follow-up

468. Based on the Article 24 of the Law of the Republic of Tajikistan 'On the Chamber of Accounts of the Republic of Tajikistan,' there is a requirement for an individual audited entity to follow up on recommendations and audit opinions. According to the Instruction 'On the audit procedure on the execution of the state budget and preparation of the CoA opinion on the annual budget execution report of the government,' approved by the decision of the CoA Board dated April 19, 2013, the CoA should submit to the GoRT and the Ministry of Finance an overview of progress in undertaking corrective measures and implementing recommendations.
469. Each audited entity must follow up on CoA recommendations and provide official statements as a response to a set of adopted measures. The CoA monitors all measures taken based on its instructions and recommendations. In case of any violation, financial sanctions are applied to officials or to institutions who did not comply with the CoA orders.
470. During the last three completed financial years (2018-2020), the audited institutions officially, comprehensively and in a timely manner took appropriate measures based on the CoA recommendations. Hence, the score for the present dimension is 'B', which remains at the same level as in the previous assessment.

### 30.4. Supreme Audit Institution independence

471. According to the Article 1 of the Law of the Republic of Tajikistan 'On the Chamber of Accounts', the CoA is the supreme authority of financial control that carries out an independent external audit of the state budget execution and provides a set of recommendations.
472. Among internationally accepted normative documents to ensure the independence of SAIs, recognized by the Republic of Tajikistan, are the Lima Declaration of 1977 "Guidelines on Auditing Precepts", the Mexico Declaration "On the Independence of SAIs" of 2007, the Resolutions adopted by the UN General Assembly "On promoting efficiency, accountability, effectiveness and transparency of public administration by strengthening supreme audit institutions" dated 22.12.2011 No. 66/209 and dated 19.12.2014 No. 69/228, as well as GUID 9030: Good Practices Related to SAI Independence. These international norms are advisory in nature and require member states so that their SAI be able to meet these requirements. These documents call on the member states to take into account the independence and capacity of SAIs in their national institutional framework.
473. Based on the Article 64 of the Constitution of the Republic of Tajikistan, the President is the Head of State and the executive branch of the Government. In this case, the Chamber of Accounts submits audit report on the annual state budget execution to the President of the Republic of Tajikistan, as the Head of State, and to the Parliament.
474. The President, as the Head of State, in accordance with national legislation, on the basis of Article 8 (point 6) of the Law "On Chamber of Accounts of the Republic of Tajikistan", sets the salary of the chairman, his deputy and chief auditors. The INTOSAI GUID 9030: Good Practices Related to SAI Independence stipulates in "Principle 8: SAI has discretion over budget allocations. The SAI receives a lump sum from the general state budget (one-line vote). The Head of the SAI determines how the



funds are allocated among various expenditure categories”, among the best practices regarding financial autonomy, clarifies that “SAI has the right to dispose of budgetary appropriations. The SAI receives a lump sum from the state budget. The head of the SAI determines how the funds are distributed among the different categories of expenditure.” Thus, the Chamber of Accounts is not fully independent on taking decisions regarding the amount, terms and procedures for the remuneration of the chairman, his deputy and chief auditors.<sup>15</sup>

475. According to Articles 11 and 13 of the Law of the Republic of Tajikistan ‘On the Chamber of Accounts of the Republic of Tajikistan’, the chairman, deputy and chief auditors of the CoA are proposed by the President of the Republic of Tajikistan, and then formally appointed by the Parliament of the Republic of Tajikistan for a period of seven years. As a result, for each position, one candidate is proposed who, together with other candidates for other positions, is tested and interviewed by the GoRT, before holding a Parliamentary hearing. The CoA does not have executive, legislative, or law enforcement powers. It complies with the Constitution, and carries out its activities in accordance with the Law “On Chamber of Accounts of the Republic of Tajikistan”, and other legislations of the Republic of Tajikistan.

476. As for the planning of audit engagements, both the CoA and the Agency for State Financial Control and Combating Corruption of Tajikistan (ASFCCC), which reports to the President, coordinate a list of budget organizations and institutions to be audited. The final CoA annual audit plan is agreed upon with the President. Moreover, the President and the Parliament can request audits to be performed: for instance, 43 out of 338 in 2018, 15 out of 308 in 2019, and 22 out of 272 in 2020 were such audits that are practiced annually by the CoA according to their internal regulations.

**Table 37: Summary of elements and requirements for SAI Independence.**

Element/ Requirements	Met (Y/N)	Evidence used/Comments
1.The SAI operates independently from the executive with respect to:		
- procedures for appointment and removal of the head of the SAI	Yes	The President and the GoRT participate in the process of appointing and removal of the chairman, deputy chairman, and chief auditors. Article 64 of the Constitution of the Republic of Tajikistan stipulates that the President of the Republic of Tajikistan is the head of state and the executive

<sup>15</sup> The Chamber of Accounts considers it necessary to evaluate Article 8 (point 6) of the Law “On the Chamber of Accounts of the Republic of Tajikistan” regarding the establishment of the amount of official salaries similar to the assessment of Articles 11 and 13 of the Law of the Republic of Tajikistan “On the Chamber of Accounts of the Republic of Tajikistan” where the chairman, deputy and chief auditors of the Chamber of Accounts are proposed by the President, as head of state, where the independence of the Chamber of Accounts is respected. In both cases, the President, as head of state, makes the decisions. The President, as the head of state, in accordance with national legislation, in order to protect the rights and encourage employees of the Accounts Chamber, on the basis of Article 8 (point 6) of the Law of the Republic of Tajikistan "On the Chamber of Accounts of the Republic of Tajikistan", sets the salaries of the chairman, his deputy and chief auditors at the same level as the salaries of the First Deputy Prime Minister, Deputy Prime Minister and Deputy Head of the Executive Office of the President of the Republic of Tajikistan. Thus, legitimate social interests, financial independence, and the absence of restrictions in terms of independence in the activities of the employees of the Chamber of Accounts are ensured. Therefore, the Chamber of Accounts does not agree with the score “D” for this dimension 30.4 and believes that the score should be “C”.

		<p>branch (i.e. the GoRT). At the same time, according to Article 11 of the Law of the Republic of Tajikistan 'On the Chamber of Accounts of the Republic of Tajikistan', the President is directly involved in the procedure for appointment of chairman, deputy chairman, and chief auditors since proposed candidates are submitted to the Parliament. In addition, according to Article 14 (point 2) of the Law of the Republic of Tajikistan 'On Chamber of Accounts of the Republic of Tajikistan', the decision to terminate the powers of chairman, , deputy chairman, and chief auditors is made by the President as a head of state. Proposal for removal from office is submitted by the President, as a head of state, to the Lower Chamber of the Parliament. President's participation, as a head of state, in the procedure of appointment and removal of the CoA chair is considered as a good and common practice. Thus, the CoA acts independently of the executive in the procedure for appointment and removal of the CoA chairman, deputy chairman, and chief auditors.</p>
- the planning of audit engagements	Yes	<p>In accordance with Article 22 of the Law of the Republic of Tajikistan 'On the Chamber of Accounts of the Republic of Tajikistan', the CoA prepares the annual audit plan for next year. During the preparation of the audit plan, the CoA also considers the current and future plans of other central government entities, e.g. the Agency for State Financial Control and Anti-Corruption under the President of the Republic of Tajikistan, but this does not significantly affect the process of selecting budgetary units subject to audit. In addition, in accordance with the CoA Instruction 'On the procedure for planning audits by the Chamber of Accounts of the Republic of Tajikistan' (approved by the CoA Board on February 11, 2013, #4.1), annual audit planning also takes into account all types of requests and instructions from the President and the Parliament and other sources, mainly in relation to unplanned audits, which is a standard practice of supreme audit institutions (SAIs).</p>
- the approval and execution of the SAI's budget.	No	<p>According to Article 6 (point 3) of the Law of the Republic of Tajikistan 'On the Chamber of Accounts of the Republic of Tajikistan', the CoA activities are financed from the general government budget, which is provisioned in annual budget legislation. The CoA's draft budget is developed independently and its approval by the Parliament is sought in the manner prescribed by the Law of the Republic of Tajikistan 'On Public Finances' without any influence from the executive, except for setting the size and procedure for paying salaries to the chairman, deputy chairman and chief auditors. The size of their salaries is determined by the President of the Republic of Tajikistan (in line with Article 8, point 6 of the Law of the Republic of Tajikistan 'On the Chamber of Accounts of the Republic of Tajikistan'). Article 8 deals with the budget approval process (which is why a score of 'A' or 'B' is ruled out for this dimension), but its</p>

		implementation (which corresponds to a 'C' score) is carried out by the CoA independently of the executive. The wording of Article 8 (point 6) confirms that the CoA is not fully financially independent in terms of distributing funds within its annual budget at its own discretion.
2. This independence is assured by law.	No	<p>The CoA carries out its activities independently of the executive, and the independence of the CoA is stipulated in Article 6 of the Law of the Republic of Tajikistan "On the Chamber of Accounts of the Republic of Tajikistan". In particular, Article 6 states that: (a) the CoA selects entities to be audited independently of other state structures and officials managing those structures; (b) the CoA independently determines the subject, methods and terms of inspections, as well as the form for providing relevant conclusions; (c) the CoA, independently and at its own discretion, considers and decides on satisfaction of requests from executive or legislative authorities; (d) the activity of the CoA is subject to financing in accordance with the established procedure at the expense of the state budget and is provided for in a separate line. However, the amount of official salaries, as well as the conditions and procedure for paying wages to the chairman, his deputy and chief auditors of the CoA are set by the President of the Republic of Tajikistan. Thus, the financial independence of the CoA is not fully guaranteed by the current national legislation</p> <p>At the same time, there are guarantees in the regulatory environment regarding the overall implementation of the CoA activities - in particular, according to Article 35 of the Law of the Republic of Tajikistan 'On the Chamber of Accounts of the Republic of Tajikistan', the CoA activities are subject to annual financial audit, which should be carried out by a professional nongovernmental audit firm appointed by the CoA Chairman through competitive tendering. The task of the selected audit firm is to prepare an audit opinion on the degree of CoA compliance with legislation and regulations when spending budgetary appropriations. The statement of the audit firm is reviewed at a CoA Board meeting. Payment for the services of a professional audit firm is carried out from the CoA budget.</p>
3. The SAI has unrestricted and timely access to records, documentation and information for:		CoA auditors have full access to all financial documents necessary for conducting comprehensive audit in coordination with other central government bodies. In addition, Article 32 of the Law of the Republic of Tajikistan 'On the Chamber of Accounts of the Republic of Tajikistan' prescribes that the CoA cooperates with other state financial control bodies and, in order to implement such cooperation, has the right to receive any necessary documents and conclusions, hold meetings with their employees and exchange with them with information.
- all audited entities	Yes	In accordance with Article 24 of the Law of the Republic of Tajikistan 'On the Chamber of Accounts of the Republic of

		Tajikistan', the CoA has full access to all financial documents necessary for conducting a comprehensive audit. This is also described in detail in the CoA Instructions 'On the procedure for planning audits by the Chamber of Accounts of the Republic of Tajikistan' (approved by the CoA Board on February 11, 2013, #4.1). There are no restrictions in the legislation on the audit coverage exercised by the CoA across the government sector.
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477. Based on the fact that this dimension assesses the external audit system as a whole, and not just the Supreme Audit Institution (SAI) itself, the principle of the independence of the Chamber of Accounts should be fully consistent with the requirements of the 2016 PEFA Guidelines, the Mexico Declaration, the Lima Declaration, as well as the relevant documents on good practices for the independence of SAIs, which in turn are consistent with the requirements of the International Organization of Supreme Audit Institutions (INTOSAI). According to the provisions of Article 8 (point 6) of the Law of the Republic of Tajikistan "On the Chamber of Accounts of the Republic of Tajikistan", the score for the present dimension is "D". The same assessment should have been made during the previous assessment in 2017, as the legal and regulatory environment regarding the independence of the Chamber of Accounts has not changed over the past five years. Therefore, there are no changes in this dimension, although the evaluation team took into account a significant institutional progress (for instance, strengthening of human resources, methodological bases, information system and ICT, and other areas) that was achieved during this time by the Chamber of Accounts, which allowed strengthening the function of external audit in the Republic of Tajikistan.

### PI-31. Legislative scrutiny of audit reports

478. This indicator focuses on legislative scrutiny of the audited financial reports of the 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 contains four dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

#### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-31 Legislative scrutiny of audit reports</b>	C+	
31.1 Timing of audit report scrutiny	A	Scrutiny of audited reports took less than three months from the date of receipt of the financial audit reports by the legislature.
31.2 Hearings on audit findings	C	Hearings on audit opinions are limited to state budget execution with participation of the Committee on Economic and Finance, MoF, and CoA representatives.
31.3 Recommendations on audit by legislature	B	Recommendations are made and followed up on a regular basis.
31.4 Transparency of legislative scrutiny of audit reports	D	Audit reports are limited to MPs, and not available to the public. The public is not invited to or informed about Parliamentary hearings on external audit reports.

### 31.1. Timing of audit report scrutiny

479. Within the framework of the Law of the Republic of Tajikistan ‘On the Chamber of Accounts of the Republic of Tajikistan’, the CoA agrees on the format and deadlines for submission of annual reports and audit opinions on state budget execution for the information of the Parliament. As part of this activity, aims and objectives, content, format, methodology, quality control process, and other issues are defined and agreed to submit relevant CoA reports to the Parliament. Furthermore, the CoA understands the importance of submission of timely audit reports on the state budget execution to the Parliament as well as holding constructive discussions with participation of all stakeholders to ensure cohesion and inclusivity.
480. According to the Article 65 of the Law of the Republic of Tajikistan ‘On Public Finance of the Republic of Tajikistan’, the audit report on the execution of the state budget is submitted by the CoA to the President, Government, and the Majlisi Namoyandagon Majlisi Oli of the Republic of Tajikistan (Lower Chamber of the Parliament) annually until October 1<sup>st</sup>.
481. According to the Article 66 on scrutiny and endorsement of the report on the execution of the state budget, the Majlisi Namoyandagon Majlisi Oli of the Republic of Tajikistan scrutinizes and approves the report on the execution of the state budget for the previous financial year while analyzing and adopting the Law of the Republic of Tajikistan ‘On the State Budget’ for the next financial year. Other audit reports are submitted to Parliament per request only.
482. On average, between 2018 and 2020, it took around a month for the legislature to scrutinize audit reports on the annual state budget execution (see table above). Hence, the score for the present dimension is ‘A’ since the scrutiny took less than a month in general from the date of receipt of the combined audit reports (as defined in Dimension 30.2) by the legislature. The score remains the same (‘A’) as in the previous PEFA assessment.

**Table 38: Timing of audit report scrutiny.**

Fiscal year	Dates of receipt of the financial audit reports	Dates of scrutiny by the legislature
2018	September 18, 2019	October 28, 2019
2019	September 28, 2020	October 12, 2020
2020	September 24, 2021	October 6, 2021

### 31.2 Hearings on audit findings

483. The Law of the Republic of Tajikistan ‘On the Chamber of Accounts of the Republic of Tajikistan’ provides for close cooperation and coordination between the CoA and the Parliament. When the CoA submits its annual report on the draft state budget and its execution to the Parliament, hearings on audit findings are conducted by the Economy and Finance Committee (EFC). The CoA representatives are present and explain observations and findings.
484. The Lower and Upper Chambers of the Parliament, the Majlisi Namoyandagon Majlisi Oli of the Republic of Tajikistan, receive audit reports from the CoA. Relevant committees from Majlisi Namoyandagon (e.g. Committee on Economy and Finance; Committee on Law and Human Rights;

Law Enforcement, Defense and Security Committee, Committee on Agrarian Issues, Land and Water Resources; Committee on International Affairs, Public Associations and Information; Committee on Science, Education, Culture and Youth Policy; Committee on Social Affairs, Family and Health; Committee for State Building and Local Self-Government; and Committee for Energy, Industry, Construction and Communications), CoA senior auditors, relevant ministries and state committees, and other audited entities should participate in the review procedures of audit reports. However, de facto, Parliament Committees, CoA and MoF representatives attend budget execution and budget law hearings.

485. There is a lack of capacity to conduct budget hearings on detailed audit opinions of all audited entities. Thus, based on the existing evidence, the score for the present dimension is 'C' as in the previous assessment.

### **31.3. Recommendations on audit by legislature**

486. In addition to the EFC's hearings on the annual audit reports, sectoral budget execution hearings and then approval of the audited state budget execution report is carried out by the Parliament. The EFC provides the Chamber of Accounts with a set of recommendations on conducting audits including on how to improve CoA reports and conclusions on state budget execution and draft state budget laws.

487. Both the CoA and the Majlisi Namoyandagon Majlisi Oli agree on dissemination of key findings and set of recommendations designed during hearings. It is in the mandate and competence of the EFC of the Parliament to follow up on actions or recommendations. The CoA receives regular feedback from the Parliament on its performance in accordance with the Law of the Republic of Tajikistan 'On Chamber of Accounts of the Republic of Tajikistan'.

488. There is a separate Control Unit under the Majlisi Namoyandagon Majlisi Oli that oversees implementation of all recommendations. In case of violations, the Control Unit invites heads of audited institution for separate discussions. The Parliament has a tracking system in place that reviews all audit opinions, follows up on recommendations, and monitors their implementations.

489. After consideration of individual audit reports, the Parliament produces protocols where recommendations are recorded and sent to the executive bodies. The implementation of these recommendations is normally monitored once a year or several times a year depending on urgency and importance. Therefore, the score for the present dimension is 'B' or the same as in the previous assessment.

### **31.4. Transparency of legislative scrutiny of audit reports**

490. Reports of parliamentary committee hearings are not disclosed to the public. This is also the case with the hearings of the parliamentary Economy and Finance Committee (EFC) and other committees on discussing audit reports that were formulated and submitted by the Chamber of Accounts. Hearings are not conducted in public, and the Parliament does not inform the public about such hearings in advance. It should be noted though that the press and the media also take part in the parliamentary hearings and report on current related issues on TV as well as in periodicals.

491. Based on existing practices and procedures, the score for the present dimension is 'D'. Thus, this dimension score remains at the same level as in the previous assessment.

## 4. Conclusions of the analysis of PFM systems

### 4.1. Integrated assessment of PFM performance

#### Pillar 1: Budget Reliability

492. *PI-1: Aggregate expenditure outturn (score 'B')*

*PI-2: Expenditure composition outturn (score 'D+')*

*PI-3: Revenue outturn (score 'B+')*

Although revenue outturns have been reasonably close to initial estimates (score 'B'), expenditure outturns by functions and economic categories varied significantly (score 'D'), showing that in-year adjustments have a negative effect on predictability of resource allocations and, ultimately, overall fiscal discipline. At the same time, the size of contingency reserves remains modest, equaling just 1.6% of government expenditure in 2018-2020 (score 'A'). Despite increased public spending on energy and healthcare, as well as the social protection programs (such as the Targeted Social Assistance) to counter the effects of the pandemic in 2020, the variance between outturns and planned allocations remained largely unchanged in the past three years.

493. Performance of PI-1 and PI-2 is also affected by weak investment project costing (score 'C'), which may not be accurate and thus requires modifications once a project is added to the Public Investment Program (PIP). Another influencing factor is relatively weak fiscal forecasting capacity (score 'B'). A comparison of medium-term fiscal frameworks demonstrated that sometimes significant variations occur between approved fiscal forecasts and the projections in the previous year's plan (see Table 23). Finally, the process of controlling budget allocations to match the availability of cash has also been supported by good cash forecasting. The Central Treasury prepares consolidated cash plans and cash flow forecasts once a year, but they are not updated on at least monthly or quarterly basis.

#### Pillar 2: Transparency of public finances

*PI-4: Budget classification (score 'B')*

494. The budget classifications are broadly consistent with international GFS/COFOG standards and are applied consistently in all stages of the budget cycle (score 'B'). To that end, aggregate budget data for both revenue and expenditure are routinely prepared by the MoF in the budget proposal and the macro-fiscal framework, which enables their consistent comparison over the years. However, in-year financial reports are produced in a format that is not directly comparable with plans for the main administrative units (i.e. Main Administrators of Budget Allocations, or MABAs). Besides, program classification has only been implemented on a pilot basis in just four sectors since 2019 and has not been rolled out across the whole government sector.

*PI-5: Budget documentation (score 'A')*

495. Budget documentation (score 'A') in Tajikistan fulfills requirements for all four basic and 6 out of 8 additional elements. The budget proposal that goes to the GoRT and then the Parliament is very comprehensive and is sufficient to make an informed decision on resource allocation for the next and two outer fiscal years. The budget proposal includes fiscal deficit targets/forecasts and its financing, previous year's budget outturn and current fiscal year's budget (all presented in same format for comparability), aggregate budget data for revenue and expenditure, macroeconomic assumptions



and three-year forecasts, financial assets (such as foreign reserves and public debt), and explanatory notes of budget implications of policy initiatives.

*PI-6: Central government operations outside financial reports (score 'A')*

496. There are no expenditures outside consolidated financial reports prepared by the treasury (score 'A'), i.e. all expenditures are adequately reflected and recorded in the Treasury Single Account (TSA). Although the Public Investment Program (PIP) is not fully streamlined with the budget performance reports (i.e. PIP is reported separately and not integrated in budget execution reports), it is included in the financial reports of central government operations. Special funds, which according to the 2014 GFSM are regarded as extrabudgetary funds, are also fully reflected in the treasury's financial reports, as are the funds of the Agency for Social Insurance and Pensions (ASIP). Similarly, there are no revenues outside consolidated financial reports of the Central Treasury (score 'A'). Despite the presence of extrabudgetary funds, there are no extrabudgetary units (separate from public corporations) that are not fully covered by the general government budget (score 'A'), particularly since all 'special funds' are generated by budgetary units which have own sources of revenue.

*PI-7: Transfers to subnational governments (score 'C+')*

497. The government has in place a historically inherited system of allocating transfers (e.g. grants) across levels of government. These intergovernmental fiscal transfers (IGFTs) are provided to subnational governments (SNGs) in line with the Budget Circulars and on a timely basis (score 'A'). In 2020, SNGs received information about their IGFT allocations in August, i.e. several months in advance of the new fiscal year, giving them sufficient time for planning and any revenue or expenditure adjustments. Yet, the current system is not transparent in the sense that the methodology is not a publicly accessible document and, crucially, it also does not follow a rules-based approach (score 'D'). Subventions consistently account for about 95% of all IGFTs, but their size and allocation decision are not formula-based. Besides, there are no procedures in place defining negotiations between the MoF and SNGs and subsequent determination of the amounts of budgeted IGFT allocations.

*PI-8: Performance information for service delivery (score 'D')*

498. The use of performance indicators in resource allocation decisions is very weak across the government sector (score 'D'). Sector strategies and plans were found to have been rarely complemented/supported by credible costing and financial modeling, and corresponding operational frameworks are weakly aligned with sector-based MTEFs. This points to broader weaknesses in strategic planning and transparent reporting of sector performance. There are a number of sectors (education and health) that have made attempts to align their strategies to MTEFs through adequate costing and use of financial and non-financial performance indicators, but these efforts have not led to performance budgeting or independent performance evaluations for service delivery.

*PI-9: Public access to fiscal information (score 'B')*

499. The MoF has made progress compared to the previous assessment to publicly disclose fiscal information – in particular, 7 out of 9 elements (including 4 out of 5 basic elements) are disclosed to the public in accordance with the timeframes specified in budget legislation. In addition to addressing timeliness of public disclosure of key fiscal information, such as the budget proposal and budget performance reports, the MoF has launched its new website in mid-2021 with improved functionality and content (incorporating citizens' budgets, debt information and debt management strategy, relevant PFM regulations and legislation, PFMRS and its operational framework, and other elements). The MoF does not disclose its audited consolidated annual financial reports, and the Chamber of Accounts does not publish all external audit reports as required.

### **Pillar 3: Management of assets and liabilities**

#### *PI-10: Fiscal risk reporting (score 'C')*

500. Fiscal risk reporting is embedded in national legislation and submitted to the Parliament annually with the draft budget proposal. In Tajikistan, SOEs create significant fiscal risks. To that end, the MoF monitors the financial performance of 27 state-owned enterprises through its SOE Monitoring Department and has undertaken other steps to strengthen its monitoring capacity. However, there is no central government entity that oversees/monitors performance of all other SOEs (740 in total). Besides, not all SOE financial statements are audited – in 2020, only 17 out of 27 SOEs submitted audited financial statements to the MoF. In general, financial statements are submitted by these SOEs within 9 months of the end of the fiscal year. Only some of these financial statements are publicly disclosed on the MoF website (score 'C').

501. Monitoring of subnational governments is also relatively weak (score 'C'). Aggregated financial statements of SNGs are published in local newspapers (often, regional/district newspapers) within 9 months of the end of the fiscal year, but they are not audited by the Chamber of Accounts. As with central government entities, non-financial performance information of SNGs is very limited and not publicly disclosed.

502. The government does not currently monitor and report against all categories of explicit contingent liabilities, such as guaranteed debt, state insurance schemes, and special financing instruments, such as public-private partnerships (score 'C'). The MoF produces a consolidated statement on fiscal risks and is currently developing its new SOE Fiscal Risk Management Strategy for 2022-2026.

#### *PI-11: Public investment management (score 'C+')*

503. Public investment management is weak, particularly given that the government does not always produce economic appraisals (which are instead conducted only for large investment projects) or publish them, e.g. none of the projects included in the PIP had publicly disclosed economic appraisals (score 'C'). Investment project costing is routinely undertaken for a five-year period, which differs from the three-year MTEF and is presented in a format that differs from budget performance reporting (score 'C'). Investment project monitoring is undertaken by the MoEDT, SCISPM and the MoF only against the disbursement profile and physical progress. Monitoring reports of investment projects are also not publicly available (score 'C'). At the same time, selection of most projects is undertaken in line with government-endorsed regulations and standard criteria, which are publicly disclosed (score 'B').

#### *PI-12: Public asset management (score 'C')*

504. The MoF maintains a register of its holdings in the major categories of financial assets, which are routinely monitored by the Treasury and reflected in the consolidated annual financial statements. In the meantime, the MoF does not publish any information on the performance of its financial assets (score 'C'), including explicit contingent liabilities that are described in PI-10.1 and PI-10.3. Some limited information on financial assets is provided to the GoRT and the Parliament as part of the budget proposal, but it is not available to the public. Nonfinancial asset monitoring is also weak (score 'C') and is fragmented into three distinct registers that are maintained by three different central government entities – namely, the SCISPM, SCLMG, and MGD. None of these registers are publicly accessible or have universal coverage. The government only provides limited basic information (e.g.

on original purchase cost and disposal value) in the budget proposal on the transfers and disposals of financial and non-financial assets (score 'C').

*PI-13: Debt management (score 'B+')*

505. Overall, the government scored well on the presence and quality of its debt management strategy (score 'A'). The strategy is routinely developed for a three-year period and is disclosed on the MoF's website, but its drawback is that it is not updated annually in line with the MTEF that is approved on a rolling basis. The government has also scored relatively well on its recording and reporting practices of domestic, foreign and guaranteed debt (score 'B'). The outdated Debt Tracking System (DTS) is used, but the MoF is currently migrating to a new Debt Management and Financial Analysis System (DMFAS). Debt records are well-maintained, complete, and accurate. Debt information is reconciled quarterly with the treasury and creditors, and consolidated annual debt reporting covers debt service, stock, and operations. The MoF publishes its quarterly, semi-annual, and annual debt performance reports on its website. The government scored lower on approval of debt and guarantees (score 'B') because there are two central government entities that are authorized to borrow and issue new debt on behalf of the GoRT – namely, MoF and National Bank of Tajikistan.

**Pillar 4: Policy-based fiscal strategy and budgeting**

*PI-14: Macroeconomic and fiscal forecasting (score 'C+')*

506. Macroeconomic forecasts are routinely prepared by the MoEDT and NBT, and submitted to the MoF. They are prepared for a three-year period, updated at least once a year, and are included in the budget proposal. However, the MoF does not scrutinize or review projections from other the MoEDT or NBT (score 'B'). On the basis of macroeconomic forecasts, the MoF produces its own three-year forecasts, which are included in the budget proposal to the Parliament, but the underlying assumptions and explanation of the main differences from the forecasts are not included (score 'B'). Perhaps the biggest gap is the government's weak macro-fiscal sensitivity analysis (score 'D'). Macroeconomic sensitivity analysis is undertaken by the MoEDT, but fiscal sensitivity analysis has not been undertaken by the MoF in the reporting period.

*PI-15: Fiscal strategy (score 'B')*

507. Although some limited fiscal impact assessments are produced by the MoF for all changes in revenue and expenditure policy, and are submitted to the GoRT and the Parliament, they are not publicly accessible information and only cover the next fiscal year (score 'D'). The fiscal strategy has been put in place by the government in January 2020, including its three-year operational framework in April 2021 (the delay caused by the coronavirus pandemic). The strategy is published and includes time-bound quantitative and qualitative targets (score 'A'). The MoF did not prepare annual implementation progress report of its fiscal strategy last year due to COVID-related disruptions, but plans to submit the report to the GoRT by the end of the first quarter of 2022 (score 'C').

*PI-16: Medium-term perspective in expenditure budgeting (score 'C')*

508. Although medium-term expenditure framework (MTEF) is rolled out across the entire government sector and budget proposal presents medium-term expenditure estimates by economic, functional, and program classifications (score 'A'), expenditure ceilings are not produced or disclosed for administrative units (i.e. MABAs) until the second phase of the budget preparation process, i.e. until June-July (score 'C'). Besides, line ministries' sector plans (or strategic sector plans) for the most part are not aligned with medium-term budgets (score 'C'), with few exceptions, such as education and healthcare. Furthermore, the budget documents submitted to Parliament provide limited explanation

of expenditure estimates from medium-term macro-fiscal frameworks that are approved on a rolling basis (score 'D').

*PI-17: Budget preparation process (score 'B')*

509. The budget preparation process is well-established, with a clear annual budget calendar that is formulated by the MoF and approved through the GoRT resolution. The calendar is largely adhered to and allows budgetary units about 10 weeks to prepare their budget proposals (score 'B'). Budget circulars are also well-articulated and quite detailed, providing useful instructions for budgetary units, but they do not include medium-term expenditure ceilings at sector or MABA level (score 'C'). In particular, medium-term expenditure ceilings are released (in February) only after the Budget Circular for Phase I of the budget preparation process is issued (in January). Crucially, annual budget proposals were submitted to the Parliament in line with agreed timelines as per the budget calendar without any delays or violations (score 'A').

*PI-18: Legislative scrutiny of budgets (score 'B+')*

510. Although there are established processes and procedures for legislative scrutiny of budget proposals, the Parliament weakly follows its arrangements for public consultations (score 'B') and undertakes only limited scrutiny of medium-term fiscal parameters and priorities (score 'B'). In the last three years, the Parliament approved the annual budget proposal and medium-term estimates at least one month before the start of the new year (score 'A'). Besides, there are clear fiscal rules in place for in-year budget adjustments and, in the 2020 pandemic year, they were fully respected and adhered to by all budgetary units and the MoF (score 'A'). The Parliament approved the significantly amended budget (i.e. with changes that exceed 10% of total government revenues or expenditures) on July 4, 2020.

**Pillar 5: Predictability and control in budget execution**

*PI-19: Revenue administration (score 'B')*

511. The Tax Committee and the Customs Service jointly accounted for 79.2% of total government revenues in 2020 and had effectively and consistently used multiple channels (e.g. local media, own websites and digital platforms, information sessions, and other outreach activities) to provide taxpayers with relevant, up-to-date, and comprehensive information on their obligations and rights (score 'A'). In 2020, tax debt in relation to tax receipts (i.e. total revenue collection) comprised 8.3%, and the revenue arrears older than 12 months were equivalent to 17.2% of total revenue arrears for the year (score 'A'). Although both entities have made significant strides towards establishing risk management systems, they are not fully operationalized yet and do not ensure a structured approach for assessing and prioritizing compliance risks for some categories of government revenues (score 'C'). Notwithstanding the fact that audit and fraud investigations are well-integrated in both entities, with audit plans being completed in full and on time, neither entity appears to have a compliance improvement plan as the basis for audit and fraud investigation planning (score 'D').

*PI-20: Accounting for revenues (score 'A')*

512. Revenue accounting generally performed well. The Tax Committee, Customs Service, and ASIP submit revenue reports to the MoF on a monthly basis. Revenue data is broken down by revenue categories and are consolidated into a report (score 'A'), whereas revenues are transferred on a daily basis to the accounts of the Central Treasury through the Treasury Single Account (score 'A'). Reconciliation of revenue data by the MoF with revenue collecting entities takes place on a monthly basis, and

reconciliation of revenue data with the National Bank of Tajikistan is performed on a daily basis (score 'A').

*PI-21: Predictability of in-year resource allocation (score 'C+')*

513. Most cash balances are consolidated in the Treasury Single Account (TSA) on a daily basis, except the ASIP accounts, which are administered separately (in particular, through the State Savings Bank 'Amonatbnak') and reconciled on a monthly basis (score 'C'). Cash flow forecasts are routinely prepared by the treasury at the beginning of the fiscal year, including consolidated cash plans. However, cash plans are not updated on at least a monthly or quarterly basis (score 'C'), and the presence of frequent in-year budget adjustments (score 'C') is undermining overall budget predictability and fiscal discipline. All budgetary units have well-maintained information on annual commitment ceilings, broken down by each quarter (score 'A').

*PI-22: Expenditure arrears (score 'C+')*

514. The story on expenditure arrears is rather mixed. The MoF reports that its aggregate stock of expenditure arrears amounted to 1.6% of total government spending in 2018, 2.5% in 2019, and 2.3% in 2020, suggesting that no significant arrears accumulated in the reporting period (score 'B'). Having said that, the treasury does not consolidate financial reports on quarterly or semi-annual basis, which means that the stock of expenditure arrears is consolidated by the treasury only at annual intervals (score 'C').

*PI-23: Payroll controls (score 'C+')*

515. The Agency for Civil Service (ACS) adequately regulates, monitors, and administers payroll changes, which are made by respective budgetary units on a monthly basis (at the end of each month). Retroactive adjustments to wage bill are rare and occur in less than 5% of all salary payments across the government sector (score 'A'). At this time, HRMIS (administered by the ACS) and TFMIS (administered by the MoF) are not linked, which undermines integrity of data and reconciliations of payroll data (score 'C'). At the same time, budgetary units provide to ACS documentation on personnel records on a monthly basis, which are checked by the treasury against the previous month's records. Hiring and promotion is performed within approved personnel records, budget allocations, and staff positions across the government sector (score 'B'). Moreover, external audit of the government-sector payroll was completed in November 2019, i.e. at least once in the last three years (score 'B').

*PI-24: Procurement (score 'B')*

516. In general, the government performed well on public procurement, but the situation is nuanced. On the one hand, in 2021, 98.3% of all procurement was conducted following competitive methods (score 'A'), with the threshold of TJS 750,000 per contract. In addition, at least 4 out of 6 key procurement information is publicly available on the website of the APPGWS and the e-GP portal (score 'B'); and relevant registers, records, and databases are maintained and regularly updated by the APPGWS to ensure that monitoring is undertaken effectively and that data is accurate and complete for most procurement methods (score 'B'). On the other hand, a robust complaints management mechanism has not yet been institutionalized and, until the new procurement legislation is in place, is not independent (score 'D').

*PI-25: Internal controls on non-salary expenditure (score 'A')*

517. Internal controls on non-salary expenditure scored very well, highlighting well-balanced and well-maintained segregation of duties that is enshrined in national legislation and regulations, particularly with respect to treasury operations and internal controls and clear laid-down responsibilities (score 'A'). Furthermore, TFMIS does not allow to go over the spending limit, i.e. above the cash forecast or cash plan and pre-defined expenditure commitments, and all exceptions are properly authorized in advance and duly authorized (score 'A'). Expenditure commitment controls are in place and moderately effective (score 'B'), but commitment control coverage is not yet multi-year and does not cover all types of expenditures, such as social contributions/benefits, the acquisition of financial assets, and the acquisition of non-financial assets not covered by the public procurement system.

*PI-26: Internal audit (score 'C+')*

518. Internal audit environment received a modest score, which reflects the current limited focus of internal audit activities on financial compliance (score 'C') and that internal audit functions are only entrusted to 10 central government entities while all other budgetary units are covered by the Department for Internal Audit and Supervision of the MoF, significantly stretching its resources and capacity (score 'B'). As a rule, annual audit programs are prepared and implemented, and most programmed audits are completed (score 'B'). Management provides a response to audit recommendations for most (but not all) entities that were audited within 12 months of the report being produced (score 'B').

**Pillar 6: Accounting and reporting**

*PI-27: Financial data integrity (score 'B+')*

519. The government has generally performed well on financial data integrity. In particular, all accounts are duly reconciled on a daily basis at both aggregate and detailed levels (score 'A'), and access and changes to records are limited and recorded which further preserves integrity of financial data (score 'A'). In terms of suspense accounts, there is an account within the TSA that credits unclear amounts and, upon completion of the reconciliation and clarification, funds are deposited to another account and the suspense account is thus cleared (score 'A'). Reconciliation of advance accounts is performed on a monthly basis throughout the fiscal year, but there are occasional reported delays in processing of advance payments (score 'C').

*PI-28: In-year budget reports (score 'C+')*

520. There are no concerns regarding accuracy of in-year budget reports (score 'A'). The reports are issued on a monthly, quarterly, semi-annual and annual basis, but they are produced within one month of the end of the reporting period (score 'B') and coverage of data in these reports does not allow direct comparison of performance with plans for the main administrative units (score 'C'), i.e. MABAs. These in-year budget reports include financing operations, financial performance, net cash flow, and net flow of assets.

*PI-29: Annual financial reports (score 'D+')*

521. The Central Treasury's consolidated annual financial reports include the statement of financial position (including attachments), financial performance (including its 7 attachments), changes in net assets, cash flow statement, and execution of revenue and expenditure. These financial reports cover the majority of assets and liabilities, except the Public Investment Program (PIP) and contingent liabilities (financial performance of state-owned enterprises), and are comparable with the approved budget (score 'B'). The MoF submits its consolidated annual financial report to the Parliament within

6 months of the end of the fiscal year (score 'B'). The adopted accounting framework in Tajikistan is *modified accrual*, and 12 national IPSAS-compliant public sector accounting standards are applied to all financial statements (score 'D'). Two more standards have been approved by the MoF but are not registered in the Ministry of Justice and are not yet operationalized (TPSAS-12 'Stocks' and TPSAS-17 'Fixed assets'). Although the MoF has treasury instructions in place that temporarily compensate for the absence of relevant accounting standards, this creates ambiguity in the application of accounting standards across the government sector. In addition, the standard on consolidation is not fully adhered to (score 'D'). The government plans to fully transition to accrual accounting by 2025.

## **Pillar 7: External scrutiny and audit**

### *PI-30: External audit (score 'D+')*

522. Coverage and quality of external audit has notably improved in the reporting period, owing also to the adoption of national standards that are broadly ISSAI-compliant. At the same time, the Chamber of Accounts (CoA) did not score higher on independence from the executive (score 'D') due to not being fully financially independent in terms of setting the size of official salaries of the chair, deputy chair, and chief auditors. Data from 2018-2020 suggests that the CoA has audited financial reports of the majority of central government entities, accounting on average for 64.1% of total government expenditure (score 'C'). On the brighter side, audits covered revenue, expenditure, and debt, highlighting relevant significant issues, and were based on national ISSAI-compliant standards. External audit follow-up by the CoA has generally performed well (score 'B'), and the CoA submits the audited reports to the Parliament within three months after their receipt (score 'A').

### *PI-31: Legislative scrutiny of audit reports (score 'C+')*

523. Audit reports from the CoA are reviewed by the Parliamentary Economy and Finance Committee (EFC) in less than three months from the date of receipt (score 'A') and recommendations on audit that are made by the Parliament are duly followed up by the CoA on a regular basis (score 'B'). Hearings on audit opinions are not frequent, cover only a few audited entities, and are only attended by representatives of the CoA and the MoF (score 'C'). Finally, transparency of legislative scrutiny of audit reports is very weak, i.e. audit reports are limited only to members of Parliament and are not publicly disclosed (score 'D').

## **4.2. Effectiveness of the internal control framework**

### *Control environment*

524. The internal control framework in Tajikistan is regulated first and foremost by the Law of the Republic of Tajikistan 'On Financial Management and Internal Control in the Public Sector' (#626 adopted on July 21, 2010), which delegates the authority to manage financial regulation and internal control to the MoF. The MoF reports to the government on the implementation of this legislation each year by May 1<sup>st</sup> (Article 4) and receives reports from other MDAs by April 1<sup>st</sup> (Article 6).

525. Control of overall revenue and expenditure aggregates required the controls to focus on inputs and strict compliance with the rules. Findings on overall budget reliability signal that there is room for improvement for the MoF to uphold controls over budget rules for supplementary expenditure, leading to in-year budget adjustments (see scores on PI-1 through PI-3, and PI-18.4).

526. In parallel, the drive for improved capacity for resource allocation over the medium term required that controls be optimized to support decision making by linking resources with objectives and results (see scores on PI-8, PI-14 through PI-16). From this perspective, the current control environment has notable gaps in terms of weak performance information for service delivery, including weak alignment of policy priorities (which are adequately costed) with public resource allocations. The control environment could also weaken as a result of substandard fiscal forecasting and analysis. As scores on PI-14 and PI16 showed, medium-term perspective is formulated, but it is not adequately scrutinized or validated, which undermines its credibility and potentially affects budget execution, most notably cash forecasting and expenditure arrears. Additional enabling factors for full implementation in this regard are yet to be secured through improved strategic planning and a program budgeting approach, which has only been piloted since 2019.
527. The adoption of new treasury legislation (via the Decree of the President of the Republic of Tajikistan #1674 on January 2, 2020) helped to strengthen the consolidation of financial accounts. The new legislation builds upon the implementation of the TSA, which is institutionalized at central government and subnational levels. All government revenues and expenditures are adequately reflected and recorded in the Treasury Single Account (TSA). All 'special funds' are accounted for in the STA, including revenues in excess of anticipated parameters (i.e. revenues that exceed original plans). As there are no revenues or expenditures outside the treasury's consolidated financial reports, the treasury is able to adequately and effectively control the government's financial operations through the TSA. Regulations on the control environment require different individuals in each budgetary unit across the government sector to approve contracts, authorize commitments, and execute payments.
528. Besides, implementation of the Treasury System and Public Sector Accounting Reform Roadmap for 2019-2024 enables the MoF to further strengthen its ability to trace the flow of public funds in the treasury system. One of the activities under this roadmap is transitioning accounts of the Agency for Social Insurance and Pensions (ASIP) to an integrated TSA, which will ensure universal coverage of the centralized TSA and thereby strengthen overall control environment.
529. The overall control environment is also conducive to managerial accountability for compliance and value for money, both of which have been cross-cutting concerns throughout the assessed period. Individual entities develop the institution-level internal control framework based on their embedded institutional safeguards, existing PFM legislation and regulation, and internal audit planning. Controls, however, appear to be highly centralized – such as with regards to internal audit functions, which have only been delegated to 10 central government entities – and this issue stems from a lack of delegation of authority, or very weak capacity at the levels of line ministries and subnational governments. This could also be attributed to insufficiently developed accountability and reporting lines (for monitoring how the authority has been exercised, resources used, and responsibilities fulfilled), and nascent internal financial control and audit practices.

#### *Risk assessment*

530. Fiscal risks are routinely and efficiently assessed by the MoF, and are mainly associated with quasi-fiscal activities (of state-owned enterprises). Article 10 of the Financial Regulation and Internal Control Law stipulates that the management of budgetary units should develop and approve three-year risk management programs, and update them on a yearly basis.



531. The new SOE Fiscal Risk Management Strategy for 2022-2026 is currently being developed by the MoF, which will help to streamline the government's approach to addressing fiscal risks.

532. In budget execution, risk management is embedded in the operations of central government entities. For instance, the Tax Committee has a well-managed risk-based inspection (RBA) mechanism in place, while the Customs Service has only just established its new electronic risk management system in August 2021. Risk-based approaches are also utilized in audit activities, such as by the Department of Internal Audit and Supervision of the MoF. The Chamber of Accounts (in terms of external audit) and other MDAs (in terms of internal audit) do not currently employ risk-based auditing in their day-to-day work.

#### *Control activities*

533. The effectiveness of the internal control framework in Tajikistan in the general government sector is closely scrutinized by the MoF, Chamber of Accounts (CoA), Agency for State Financial Control and Combating Corruption (ASFCCC), other MDAs and external stakeholders. There are currently no self-assessments of its public internal financial control (PIFC) environment that the government undertakes across the different principles of COSO Framework components. As regards to treasury operations, reconciliations are taking place on a monthly, quarterly, semi-annual or annual basis that are also regarded as control activities and contribute to accuracy and credibility of the government budget.

534. The Department of Internal Audit and Supervision of the MoF and the ASFCCC are charged with following up on reported irregularities and illegal proceedings, while the Chamber of Accounts (CoA) is charged with scrutinizing and reporting on internal control effectiveness in line with the ISSAI framework. However, all institutions (including 10 MDAs that have their own internal audit units) currently lack sufficient staff resources and capacity to perform their functions as required. Internal audit is mainly concerned with financial compliance, as is the external audit. Performance auditing has never been performed in Tajikistan, and its piloting has been delayed by the CoA due to the coronavirus pandemic.

#### *Information and communication*

535. Ongoing human resources and public administration reforms complement ongoing efforts that are aimed at strengthening the internal control framework, such as by addressing institutional compliance risks (e.g. absence of functional responsibilities for each staff member, functional reviews that address duplication of functions or identify where they are not addressed, etc.) and optimization of organizational structures of key MDAs, including the MoF.

536. Outreach activities and an inclusive environment where non-governmental stakeholders participate could also strengthen the overall government accountability and internal controls. However, engaging the public in the discussion of relevant audit reports or budget performance reports has been very weak. Besides, the MoF does not disclose its internal audit reports (or external auditors' statements on budget performance) for public scrutiny and use.

### *Monitoring*

537. The MoF departments, such as the Department for Supervision of Financial Activity in Large SOEs and Department of Internal Audit and Supervision, as well as the CoA and other entities, base their monitoring activity on comprehensive planning. Annual plans are formulated, approved, and adhered to over the course of the fiscal year. The Parliament also provides an important additional layer of scrutiny over the budget process, but its monitoring of the country's internal control environment has been limited. The internal audit function has strengthened in terms of the number of units, auditors, and audits, and recommendations, but most resources and monitoring were focused on auditing and financial compliance.

## **4.3. PFM strengths and weaknesses**

### **Aggregate fiscal discipline**

538. On the positive side, there are effective controls mechanisms in place, which are embedded in the budget execution system and allow spending by budgetary units only within approved budget allocations, thus contributing to the fiscal discipline. This is complemented by the presence of a clear fiscal framework (or strategy). Budget and fiscal information is comprehensive, the monitoring of the budget is appropriate, and there is a low level of unreported operations of the central government. Yet, financial reports are not publicly disclosed thereby undermining the accountability in the use of public funds. Based on the analysis and consultations, frequent in-year budget adjustments and relatively weak fiscal forecasting in the past three years have hindered progress. Besides, the lack of continuity in medium-term expenditure planning and weak risk assessment negatively affect fiscal discipline. However, relatively strong debt management and overall efficient revenue administration (e.g. from the aspects of transparent rights and obligations of taxpayers and tax audits) contribute to improvements in this fiscal and budgetary outcome.

539. Principles of medium-term budgeting were successfully introduced into legislation and regulations and are used across the government sector, broadening the planning horizon from one year to three years and also dividing the budget into baseline and additional. In the meantime, procedures and processes, which impact the formulation of medium-term parameters, show some gaps. Medium-term expenditure ceilings are not produced or disclosed for administrative units (i.e. MABAs) on time and the budget proposal provides limited explanatory information of the forecasted parameters to the Parliament. Alignment of strategic sector plans and MTEFs has been strengthened in several sectors (such as education), but in many sectors it remains weak, which is a systemic issue. Medium-term expenditure ceilings and estimates remain provisional and are weakly scrutinized or debated on a rolling basis by central government entities.

540. There is a mechanism for monitoring fiscal risks in the Ministry of Finance, and the SOE Fiscal Risk Management Strategy for 2022-2026 is being developed. In the meantime, other fiscal risks arising from explicit contingent liabilities remain unaddressed (e.g. guaranteed debt, state insurance schemes, PPPs, etc.). A lack of a fully functioning system with adequate coverage for monitoring of fiscal risks may result in additional unplanned budget expenditures, which creates a risk to efficient fiscal management. Besides, due to the pandemic, in 2020 no fiscal risk report was prepared.

541. Public investment management (PIM) is now slightly improved compared to the previous assessment due to the fact that clear rules and procedures for the selection and evaluation of investment projects

have been approved, but overall public investment management is weak which can lead to inadequate selection and appraisal of investment projects based on sound and transparent rules and procedures and at its worst misappropriation of funds or projects which are poorly budgeted leading to cost overruns. Besides, the absence of a complete, reliable and transparent registry of fixed assets contributes to materialization of fiscal risks and/or accumulation of arrears, which could shrink the fiscal space for strategic allocations elsewhere across the government budget.

### **Strategic allocation of resources**

542. Alignment of resources with strategic priorities has the potential to maximize the impact of public spending for an efficient public sector. In Tajikistan, there are only a handful of adequately costed and planned sector (or national) strategies and programs, and most of them hinge heavily on off-budget sources of funding. The overall framework for the reform actions and strategic objectives is therefore very complex and is often not aligned fully with sectoral medium-term expenditure frameworks (MTEFs). This creates a long-lasting disconnect between policies and budgets, and weakens strategic allocation of resources.

543. Furthermore, performance assessment culture in the government sector is relatively weak and does not in any way affect resource allocation decisions. Measuring long-term budgetary and fiscal impact based on performance and implementing program budgeting is thus relatively ineffective, but there are some improvements – e.g. introduction of financial and non-financial performance indicators in sector budget plans (SBPs) of line ministries. Procurement management has notably improved, which supports sound execution of strategic allocations. Payroll controls are less than adequate, however, which may not always enable the government to manage payroll costs within allocated amounts (particularly due to lack of integration between HRMIS and TFMIS).

544. The strategic dimension in the selection of investment projects is closely linked with strategic perspective of the government budget. Thus, weak public investment management (PIM) contributes to ineffective strategic allocation of public resources. The Public Investment Program's five-year planning horizon also does not align well with the three-year expenditure framework that has been adopted by the government across the board.

### **Efficient service delivery**

545. The link between service delivery (i.e. performance) and public resources remains weak, and external controls exercised by the Chamber of Accounts and the Parliament over service delivery requires further improvement (particularly with respect to performance audits, which are piloted by the Chamber of Accounts). At the same time, the way the funds for service delivery are prioritized, budgeted, spent and evaluated, is a key success factor for efficiency of the public services which the government provides to citizens and society.

546. A reliable budget reduces the risk of reallocation to other expenditure categories, while a transparent and comprehensive budget and reliable data on executed expenditures facilitate appropriate monitoring of service delivery programs. The overall well performing revenue administration ensures that planned levels of revenue are collected and made available for service delivery. Likewise, predictability in resource allocation and cash management practices make the resources available on time and in line with operational plans of the service delivery units. Public procurement favors competitive practices and is not seen as a bottleneck to service delivery.

547. Performance orientation of public services remains very weak as performance budgeting principles have not yet been integrated in the budgeting system. Publicly disclosed budget documents do not currently include information on policy or program objectives, performance indicators, outputs and outcomes. Program classification is not applied at subnational level where many of the services are delivered. Information on performance evaluation is limited and lacks details on the efficiency and effectiveness of service delivery. Performance budgeting has not been introduced, and thus no independent evaluations have been carried out to date of the efficiency and effectiveness of service delivery.

**TABLE 39: PEFA performance indicators and the three budgetary outcomes**

Indicator/dimension	Aggregate fiscal discipline	Strategic allocation of resources	Efficient service delivery
<b>Pillar one: Budget reliability</b>			
The government budget is realistic and is implemented as intended. This is measured by comparing actual revenues and expenditures (the immediate results of the PFM system) with the original approved budget.			
<b>PI-1. Aggregate expenditure outturn</b>	X	Reliable revenue forecasts and expenditure allocations are essential for the government to effectively and predictably allocate resources to strategic policy priorities.	Service delivery may be affected where large deviations from planned expenditure result in the contraction or suspension of services.
<b>PI-2. Expenditure composition outturn</b>			
<b>PI-3. Revenue outturn</b>	X		
<b>Pillar two: Transparency of public finances.</b>			
Information on PFM is comprehensive, consistent, and accessible to users. This is achieved through comprehensive budget classification, transparency of all government revenue and expenditure including intergovernmental transfers, published information on service delivery performance and ready access to fiscal and budget documentation.			
<b>PI-4. Budget classification</b>	A robust classification system and comprehensive and publicly available annual budget documentation enables budget decisions, transactions and the performance of service delivery programs to be monitored throughout the budget's formulation, execution, and reporting cycle which is essential for providing the executive and legislature a complete picture of central government public finances.	X	Transparent Information on the structure of the budget, the resources available to, and the performance of service delivery units enables government and communities to monitor the efficiency of service delivery.
<b>PI-5. Budget documentation</b>		X	
<b>PI-6. Central government operations outside financial reports</b>		X	
<b>PI-7. Transfers to subnational governments</b>		X	
<b>PI-8. Performance information for service delivery</b>			
<b>PI- 9. Public access to fiscal information</b>			

**Pillar three: Management of assets and liabilities.**

Effective management of assets and liabilities ensures that public investments provide value for money, assets are recorded and managed, fiscal risks are identified, and debts and guarantees are prudently planned, approved, and monitored.

<b>PI-10. Fiscal risk reporting</b>	X	Failure to adequately monitor, report, and manage fiscal risks can undermine fiscal discipline.	X		
<b>PI-11. Public investment management</b>	X				
<b>PI-12. Public asset management</b>	X	The efficient and effective management of public investment resources requires careful analysis to prioritize investment expenditure (and their future recurrent costs) within sustainable fiscal limits.			
<b>PI-13. Debt management</b>	X	The size and management of government assets and liabilities (in particular debt and guarantee obligations) can have a substantial impact on a country's capacity to maintain fiscal discipline.  The size and management of debt and guarantee obligations can have a substantial impact on a country's capacity to maintain fiscal discipline.		The effectiveness and efficiency of public investment is a key determinant in maximizing its impact and helping to support government's social and economic development objectives.  Failure to monitor and manage financial liabilities may create unnecessarily high debt service costs diverting resources from the government's social and economic priorities.	Sound public investment management promotes operational efficiency by supporting projects and programs that deliver outputs and outcomes in a cost-efficient manner.  Information on assets not used or needed, allows government timely decisions on whether it is more efficient to transfer them to other users or exchange for different assets of greater value for more efficient service delivery.

**Pillar four: Policy-based fiscal strategy and budgeting.**

The fiscal strategy and the budget are prepared with due regard to government fiscal policies, strategic plans, and adequate macroeconomic and fiscal projections.

<p><b>PI-14. Macroeconomic and fiscal forecasting</b></p>	<p>X</p>	<p>Robust and verifiable macroeconomic and fiscal projections are essential to support the development of a predictable and sustainable fiscal strategy that supports aggregate fiscal discipline.</p>		<p>Robust macroeconomic and fiscal forecasts, a fiscal strategy that sets clear fiscal policy objectives, and a medium-term perspective in budgeting enable governments to more effectively plan budget allocations in accordance with priorities.</p>		<p>Medium term budgeting provides greater predictability in budget allocations that supports budget units to plan resource use more efficiently.</p>
<p><b>PI-15. Fiscal strategy</b></p>	<p>X</p>		<p>X</p>			
<p><b>PI-16. Medium-term perspective in expenditure budgeting</b></p>	<p>X</p>		<p>X</p>		<p>X</p>	
<p><b>PI-17. Budget preparation process</b></p>		<p>Adherence to a clear fiscal strategy ensures that budget policy decisions align with fiscal targets.</p> <p>Medium term budgeting supports aggregate fiscal discipline by establishing forward year estimates that provide the baseline for future budget ceilings and allocations.</p>	<p>X</p>	<p>An orderly budget process is necessary to provide government the information and time necessary to prioritize budget allocations among competing demands.</p> <p>Legislative scrutiny enables the government to be held accountable for its budget policy decisions.</p>		<p>Legislative scrutiny can highlight potential inefficiencies in resources allocated for service delivery.</p>
<p><b>PI-18. Legislative scrutiny of budgets</b></p>			<p>X</p>			

<b>Pillar five: Predictability and control in budget execution.</b>							
The budget is implemented within a system of effective standards, processes, and internal controls, ensuring that resources are obtained and used as intended.							
<b>PI-19. Revenue administration</b>			X		X	Frequent and unpredictable in-year adjustments can undermine the efficient delivery of services.  The existence of arrears can be an indication that budget allocations are insufficient to meet the service levels expected.  Weak payroll controls can lead to a higher wage bill than planned resulting in higher costs per output.  A well-functioning procurement system improves the efficiency of service delivery by ensuring better value for money of government purchases.  Internal audit helps identify weaknesses and inefficiencies in internal control and operations.	
<b>PI-20. Accounting for revenues</b>			X		X		
<b>PI-21. Predictability of in-year resource allocation</b>	X	Efficient administration and accurate recording and reporting of tax and nontax revenue collections is important to ensure all revenue is collected in accordance with relevant laws to support the government's budget framework. Expenditure arrears can have a significant impact on fiscal discipline because they constitute a failure in controlling commitments and making payments when obligations are due.		A predictable revenue base and flow of resources to budget units helps ensure those priorities are implemented.	X		
<b>PI-22. Expenditure arrears</b>	X						
<b>PI-23. Payroll controls</b>							X
<b>PI-24. Procurement</b>							X
<b>PI-25. Internal controls on non-salary expenditure</b>	X				Weak payroll controls can also undermine allocative efficiency if they result in unintended expansion of payroll costs (crowding out expenditures on other priorities) or unmet obligations to employees.	X	
<b>PI-26. Internal audit</b>		Effective expenditure and payroll controls ensure resources are used are consistent with approved allocations.		Internal audit provides assurance that systems are operating to achieve government objectives efficiently and effectively.	X		
<b>Pillar six: Accounting and reporting.</b>							
Accurate and reliable records are maintained, and information is produced and disseminated at appropriate times to meet decision-making, management, and reporting needs.							
<b>PI-27. Financial data integrity</b>		The integrity of financial data and the availability of comprehensive annual financial reports and regular in-year reporting are important to ensure that budgets are executed as intended within approved fiscal targets.		Reliable fiscal data and reporting on financial information is important for ensuring resources are allocated, as intended, to the government strategic priorities.	X	Reliable fiscal data and reporting on financial information is an important part of internal control and a foundation for good information for efficiently managing service delivery.	
<b>PI-28. In-year budget reports</b>	X				X		X
<b>PI-29. Annual financial reports</b>							X



<b>PI-30. External audit</b>	Reliable and extensive external audit, and legislative scrutiny of those audits provides assurance that information in financial reports is accurate.	Reliable and extensive external audit and legislative scrutiny ensures governments are accountable for allocating resources in accordance with the approved budget.	X	Reliable and extensive external audit and legislative scrutiny is important for identifying inefficiencies in government programs and service delivery.
<b>PI-31. Legislative scrutiny of audit reports</b>			X	

## 4.4 Performance changes since a previous assessment

548. The 2021 PEFA Assessment Report analyzes the performance changes compared to the 2017 assessment. Considering that the 2017 assessment was also conducted in line with PEFA 2016 Framework, based on the PEFA Secretariat’s guidance the analysis of performance change was done by assessing the indicators under PEFA 2016 Framework using the data for the current assessment.

549. The PFM performance registered an overall improvement, compared to 2017. Out of 31 performance indicators, 15 indicators kept the same scores (i.e. remained unchanged, of which 3 indicators scored ‘A’ and 4 indicators scored ‘B’ or ‘B+’), 9 indicators demonstrated improved scores as a result of improved performance, and 7 indicators registered deteriorated scores (most of which could be attributed to the misinterpretation of data and incorrect scoring that was made in the 2017 assessment).

**TABLE 40: Summary of performance changes since 2017.**

	Number of PIs	Percentage of PIs (%)
Indicators with improved scores	10	32.3
Indicators with same/unchanged scores	14	45.1
Indicators with deteriorated scores	7	22.6
TOTAL:	31	100.0

550. The following indicators received higher average scores than in 2017:

- PI-3: Revenue outturn (from ‘B’ to ‘B+’)
- PI-9: Public access to fiscal information (from ‘D’ to ‘B’)
- PI-11: Public investment management (from ‘D+’ to ‘C+’)
- PI-14: Macroeconomic and fiscal forecasting (from ‘C’ to ‘B’)
- PI-15: Fiscal strategy (from ‘C+’ to ‘B’)
- PI-16: Medium-term perspective in expenditure budgeting (from ‘D+’ to ‘C’)
- PI-19: Revenue administration (from ‘C+’ to ‘B’)
- PI-25: Internal controls on non-salary expenditure (from ‘B+’ to ‘A’)
- PI-26: Internal audit (from ‘C’ to ‘C+’)

551. However, in some instances, the assessment team noted discrepancies, different interpretation of data, or lack of evidence to support the scoring in the previous PEFA assessment report, which was completed in 2017. In hindsight, the *trajectory of change* for at least some of the indicators and dimensions between 2017 and 2021 would be different from what is currently presented if the scores from the previous assessment were supported by robust evidence and fully complied with the 2016 PEFA Framework and guidelines. In total, 11 out of 13 dimensions that showed deterioration in fact would not have deteriorated if the 2017 score was correctly applied and if the 2016 PEFA Framework was correctly utilized. These weakly substantiated indicators are as follows:

- PI-7: Dimension 7.1 (System for allocating transfers);
- PI-8: Dimension 8.3 (Resources received by service delivery units);
- PI-10: Dimension 10.1 (Monitoring of public corporations);
- PI-12: Dimension 12.3 (Transparency of asset disposal);
- PI-13: Dimension 13.2 (Approval of debt and guarantees);
- PI-16: Dimension 16.1 (Medium-term expenditure estimates);
- PI-19: Dimensions 19.1 (Rights and obligations for revenue measures) and 19.2 (Revenue risk management);
- PI-25: Dimension 25.2 (Effectiveness of expenditure commitment controls);
- PI-28: Dimension 28.1 (Coverage and comparability of reports);
- PI-29: Dimension 29.2 (Submission of reports for external audit);
- PI-30: Dimension 30.4 (Supreme Audit Institution independence).

552. Similarly, 2 out of 17 dimensions that improved would in fact show no improvement if the previous 2017 score had been correctly entered or if the 2016 PEFA Framework had been correctly and fully applied. Accordingly, if the 2017 scores are retrospectively adjusted, only 2 out of 94 dimensions would show a deterioration in 2022 compared to the previous assessment (i.e. 2.1% of the total number of dimensions in line with the PEFA Framework).

553. It is important to note that no change in score of a dimension or a PI does not mean that there has been no change at all in PFM performance. Reforms can be currently undertaken but they have not resulted yet in changing the actual practice in the years relevant to this assessment. Also, progress can be achieved in a PFM dimension without addressing an essential part of it. Hence, only comparing scores will not provide an adequate picture of the changes since the previous PEFA assessment which was undertaken in 2017. The narrative for each of the PI provides a much better understanding of changes since 2017.

## 5. Government PFM reform process

### 5.1. Approach to PFM reforms

554. The implementation of PFM reforms in Tajikistan is guided by the NDS of the Republic of Tajikistan for the period until 2030 and the Public Finance Management Reform Strategy (PFMRS) of the Republic of Tajikistan for the period until 2030. Both strategies have corresponding action plans, or medium-term operational frameworks, based upon which the GoRT defines overall direction of PFM reform implementation. The PFMRS incorporates 18 clusters of PFM reform, broken down into activities and performance indicators to monitor progress.

**TABLE 41: Main PFM reform areas in the PFMRS of the Republic of Tajikistan for the period until 2030.**

PFM reform areas	Key PFM reform elements
1. Sustainable macro-fiscal framework	1.1. Strategic planning
	1.2. Macro-fiscal framework
	1.3. Revenue forecasting
2. Planning and budgeting of public expenditures	2.1. Public debt management
	2.2. Medium-term expenditure framework
	2.3. Program budgeting
	2.4. Fiscal decentralization
3. Budget execution and domestic revenue mobilization	3.1. Revenue administration
	3.2. Treasury management
	3.3. Public procurement system
	3.4. Budget classifications
4. Financial control and internal audit	4.1. Financial control and internal audit
5. Accounting, monitoring and reporting	5.1. Financial management information system
	5.2. Public sector accounting (e.g. IPSAS)
	5.3. State-owned enterprises (e.g. IFRS)
6. External scrutiny and oversight	6.1. External audit
	6.2. Parliamentary oversight
7. Transparency and accountability	7.1. Public access to information

555. Regarding the NDS-2030 operationalization, the new Mid-Term Development Program (MTDP) for 2021-2025 was endorsed by the GoRT in April 2021 and identifies main PFM reform areas. In addition, the MoF has recently developed the Treasury System and Public Sector Accounting (TSPSA) Roadmap 2019-2024, which guides the process of reforming the treasury management system.<sup>16</sup> Various sectoral strategies and programs also have elements of PFM reform embedded in them, with appropriate linkages and references to the PFMRS and the NDS-2030.

556. In the past, several independent assessments informed policy design and implementation in PFM. In 2016, a Debt Management Performance Assessment (DeMPA) was completed to inform the MoF about its debt management practices and modernization pathway. The report was published and widely discussed between the World Bank, IMF and the authorities, but was not disclosed to the

<sup>16</sup> At the time of preparing this Summary Report, the roadmap was pending approval by the PFM Coordination Council.

public. In 2017, a Public Expenditure and Financial Accountability (PEFA) assessment was conducted by the MoF. This was a self-assessment undertaken with the financial support from the UK Foreign and Commonwealth Office (FCO) and administered by the World Bank. The report is available in multiple languages on the website of the PEFA Secretariat and the MoF. In 2020, a Tax Administration Diagnostic Tool (TADAT) was applied to undertake a comprehensive assessment of the domestic tax administration system in Tajikistan. The TADAT assessment report was published by the World Bank in January 2020. In 2021, the World Bank conducted a comprehensive Public Expenditure Review (PER) for Tajikistan. One of the PER chapters was specifically on PFM progress and challenges. The report is not yet published. In addition, the International Budget Partnership has undertaken three biannual open budget surveys, which fed into the preparation of an Open Budget Index (OBI) for Tajikistan in 2017, 2019 and 2021. There were also project-specific assessments and studies, which were produced in the past five years with the financial support from the European Union, UK Department for International Development (DFID; now known as FCDO), United Nations Children’s Fund (UNICEF), United Nations Development Programme (UNDP), Asian Development Bank (ADB), World Bank, and other development partners.

## 5.2. Recent and on-going reform actions

558. The government recognizes that improving the effectiveness of a PFM system generates widespread and long-lasting benefits, supporting inclusive and accountable institutions towards stronger governance, balanced growth, and sustainable economic development. Getting better value from public expenditures requires not only improved policies or increased spending in selected areas, but also improving capacity for expenditure management.

559. The government expects a well-functioning PFM system to contribute to:

- more responsive and effective allocation of funding within and across programs and activities;
- better targeted budgetary interventions with improved impact on outcomes;
- more accurate and efficient budget reporting, including financial and non-financial performance reporting;
- better quality information for supporting policy design and innovation; and
- stronger feedback loops between performance reporting and policy design.

560. Acknowledging that a strong PFM system is an essential aspect of macroeconomic stability, effective functioning of the state and delivery of public services, the GoRT has pursued an ambitious PFM reform agenda since early 2000s. This is reflected in the MoF’s adoption of two long-term PFM Reform Strategies for 2012-2020 and 2021-2030 respectively.

561. In general, PFM reform progress in Tajikistan has in recent years been slow and weaknesses in many areas remain. Where progress has been made at technical level, it has not always translated into relevant and tangible changes at policy level. Implementation of PFM reforms in 2010-2020 has sometimes led to mixed results due to inadequate capacity and resources, and a loss of institutional memory. This period was characterized by significant uncertainty and turbulence, driven by the turnover of managerial personnel in the MoF and economic downturns fueled by the global financial crisis, domestic banking sector crisis, a sharp fall in global commodity prices, COVID-19 outbreak, and other circumstances leading to a rise public spending and delayed implementation of structural reforms.

562. The sequencing of PFM reforms has not always respected the ‘basic first’ principle. If the basic elements of the country’s PFM system are absent, implementation of advanced PFM reforms should be avoided until these basics will have been put in place. For example, external audit reform will have minimal de-facto impact unless public sector internal financial control functions are improved and budget organizations comply with the international financial reporting standards (IFRS) for public sector. Similarly, debt management and revenue forecasting will improve at technical level but not at policy level as long as concessional borrowing and expenditure planning are decided in isolation from a macro-fiscal rationale. Program budgeting reform may have limited impact in the absence of measurable and costed sectoral strategies. In turn, these changes require increasing and strengthening of capacity of specialists in government institutions.

563. Presently, the main elements of PFM reform which have the risk of slowing down or losing the gains from past progress include: internal audit and internal control, monitoring of large SOEs, public investment management, policy-based budgeting reforms (including program budgeting and medium-term expenditure framework, MTEF), external scrutiny and Parliamentary oversight of the budget process, and transparency and accountability across the board.

564. Based on the seven pillars according to the standard PEFA structure, Tajikistan’s progress with regard to PFM reform is as follows:

#### ***Budget reliability***

565. Revenue and expenditure outturns have been broadly in line with the annual budget, e.g. as a result of greater fiscal consolidation by the MoF, but new borrowings and spending on infrastructure projects inflated fiscal deficits beyond anticipated ceilings. However, while contingency expenditure has been reduced over time, large variance in sectoral composition of expenditures continue to undermine budget credibility.<sup>17</sup>

#### ***Transparency of public finances***

566. Budget classifications are based on international standards and the quality of budget documentation, including information on extra-budgetary resources, is substantively good. Inter-governmental fiscal transfers (IGFTs) are well-reported, but transition to a more equitable formula-based methodology for financially constrained municipalities is yet to be initiated. Non-transparency preserves high degree of discretion during budget negotiations, but the MoF recognizes the need to structurally revise IGFTs to bring in greater equity and accountability. Public access to fiscal information remains weak. which is explained by overall reluctance to publish information or data that may compromise or question the government’s macro-fiscal policies and budget performance.

#### ***Management of assets and liabilities***

567. Debt reporting and analysis by the MoF has improved, the debt management strategy is in place and is being implemented. This was mainly driven by the need to comply with requirements of international financial institutions as pre-conditions for eligibility for future credit. Public investment management (PIM) remains a challenge,<sup>18</sup> not least due to vested interests. There is credible anecdotal evidence of inefficiency in PIM in terms of poor selection of projects, unrealistic

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<sup>17</sup> For example, up to 15% of aggregate expenditures remain unallocated at the start of any given fiscal year.

<sup>18</sup> Capital spending in 2019 amounted to about 18% of GDP, which is very high in relation to the size of Tajikistan’s economy.

schedules in ex-ante appraisal and consequent delays in completion, cost overruns, and neglect to operate/maintain created assets.<sup>19</sup> PIM practices are outdated and thus allow loopholes in legislation and regulation, which benefit some entrepreneurs over others. Monitoring and reporting of fiscal risks of SOEs require further improvement, mainly because the government has been reluctant to accept the need for financial monitoring of quasi-fiscal sector. There is no consolidated registry of fixed assets, and each entity maintains its own registry.<sup>20</sup> Fixed assets management is a critical area that the government wants to address, but it is very costly and requires external support (i.e. international best practice).

### ***Policy-based fiscal strategy and budgeting***

568. The GoRT continues to rely on outdated forecasting practices with a limited planning horizon, which demonstrates significant capacity constraints at sub-national level. At central level, planning rather than forecasting is preferred, which undermines credibility of mid-term parameters. While the medium-term expenditure framework (MTEF) reform was initiated in 2016-2017, the budget formulation process is still largely regarded as an annual exercise. Implementation of MTEF is hampered first and foremost by limited financing authority of respective line ministries and being overlooked by the Parliament. National policies (between/within sectors) are weakly linked to budgeting, while the investment and recurrent budgets are somewhat disjointed. This is because of high degree of bureaucracy in the government and lack of meaningful changes to quality of strategic planning.

### ***Predictability and control in budget execution***

569. The government has successfully implemented the Tax Administration Reform Program (TARP) for 2011-2019, resulting in overall significant progress in revenue administration, although tax audit and tax arrears control require improvement. The Tax Committee has recognized the benefits of TARP, such as greater ability to detect tax avoidance, e-governance, reduction of administrative costs, capacity enhancement, and others. Significant scope remains to improve payroll control and cash management,<sup>21</sup> and this is mainly a technical matter requiring capacity building and operationalization of specialized TFMS modules. The MoF's internal financial control function has been strengthened, but significant capacity issues remain in the line ministries, and risk-based and performance-based internal audit principles are not yet in place. This is because internal audit reform is expensive and time-intensive, particularly given the need to train large cohorts of public sector employers across line ministries and at sub-national level.

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<sup>19</sup> World Bank. 2020. *Tajikistan Public Expenditure Review: Strategic Issues for the Medium-Term Reform Agenda. A Concept Note*. Washington, DC, pp.8-10.

<sup>20</sup> While this was stated in the 2017 PEFA assessment report (p.61), according to the State Committee for Investment and State Property Management (SCISPM), there is no integrated fixed asset management system (or registry). The SCISPM estimates that having a fixed asset management system in place would increase proceeds from privatization by at least 20% per year.

<sup>21</sup> Some modules within the Tajikistan Financial Management Information System (TFMIS) are not yet operational, which constrains budget execution.

### ***Accounting and reporting***

570. The MoF has notably strengthened accounts reconciliation and the integrity of financial data, but coverage and timing of financial reports merit further improvement. This is an area which has secured strong government commitment because, once fully implemented, it will enable the MoF to fully trace the flow of public funds and account for them in its treasury system. While the quality and timeliness of in-year budget reports and budget performance reports is overall satisfactory, the reports are not made public. In fairness, shorter versions of budget performance reports are published in pdf format on the MoF website which is a 'political will' matter rather than a technical constraint. Annual financial reports of budget entities are not always consistent with International Public Sector Accounting Standards (IPSAS) and, for SOEs, with International Financial Reporting Standards (IFRS). Some progress is being made, but it requires time and significant human resources to help SOEs raise the bar in terms of their financial accountability and corporate governance standards.

### ***External scrutiny and oversight***

571. The Chamber of Accounts (CoA) has made some progress to improve external audit and its capacity,<sup>22</sup> although further improvements are required to bring the work of the CoA in line with the International Standards for Supreme Audit Institutions (ISSAI). Progress has been limited, mainly due to weakened management of the CoA and its inability to enforce its agenda in the public sector. The Economy and Finance Committee of the Lower Chamber of the Parliament has been strengthened and its functions revised to make sure that the Committee effectively exercises budget oversight and scrutiny, including through in-depth budget hearings and scrutiny of audit statements. The PEFA assessment acknowledges improvement, but analytical unit which was previously supported by development partners is no longer present within the Economy and Finance Committee. However, information discussed by Parliament is not publicly available. Non-disclosure of proceedings in Parliament, particularly within its various committees, is a legacy of the past and is very difficult to address without dedicated and sustained technical assistance intervention.

## **5.3. Institutional considerations**

572. On reflection of past reform efforts in Tajikistan, all elements of PFM modernization cannot be addressed or implemented in isolation. Translating Tajikistan's national development priorities into a comprehensive reform program requires changes to many government systems. For example, MTEF and program budgeting require institutional and structural changes across the board. Similarly, the preconditions for stronger external audit and Parliamentary oversight functions in the current PFM system include the presence of enabling factors such as the political decisions and a strong coordination among key government institutions. PFM reforms can only be successful if each executive body demonstrates commitment and leadership in its sector. Otherwise, reforms will fail.

573. Importantly, Tajikistan's PFM system cannot, by itself, ensure that efficient allocations are actually made or adhered to by decision makers. The link between the PFM system and efficient allocation of resources assumes that technical systems and processes that generate information for spending

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<sup>22</sup> The Chamber of Accounts has adopted a medium-term development plan, and amended legislation was initially expected to be in place by the end of 2020 (that is, before the COVID-19 outbreak had a disruptive effect on Tajikistan's governance system). The organizational set-up is being restructured, although agreement will need to be reached on an independent Supervisory Board so as to eliminate inherent conflicts of interest.



decisions are followed up by political decisions that are similarly efficient. Accordingly, while the PFM system can deal with failures of information regarding resource allocation decisions (i.e. making sure that accurate information on spending priorities is available for decision makers), this cannot compensate for a potential failure of critical incentives to make, and stick to, efficient allocations. Reliable fiscal and financial information and a well-structured and consultative budget process are necessary, but insufficient, conditions to ensure the efficient allocation of resources.

574. PFM reform measures have on a rare occasion been adopted as signals to make government institutions look better, to attract external support, but not as realistic goals to improve government functionality. This has often been in response to indicator-based conditionalities linked to consolidation measures, concessional borrowing, debt and deficit limitations, and budget support from development partners.

575. The principal conclusion and lesson learned from past reform implementation is that PFM reforms deliver results when four conditions are met:

- (i) There is a strong political commitment to their implementation;
- (ii) Reform designs and implementation models are well tailored to the institutional and capacity context, on the basis of policy space to develop, negotiate, experiment and adjust or adapt;
- (iii) Strong coordination and accountability mechanisms are in place to monitor and guide reforms;
- (iv) Technical capacity of government officials is satisfactory to the demands of PFM reform and is aligned with expectations of taxpayers and public sector oversight bodies.

576. Despite areas of notable improvement, PFM remains in need of further reform effort, particularly at the level of sectoral ministries, as well as the level of sub-national governments.

577. The holistic or systemic implementation of PFM reforms requires the following additional elements:

- Linking PFM reforms to other ongoing reforms;
- Addressing capacity weaknesses at different stages of the process;
- The inclusion of government ministries, departments and agencies (MDAs) and sub-national governments in the process of reform implementation.

578. The reporting period (2018-2020) has shown that there is incomplete stocktaking of lessons learned from previous PFM reform implementation. This would have been possible through a robust monitoring and evaluation (M&E) mechanism of the government's fiscal strategy. Besides, the role of key government institutions as reform champions has been relatively weak. Implementation of PFM reform would trigger a transformative effect if it is well coordinated across the government sector, and between levels of government (i.e. central and subnational). A strong commitment to the proposed reform agenda would require the MoF to rejuvenate the PFM Secretariat, a multi-stakeholder platform that had previously proven effective in facilitating dialogue and harnessing partnerships.

## Annex 1: Performance indicator summary

COUNTRY NAME: TAJIKISTAN			2021 PEFA assessment	
Pillar	Indicator/Dimension		Score	Description of requirements met
Budget Reliability	PI-1	Aggregate expenditure outturn	B	The government's aggregate expenditure outturn amounted to 112.7% of the initially approved budget parameters in 2018, 97.5% in 2019, and 93.7% in 2020.
	PI-2	Expenditure composition outturn	D+	
		(i) Expenditure composition outturn by function	D	Based on data from 2018-2020, analysis of expenditure composition by functional classification suggests that the deviation from the original plan exceeded 15% in two of the last three years and have improved compared to the results of the last assessment.
		(ii) Expenditure composition outturn by economic type	D	Based on data from 2018-2020, analysis of expenditure composition by economic classification suggests that the deviation from the original plan have improved compared to the results of the last assessment and exceeded 15% in the past three years.
		(iii) Expenditure from contingency reserves	A	Expenditure outturn from contingency reserves comprised on average 1.6% of total government expenditure in 2018-2020.
	PI-3	Revenue outturn	B+	
		(i) Aggregate revenue outturn	A	Revenue outturn was between 98.2% and 105.3% in the last three years (2018-2020), compared to original forecasts.
	(ii) Revenue composition outturn	B	The variance in revenue composition was less than 10% in two of the last three years (namely, 2019 and 2020).	
Transparency of Public Finances	PI-4	Budget Classification	B	The budget classification breaks down revenues and expenditures are aligned with GFS 2001, but program classification is only being piloted since 2019 and has not yet been rolled out across the whole government sector.
	PI-5	Budget Documentation	A	Budget documentation fulfills 10 elements (from the table below), including all four basic elements that should go into the budget proposal.
	PI-6	Central government operations outside financial reports	A	
		(i) Expenditure outside financial reports	A	There are no known expenditures outside consolidated financial reports of the Central Treasury of the MoF. Expenditure outside government financial reports comprises less than 1% of total government expenditure.
	(ii) Revenue outside financial reports	A	All revenue categories are reported in the MoF's financial reports. Revenue outside	

				financial reports comprises less than 1% of total government revenue.
		(iii) Financial reports of extra-budgetary units	A	There are no extrabudgetary units (separately from public corporations) that are not fully covered by the general government budget; and consolidated financial reports are submitted to the government annually within three months of the end of the fiscal year.
	<b>PI-7</b>	<b>Transfers to subnational governments</b>	<b>C+</b>	
		(i) System for allocating transfers	D	Although the MoF discloses information on the amounts budgeted and transferred to subnational governments, the allocation of subventions (comprising more than 95% of all IGFTs) does not currently follow a rules-based approach.
		(ii) Timeliness of information on transfers	A	Information on IGFTs is provided to SNGs on a timely basis (in line with the regular budget calendar), is generally adhered to, and provides required information for SNGs several months in advance of the new financial year (often in August).
	<b>PI-8</b>	<b>Performance information for service delivery</b>	<b>D</b>	
		(i) Performance plans for service delivery	D	Performance budgeting has not been introduced, although some elements were rolled out with program budgeting reform. Most ministries, departments and agencies (MDAs) either do not have and/or do not publish their performance information.
		(ii) Performance achieved for service delivery	D	Most ministries, departments and agencies (MDAs) do not publish their performance information, including on outputs and outcomes. Outcome-level performance indicators are often not costed and thus not available.
		(iii) Resources received by service delivery units	D	Resources received by service delivery units (SDUs) is duly recorded at SDU level, but is not collected and recorded (i.e. consolidated) at the central government level by relevant line ministries and are not compiled in a report.
		(iv) Performance evaluation for service delivery	D	Independent evaluations of the efficiency and effectiveness of service delivery have not been carried out by the government.
	<b>PI-9</b>	<b>Public access to information</b>	<b>B</b>	The government makes available to the public 7 (out of 9) elements, including at least 4 (out of 5) basic elements, in accordance with the specified timeframes.
	<b>PI-10</b>	<b>Fiscal risk reporting</b>	<b>D+</b>	
<b>Management of assets and liabilities</b>		(i) Monitoring of public corporations	D	Although not all financial statements are audited, they are received by the MoF within 9 months of the end of the fiscal year and most of them are publicly available. Fiscal risk reporting is embedded in national legislation and submitted to the Parliament annually with the draft budget proposal.
		(ii) Monitoring of sub-national government (SNG)	C	Although financial statements of subnational municipalities are published within 9 months of the end of the fiscal year in local media outlets, they are not audited and non-financial performance information is limited.

	(iii) Contingent liabilities and other fiscal risks	C	The MoF quantifies some significant contingent liabilities (i.e. those with the potential cost in excess of 0.5% of total government expenditure) in its annual financial reports and fiscal risk reporting.
<b>PI-11</b>	<b>Public investment management</b>	<b>C+</b>	
	(i) Economic analysis of investment proposals	C	Despite guidance on economic appraisal of investment projects that was put in place in 2018, economic analysis is only conducted to assess some major investment projects. Economic appraisal reports or feasibility studies are not always published.
	(ii) Investment project selection	B	Prior to their submission to the MoF, most major investment projects are prioritized by the Ministry of Economic Development and Trade (MoEDT) on the basis of standard selection criteria.
	(iii) Investment project costing	C	Five-year projections of the total capital cost of major investment projects are included in the budget documents but presented in different format.
	(iv) Investment project monitoring	C	MoEDT, SCISPM and MoF undertake monitoring of major investment projects against the disbursement profile and physical progress. Although standard procedures and rules are in place, performance information or monitoring reports are not publicly available.
<b>PI-12</b>	<b>Public asset management</b>	<b>C</b>	
	(i) Financial asset monitoring	C	The MoF maintains a record of the majority of financial assets in the Treasury's financial statements, but Information on the performance of financial assets is not routinely published on the annual basis.
	(ii) Nonfinancial asset monitoring	C	The government maintains three separate registers of its holdings of fixed assets in the SCISPM (movable and immovable property), State Committee for Land Management (land cadaster), and the Main Geology Department under the Government (subsoil resources), but none of them are published or have universal coverage.
	(iii) Transparency of asset disposal	C	Procedures and rules for the transfer or disposal of non-financial assets are established, but only limited basic information (original purchase cost and disposal value) is provided on the transfers and disposals of financial and non-financial assets is provided in the budget proposal.
<b>PI-13</b>	<b>Debt management</b>	<b>B+</b>	
	(i) Recording and reporting of debt and guarantees	B	Despite the outdated DTS, debt records are well-maintained, complete, and accurate. Domestic, foreign, and guaranteed debt information is reconciled quarterly with Treasury and creditors, and detailed consolidated annual public debt performance reporting that covers debt service, stock, and operations is publicly available.

		(ii) Approval of debt and guarantees	B	There are two central government entities – namely, the MoF and the National Bank of Tajikistan (NBT) – that are authorized and mandated to borrow, issue new debt and loan guarantees on behalf of the GoRT. Policies and procedures, as well as selection criteria, are well-established and embedded in primary and secondary legislation. New borrowing is subject to GoRT and Parliamentary approval on the annual basis.
		(iii) Debt management strategy	A	The MoF produces and publishes a comprehensive three-year debt management strategy. The current Public Debt Management Strategy for 2021-2023 includes all key indicators, while debt reporting is provided to the Parliament on the annual basis and is consistent with the GoRT’s mid-term debt management strategy.
Policy-based fiscal strategy and budgeting	PI-14	<b>Macroeconomic and fiscal forecasting</b>	<b>B</b>	
		(i) Macroeconomic forecasts	B	MoEDT and NBT prepare macroeconomic forecasts, which are included in the annual budget proposal, which is submitted by the MoF to the GoRT and the Parliament. The forecasts cover a three-year period and are updated at least once a year. Although MoF receives macroeconomic projections from other government entities, it does not scrutinize or review them.
		(ii) Fiscal forecasts	B	The MoF routinely prepares three-year fiscal forecasts, which (together with underlying assumptions) are included in the annual budget proposal submitted to the Parliament. Explanation of the main differences from the forecasts are not included or very limited.
		(iii) Macro-fiscal sensitivity analysis	C	Macro-fiscal sensitivity analysis is very limited and is only undertaken by the MoEDT (with respect to macroeconomic parameters) and the NBT (monetary parameters). The MoF does not have the capacity or assigned personnel to do a qualitative assessment of the impact of alternative macroeconomic assumptions.
	PI-15	<b>Fiscal strategy</b>	<b>B</b>	
		(i) Fiscal impact of policy proposals	D*	Fiscal impact assessments were produced (for all proposed changes in revenue and expenditure policy) and submitted by the MoF to the GoRT and the Parliament, but they only cover a single year and are not publicly accessible.
		(ii) Fiscal strategy adoption	A	The PFM Reform Strategy (PFMRS) has been developed and endorsed via the President’s Decree in January 2020, and is supported by a medium-term operational framework. The PFMRS is published and, through its operational framework, includes time-bound quantitative and qualitative targets for a three-year period.
		(iii) Reporting on fiscal outcomes	A	Annual internal progress report is currently being prepared by the MoF (against the parameters and targets in the PFMRS and its operational framework) and will be submitted to the GoRT in Q1-2022. Preparation of last year’s report was disrupted by COVID-19 pandemic.

	<b>PI-16</b>	<b>Medium term perspective in expenditure budgeting</b>	<b>C</b>	
		(i) Medium-term expenditure estimates	B	The annual budget proposal and, subsequently, annual budget legislation presents medium-term expenditure estimates broken down by economic and functional classifications (high-level lines), and is also shown by program classification as an annex to the budget proposal.
		(ii) Medium-term expenditure ceilings	C	While sectoral expenditure ceilings are formulated for a three-year period and approved by the GoRT, expenditure ceilings for each MABA are not produced or disclosed until the second phase of the budget formulation process (around May-June).
		(iii) Alignment of strategic plans and medium-term budgets	C	Only a small proportion of all ministries, departments and agencies (MDAs) at the central government level have comprehensive, time-bound, and adequately costed medium-term strategic plans, which are aligned with the annual budget estimates.
		(iv) Consistency of budgets with previous year estimates	D	The budget documents, which are submitted by the MoF to the GoRT and the Parliament, provide limited explanation of some of the changes to expenditure estimates between the second year of the last medium-term budget and the first year of the current medium-term budget at the aggregate level.
	<b>PI-17</b>	<b>Budget preparation process</b>	<b>B</b>	
		(i) Budget calendar	B	A clear annual budget calendar exists and is supported by national legislation and regulatory framework. The budget calendar is largely adhered to and allows budgetary units in total about 10 weeks for the preparation of respective budget proposals.
		(ii) Guidance on budget preparation	C	Budget circulars (i.e. instructions) for Phase I and Phase II of the budget preparation process are issued to budgetary units and are generally adhered to, but they do not include medium-term expenditure ceilings at sector or MABA level.
		(iii) Budget submission to the legislature	A	Annual budget proposal is submitted for scrutiny/review to the Parliament in line with endorsed deadlines. No delays or violations to these requirements were observed.
	<b>PI-18</b>	<b>Legislative scrutiny of budgets</b>	<b>B+</b>	
		(i) Scope of budget scrutiny	B	The Parliamentary Committee on Economy and Finance and the Members of Parliament (MPs) review fiscal policy and aggregate annual parameters, but the scrutiny of medium-term fiscal estimates and medium-term prioritizes is limited.
		(ii) Legislative procedures for budget scrutiny	B	Legislative procedures to review budget proposals is embedded in the Parliamentary Provisions and national PFM legislation. The Parliamentary Committee on Economy and Finance internally meets with other committees and discusses the budget proposals, but arrangements for public consultations are weakly followed.

		(iii) Timing of budget approval	A	In the last three years, the Parliament approved the annual budget proposal and medium-term estimates at least one month before the start of the new year.
		(iv) Rules for budget adjustments by the executive	A	Clear fiscal rules are in place for in-year budget adjustments and in 2020 they were fully adhered to by all budgetary units across the government sector.
Predictability and control in budget execution	PI-19	<b>Revenue administration</b>	<b>B</b>	
		(i) Rights and obligations for revenue measures	A	The Tax Committee and the Customs Service use multiple channels (e.g. local mass media, corporate websites and through web-based information portals, information sessions with taxpayers, etc.) to provide taxpayers with access to comprehensive and up-to-date information on the main revenue obligation areas and on rights.
		(ii) Revenue risk management	C	Risk-based approach has been introduced into inspections of the taxpayers by the Tax Committee, including a structured approach for assessing and prioritizing compliance risks for some categories of government revenue for large revenue payers, but the new IT module has not been fully operationalized yet. The Customs Service has only just launched its new risk management module and will draw up and implement its first plan to reduce compliance risks in 2022.
		(iii) Revenue audit and investigation	D	Audits and fraud investigations are embedded in the Tax Committee's and the Customs Service's routine audit planning and implementation. Audit plans are completed in full and on time, but neither entity has a compliance improvement plan, which is used as the basis for audit and fraud investigation planning.
		(iv) Revenue arrears monitoring	A	In 2020, the total amount of outstanding tax debt in relation to tax receipts (i.e. total revenue collection) was 8.3%, and the revenue arrears older than 12 months were equivalent to 17.2% of total revenue arrears for the year.
	PI-20	<b>Accounting for revenues</b>	<b>A</b>	
		(i) Information on revenue collections	A	The MoF obtains monthly revenue data from other central government entities (e.g. the Tax Committee), broken down by revenue type and consolidated into a report. Collected data corresponds to <b>all</b> central government revenue.
		(ii) Transfer of revenue collections	A	The Tax Committee, the Customs Committee, and SSB 'Amonatbank' transfer the revenue collections directly into accounts of the Central Treasury of the MoF through the treasury single account (TSA).
		(iii) Revenue accounts reconciliation	A	The MoF performs reconciliations of all government revenue on a monthly basis (with the Tax Committee and the Customs Committee) and on a quarterly basis (with the National Bank of Tajikistan).
	PI-21	<b>Predictability of in-year resource allocation</b>	<b>C+</b>	
	(i) Consolidation of cash balances	C	All bank and cash balances are consolidated by the Central Treasury on a daily basis. The ASIP manages its accounts separately and submits its monthly report to the Treasury.	

	(ii) Cash forecasting and monitoring	C	Cash flow forecasts are prepared for each next financial year by the Central Treasury, including consolidated cash plans covering the general government budget, but cash plans are not updated on at least monthly or quarterly basis.
	(iii) Information on commitment ceilings	A	Budget departments and divisions have good information on annual spending (or commitment) ceilings for the next 12 months, with quarterly breakdowns.
	(iv) Significance of in-year budget adjustments	C	In general, significant annual adjustments to the expenditure side of the general government budget continue to take place in the process of its execution.
<b>PI-22</b>	<b>Expenditure arrears</b>	<b>C+</b>	
	(i) Stock of expenditure arrears	B	The stock of expenditure arrears amounted to 2.3% of total expenditure in 2020, 2.5% in 2019, and 1.6% in 2018 respectively.
	(ii) Expenditure arrears monitoring	C	Data on the amount and composition of expenditure arrears is generated annually at the end of each year.
<b>PI-23</b>	<b>Payroll controls</b>	<b>C+</b>	
	(i) Integration of payroll and personnel records	B	Budget organizations provide on a monthly basis full documentation made to personnel records, which are checked by the Central Treasury against the previous month's payroll data. Hiring and promotion is performed within approved personnel records, budget allocations, and staff positions across the government sector.
	(ii) Management of payroll changes	A	Payroll changes are adequately regulated, administered, and overseen by the Agency for Civil Service (ACS).
	(iii) Internal control of payroll	C	Authority to change personnel records and payroll is restricted, but integrity of data is constrained by the lack of integration between HRMIS and TFMIS.
	(iv) Payroll audit	B	External audit of the payroll covering all central government entities was carried out at least once in the past three years.
<b>PI-24</b>	<b>Procurement</b>	<b>B</b>	
	(i) Procurement monitoring	B	Relevant databases, registers and records are maintained and regularly updated by the APPGWS. No third-party monitoring (or review) was conducted, and the data are accurate and complete for most procurement methods.
	(ii) Procurement methods	A	In January-November 2021, 98.3% of all procurement was conducted through competitive methods.
	(iii) Public access to procurement information	B	At least four out of six elements of critical procurement information is available in the public domain, particularly on the website of the APPGWS and the e-GP website.
	(iv) Procurement complaints management	D	The procurement complaints management system is at its early stages of development and, until the new public procurement legislation is in place, is not independent.



	<b>PI-25</b>	<b>Internal controls on nonsalary expenditure</b>	<b>A</b>	
		(i) Segregation of duties	A	National legislation and regulatory environment, particularly with respect to internal controls and treasury operations, demonstrates that appropriate segregation of duties is prescribed throughout the expenditure process, and that responsibilities are clearly laid down.
		(ii) Effectiveness of expenditure commitment controls	B	Expenditure commitment controls are in place and effectively limit commitments to projected cash availability and approved budget allocations for most types of expenditure.
		(iii) Compliance with payment rules and procedures	A	All payments are compliant with regular payment procedures. All exceptions are properly authorized in advance and justified.
	<b>PI-26</b>	<b>Internal audit effectiveness</b>	<b>C+</b>	
		(i) Coverage of internal audit	B	Internal audit functions are entrusted to 10 central government entities, while other public sector entities are covered by internal audit through the MoF's internal audit department. Internal audit is operational for entities accounting for most government revenue and most government expenditure.
		(ii) Nature of audits and standards applied	C	Internal audit activities are based on international standards, but primarily focused on financial compliance.
		(iii) Implementation of internal audits and reporting	B	Annual audit programs exist and are mandatory for all internal audit units across the government sector. Most programmed audits are completed.
		(iv) Response to internal audits	B	Management of most audited public-sector entities provides a full response to audit recommendations. This is performed within 12 months of the report being produced.
	<b>PI-27</b>	<b>Financial data integrity</b>	<b>B+</b>	
<b>Accounting and Reporting</b>		(i) Bank account reconciliation	A	All accounts of the central government budget are reconciled on a daily basis at aggregate and detailed levels.
		(ii) Suspense accounts	A	Within the TSA, there is an account intended for crediting unclear amounts. Reconciliations are performed before the end of each month and, once clarified, funds are deposited to the corresponding TSA account and the suspense account is duly cleared.
		(iii) Advance accounts	C	Reconciliation of advance accounts is performed throughout the year. The vast majority of advance accounts are cleared in a timely manner.
		(iv) Financial data integrity processes	A	Access and changes to records are limited and recorded. In the organizational structure of the MoF, there is a SUE responsible for checking the integrity of financial data, but it currently does not have a separate unit responsible for ensuring data integrity.
	<b>PI-28</b>	<b>In-year budget reports</b>	<b>C+</b>	

		(i) Coverage and comparability of reports	C	In-year budget reports are produced by the MoF on a monthly, quarterly, and semi-annual basis and in a format, but does not allow direct comparability and alignment of performance with plan for the main administrative units (i.e. MABAs).
		(ii) Timing of in-year budget reports	B	In-year budget reports are prepared on a monthly, quarterly, and semi-annual basis within one month from the end of each period.
		(iii) Accuracy of in-year budget reports	A	There are no concerns regarding data accuracy and in-year reports capture data at both commitment and payment stage, and are accompanied by explanatory notes in line with financial reporting requirements.
	<b>PI-29</b>	<b>Annual financial reports</b>	<b>D+</b>	
		(i) Completeness of annual financial reports	B	The consolidated financial statement is prepared annually and covers the majority of assets and liabilities (such as on revenue, expenditure, financial and nonfinancial assets, liabilities, guarantees, and long-term obligations), except the Public Investment Program (PIP) and financial performance of state-owned enterprises. These reports are comparable with the approved budget.
		(ii) Submission of reports for external audit	B	MoF routinely submits consolidated annual financial statements to the Chamber of Accounts within six months of the end of the fiscal year.  The deadlines for submission of annual reports on budget execution in Tajikistan are legally established up to six months after the end of the financial year.
		(iii) Accounting standards	D	The 12 approved accounting standards are applied to all financial statements. They are also consistent with the country's legal system and ensure consistency of reporting over time. The national IPSAS-compliant standards that are used in preparing annual financial reports are publicly disclosed.
	<b>PI-30</b>	<b>External audit</b>	<b>D+</b>	
<b>External scrutiny and audit</b>		(i) Audit coverage and standards	C	The Chamber of Accounts has audited financial reports of the majority of central government entities, accounting for 64.1% of total government expenditure during 2018-2020. Audits covered revenue, expenditure, and debt, highlighting relevant significant issues, and were based on national ISSAI-compliant standards.
		(ii) Submission of audit reports to the legislature	A	The audited financial statements were submitted to the legislature within three months after their receipt.
		(iii) External audit follow-up	B	Audited institutions formally, comprehensively and in a timely manner took appropriate measures based on the CoA recommendations.
		(iv) Supreme Audit Institution (SAI) independence	D	CoA is directly accountable to the Parliament and the President as a head of state. However, the Chamber of Accounts is not fully independent from a financial point of view (in particular, in terms of setting the size of official salaries, as well as the conditions and procedure for paying salaries to the chairman, his deputy, and chief auditors). CoA auditors have full access to all financial documents necessary to

				conduct a comprehensive audit.
	<b>PI-31</b>	<b>Legislative scrutiny of audit reports</b>	<b>C+</b>	
		(i) Timing of audit report scrutiny	A	Scrutiny of audited reports took less than three months from the date of receipt of the financial audit reports by the legislature.
		(ii) Hearings on audit findings	C	Hearings on audit opinions are limited to state budget execution with participation of the Committee on Economic and Finance, MoF, and CoA representatives.
		(iii) Recommendations on audit by the legislature	B	Recommendations are made and followed up on a regular basis.
		(iv) Transparency of legislative scrutiny of audit reports	D	Audit reports are limited to MPs, and not available to the public. The public is not invited to or informed about Parliamentary hearings on external audit reports.

## Annex 2: Summary of observations on the internal control framework

Internal control components and elements	Summary of observations
<b>1. Control environment</b>	
1.1 The personal and professional integrity and ethical values of management and staff, including a supportive attitude toward internal control constantly throughout the organization	All ministries, departments and agencies (MDAs) have clear rules and responsibilities for all their staff, which are guided by the Code of Ethics of Civil Servants of the Republic of Tajikistan (endorsed by the President on December 3, 2015, #591). Internal control units across the government sector undertake regular review of (and compliance with) HR practices and established norms.
1.2 Commitment to competence	The function of the harmonization of the state internal financial control is delegated to the MoF. The existence of such a function (and the corresponding department in the organizational structure of the MoF) signals a commitment to competence in implementing internal controls (PI-25 and PI-26).
1.3 The “tone at the top” (i.e. management’s philosophy and operating style)	Although managerial changes (such as at the deputy minister and minister levels) occurred every 3-5 years in the past decade, which can be disruptive to maintaining a certain philosophy and operating style), the organizational structure and provisions of key institutions (e.g. the MoF, the Chamber of Accounts, and others) have been strengthened in the reporting period.
1.4 Organizational structure	The Law of the Republic of Tajikistan ‘On Financial Regulation and Internal Control’ (#626 dated July 21, 2010) defines the roles of the various MDAs involved in the financial management control system. The MoF, the Agency for State Financial Control and Fight Against Corruption, and the Government (i.e. the Cabinet) are the authorized bodies which promote the establishment and development of public internal control systems and continuously undertake coordination and harmonization policies and procedures. Presently, not all MDAs at the central and subnational levels have their internal audit units embedded in their respective organizational structures (only 10 MDAs have internal audit units as of 2021), but the government is committed to expanding and strengthening internal audit functions across the government sector.
1.5 Human resource policies and practices	All budget organizations (including MDAs at the central government level) have their respective human resource units. As a rule, all public sector staff positions have clear functional responsibilities, which are complemented by provisions for each department, division and unit. In

	general, HR policies and practices are well-established but there are some gaps at service delivery unit (SDU) level.
<b>2. Risk assessment</b>	
2.1 Risk identification	Several performance indicators are related to the extent to which risks are identified, notably: (i) economic analysis of investment projects is rated 'C' in PI-11.1 (analysis is conducted for some investment projects and the results are often not published); (ii) debt management strategy is rated 'A' in PI-13.3 (the strategy is in place and includes all key indicators, and progress reports are routinely prepared and submitted to the government and the Parliament); (iii) macro-fiscal sensitivity analysis is rated 'D' in PI-14.3 (very limited analysis is undertaken and scenario modeling is practically not utilized by the MoF); (iv) revenue risk management is rated 'C' in PI-19.2 (risk-based approach is introduced, but has not yet been fully institutionalized and relevant IT modules are not fully operationalized in major revenue-administrating entities); and (v) cash forecasting and monitoring is rated 'C' in PI-21.2 (cash flow forecasts are routinely prepared, but cash plans are not updated on at least monthly/quarterly basis).
2.2 Risk assessment (significance and likelihood)	All identified risks (see above in section 2.1) out of 31 performance indicators are believed to have high significance and likelihood if the gaps are left unaddressed.
2.3 Risk evaluation	Risk evaluation is undertaken by internal audit units in the MoF and nine other MDAs at the central government level. Risk-based auditing is piloted only at central government level, and all identified risks (see above in section 2.1) would fall under the scrutiny of the Department of Internal Audit and Control in the MoF.
2.4 Risk appetite assessment	Better and more efficient identification and assessment of risks by the relevant internal audit units in the MoF and other MDAs would indicate a positive risk appetite which will grow as the internal audit units (and the internal financial control environment) mature.
2.5 Responses to risk (transfer, tolerance, treatment or termination)	Responses to identified risks are guided by the PFM Reform Strategy of the Republic of Tajikistan for the period until 2030 and its operational framework, as well as internal guidelines and orders issued by the MoF to mitigate the likelihood and impact of these risks. Follow-up policy discussion on the basis of the 2022 PEFA assessment would also help formulate meaningful responses to identified risks and gaps in the internal control framework/environment.

<b>3. Control activities</b>	
3.1 Authorization and approval procedure	The MoF and other MDAs (namely, MABAs and ABAs) are involved in the authorization and approval procedures, for instance: (i) recording and reporting of debt and guarantees are rated 'B' in PI-13.1; (ii) approval of debt and guarantees is rated 'B' in PI-13.2 ; (iii) integration of payroll and personnel records is rated 'B' in PI-23.1; (iv) management of payroll changes is rated 'A' in PI-23.2; (v) compliance with payroll payment rules and procedures is rated 'C' in PI-23.3; (vi) effectiveness of expenditure commitment controls is rated 'A' in PI-25.2; and (vii) financial data integrity processes are rated 'A' in PI-27.4.
3.2 Segregation of duties (authorizing, processing, recording, reviewing)	Segregation of duties is rated 'A' in PI-25.1. National legislation and regulatory environment, particularly with respect to internal controls and treasury operations, demonstrates that appropriate segregation of duties is prescribed throughout the expenditure process, and that responsibilities are clearly laid down.
3.3 Controls over access to resources and records	The following performance indicators demonstrate control over access to resources and records: (i) Compliance with payment rules and procedures is rated 'A' in PI-25.3; and (ii) Financial data integrity processes are rated 'A' in PI-27.4.
3.4 Verifications	Accuracy of in-year budget reports is rated 'A' in PI-28.3. There are no concerns regarding data accuracy and in-year reports capture data at both commitment and payment stage, and are accompanied by explanatory notes in line with financial reporting requirements.
3.5 Reconciliations	The following performance indicators demonstrate the status of reconciliations: (i) Bank account reconciliations are rated 'A' in PI-27.1; and (ii) Suspense account reconciliations are rated 'A' in PI-27.2.
3.6 Reviews of operating performance	Internal audit units and the Chamber of Accounts (i.e. external audit body) perform their professional activities by ensuring coverage of business processes, operations, and activities across the government sector. These reviews of operating performance are based on rigorous annual audit planning, which are strictly followed/implemented. Performance budgeting practices in Tajikistan are still at a nascent stage (PI-8.1 through PI-8.4), which is why performance audits are currently not practiced.
3.7 Reviews of operations, processes and activities	Audit trails indicate that reviews of operations, processes and activities are routinely undertaken by internal audit units and the Chamber of Accounts (external audit body).
3.8 Supervision (assigning, reviewing and approving, guidance and training)	Internal audit recommendations are generally followed and implemented (PI-26.4), as well as recommendations produced in the audit reports of the Chamber of Accounts (PI-30.3). All auditing activities are duly supervised and reported to the management of the respective MDAs.

<b>4. Information and communication</b>	The MoF and several other MDAs maintain good use of Internet and websites to ensure public access to fiscal/PFM information, and also use other channels to reach out to non-governmental stakeholders/parties. The electronic public procurement (e-GP) portal has been launched in the reporting period. Public access to fiscal information has notably improved and scored 'A' in PI-9 .
<b>5. Monitoring</b>	
5.1 Ongoing monitoring	The following performance indicators demonstrate the current weaknesses with respect to ongoing monitoring activities in the government sector: (i) resources received by service delivery units is rated 'D' in PI-8.3; (ii) monitoring of public corporations is rated 'C' in PI-10.1; (iii) monitoring of subnational governments is rated 'C' in PI-10.2; (iv) investment project monitoring is rated 'C' in PI-11.4; (v) quality of central-government financial asset monitoring is rated 'C' in PI-12.1; (vi) quality of central-government non-financial asset monitoring is rated 'C' in PI-12.2; (vii) revenue arrears monitoring is rated 'A' in PI-19.4; (viii) expenditure arrears monitoring is rated 'C' in PI-22.2; (ix) procurement monitoring is rated 'B' in PI-24.1; and (x) implementation of internal audits and reporting is rated 'B' in PI-26.3.
5.2 Evaluations	The following performance indicators demonstrate the current status with respect to evaluations: (i) performance evaluation for service delivery is rated 'D' in PI-8.4; and (ii) investment project selection is rated 'B' in PI-11.2.
5.3 Management responses	The following performance indicators demonstrate progress regarding management responses: (i) response to internal audits is rated 'B' in PI-26.4; (ii) external audit follow-up is rated 'B' in PI-30.3.

## Annex 3: Sources of information

### Annex 3A: Related surveys and analytical work

#	Institution	Document title	Date	Link
1	World Bank (WB)	Tax Administration Diagnostic Tool (TADAT) Assessment	January 2020	<a href="https://www.tadat.org/assets/files/Tajikistan_Final_PAR.pdf">https://www.tadat.org/assets/files/Tajikistan_Final_PAR.pdf</a>
2	World Bank (WB)	2021 Public Expenditure Review (PER)	September 2020	n/a (draft; not published yet)
3	Asian Development Bank (ADB)	Tajikistan: Country Governance Risk Assessment	June 2020	n/a (document not published)
4	World Bank (WB)	Debt Management Performance Assessment (DeMPA)	November 2016	n/a (document not disclosed/published)
5	World Bank (WB)	Various mission Aide Memoires related to the PFMMP2 project	2016-2020	n/a (Aide Memoires are not disclosed/published)
6	World Bank (WB)	Tajikistan: Country Economic Update	August 2021	<a href="https://documents.worldbank.org/en/publication/documents-reports/documentdetail/532641628870881778/tajikistan-rebounding-economy-challenges-remain">https://documents.worldbank.org/en/publication/documents-reports/documentdetail/532641628870881778/tajikistan-rebounding-economy-challenges-remain</a>
7	International Monetary Fund (IMF)	Republic of Tajikistan: Selected Issues	December 2019	<a href="https://www.imf.org/en/Publications/CR/Issues/2021/09/01/Republic-of-Tajikistan-Selected-Issues-465054">https://www.imf.org/en/Publications/CR/Issues/2021/09/01/Republic-of-Tajikistan-Selected-Issues-465054</a>
8	International Monetary Fund (IMF)	Republic of Tajikistan: Selected Issues	September 2021	<a href="https://www.imf.org/en/Publications/CR/Issues/2021/09/01/Republic-of-Tajikistan-Selected-Issues-465048">https://www.imf.org/en/Publications/CR/Issues/2021/09/01/Republic-of-Tajikistan-Selected-Issues-465048</a>
9	International Monetary Fund (IMF)	Republic of Tajikistan: Selected Issues	September 2021	2019 Article IV Consultation – Press Release and Staff Report ( <a href="https://www.imf.org/en/Publications/CR/Issues/2021/09/01/Republic-of-Tajikistan-2019-Article-IV-Consultation-Press-Release-and-Staff-Report-465051">https://www.imf.org/en/Publications/CR/Issues/2021/09/01/Republic-of-Tajikistan-2019-Article-IV-Consultation-Press-Release-and-Staff-Report-465051</a> )
10	International Monetary Fund (IMF)	Tajikistan: Financial System Stability Assessment Report	February 2016	<a href="https://www.imf.org/en/Publications/CR/Issues/2016/12/31/Republic-of-Tajikistan-Financial-System-Stability-Assessment-Report-43683">https://www.imf.org/en/Publications/CR/Issues/2016/12/31/Republic-of-Tajikistan-Financial-System-Stability-Assessment-Report-43683</a>
11	International Monetary Fund (IMF)	Tajikistan: Consolidated Financial Statements and SOE Fiscal Oversight	August 2018	n/a (not published; Technical Assistance report)
12	International Monetary Fund (IMF)	Tajikistan: SOE Fiscal Risks Assessment and	May 2017	n/a (not published; Technical Assistance report)



#	Institution	Document title	Date	Link
		Disclosure		
13	Louis Berger (EU-funded project)	Final Project Report	November 2020	Support to Selected Areas of PFM Reforms (Reporting period: January 2015 – March 2020) (final report is not disclosed/published)
14	UK Foreign and Commonwealth Development Office (FCDO)	Project Completion Report (PCR)	March 2021	Support to Public Finance Management in Tajikistan <a href="https://devtracker.fcdo.gov.uk/projects/GB-1-204977/documents">https://devtracker.fcdo.gov.uk/projects/GB-1-204977/documents</a>
15	International Budget Partnership (IBP)	Open Budget Index (Tajikistan)		<a href="https://www.internationalbudget.org/open-budget-survey/country-results/2019/tajikistan">https://www.internationalbudget.org/open-budget-survey/country-results/2019/tajikistan</a>
16	Development Coordination Council (DCC)	Donor Activity Matrix in PFM and Public Administration	March 2020	n/a (not published)

## Annex 3B: List of people interviewed

#	Name/Surname	Position	Organization/Institution
1	Jamshed Karimzoda	First Deputy Minister	Ministry of Finance
2	Zafar Azimi	Head, Main Department of the State Budget	Ministry of Finance
3	Olim Ismoilzoda	Head, Main Department of Tax Policy and State Payments	Ministry of Finance
4	Nuriddin Najmiddinov	First Deputy Director, Central Treasury	Ministry of Finance
5	Askarali Barotov	Deputy Director, Central Treasury	Ministry of Finance
6	Sarvar Kurboniyon	Deputy Head, Main Department of the State Budget	Ministry of Finance
7	Shohin Mulloev	Head, Department of Foreign Debt	Ministry of Finance
8	Mehrubon Umarov	Head, Department of Accounting Policy, Financial Reporting and Audit	Ministry of Finance
9	Tohir Safarov	Deputy Head, Department of Accounting Policy, Financial Reporting and Audit	Ministry of Finance
10	Firuz Mahmudova	Head, Division of Foreign Aid Analysis	Ministry of Finance
11	Hisrav Sharifov	Head, Division of Consolidation and Planning of State and Republican Budgets	Ministry of Finance
12	Umed Gayurzoda	Head, Division of Internal Audit Harmonization	Ministry of Finance
13	Zarina Halikova	Deputy Head, Division of Monitoring and Control of Large State-Owned Enterprises	Ministry of Finance
14	Fayzali Hayriddin	Lead Specialist, Department of Internal Audit and Control	Ministry of Finance
15	Rustam Boboiev	Consultant	Ministry of Finance
16	Fayzali Ahmadzoda	Deputy Chairman	Chamber of Accounts
17	Rustam Aliahmadiyon	Chief Auditor	Chamber of Accounts
18	Zafar Rahmonzoda	Chief Auditor	Chamber of Accounts
19	Gulbakhor Naziri	Deputy Chairman, Committee on Economy and Finance	Majlisi Namoyandagon Majlisi Oli (Lower Chamber of the Parliament)
20	Rano Olimova	Deputy Head, Main Department of Macroeconomic Analysis, Forecasting and Economic Reforms	Ministry of Economic Development and Trade
21	Alim Murodov	Head, Main Department of Investment Policy and Development of the Regions	Ministry of Economic Development and Trade
22	Badriddin Muzaffarzoda	Head, Department of Economy and Planning in Education and Science	Ministry of Education and Science
23	S. Hofizov	Deputy Head, Department of Economy and Planning in Health and Social Protection	Ministry of Health and Social Protection of the Population
24	Merali Bodurshozoda	Deputy Head, Department of Promoting Investment Activity	State Committee for Investment and State Property Management

#	Name/Surname	Position	Organization/Institution
25	Odiljon Tagozoda	Head, Department of External Aid Coordination	State Committee for Investment and State Property Management
26	Kosimjon Jalilzoda	Head, Main Department of Accounting and Revenue Analysis	Tax Committee
27	O. Goibov	Head, Division of Finance and Accounting	Agency for Civil Service under the President
28	Ravshan Karimi	Deputy Director	Agency for Public Procurement of Goods, Works and Services
29	A. Ismatov	Head, Department of Social Insurance Budget and Actuarial Accounting	Agency for Social Insurance and Pensions
30	Azim Tursunzoda	First Deputy Chairman	Customs Service
31	M. Mirakzoda	Head, Division of International and Legal Relations	Ministry of Justice
32	Dilovar Munavvarov	Program Director	Open Society Institute – Assistance Foundation
33	Hassan Aliev	Senior Public Sector Specialist	World Bank
34	Nailya Menlasheva	Economist	International Monetary Fund (IMF)
35	Leila Emerson	Program Manager	European Union (EU)
36	Yuji Miyaki	Public Sector Specialist	Asian Development Bank (ADB)
37	Muhammadi Boboev	Economist	Asian Development Bank (ADB)
38	Mavzuna Shozodaeva	Senior Program Officer (Economics and PFM)	Swiss Cooperation Office (SCO)
39	Malika Ibrohimova	Senior Program Officer for Economic Affairs	Swiss Cooperation Office (SCO)

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

Indicator/dimension	Data Sources
<b>Budget reliability</b>	
<b>PI-1. Aggregate expenditure outturn</b> 1.1. Aggregate expenditure outturn	<ul style="list-style-type: none"> <li>- annual laws of the Republic of Tajikistan 'On the State Budget' for 2018, 2019 and 2020 (<a href="http://moliya.tj/zakony-o-gosudarstvennyi-byudzheta/">http://moliya.tj/zakony-o-gosudarstvennyi-byudzheta/</a>);</li> <li>- annual budget performance reports for 2018-2020 (<a href="http://moliya.tj/ispolnenie-gosudarstvennogo-byudzheta/">http://moliya.tj/ispolnenie-gosudarstvennogo-byudzheta/</a>).</li> </ul>
<b>PI-2. Expenditure composition outturn</b> 2.1. Expenditure composition outturn by function	<ul style="list-style-type: none"> <li>- annual laws of the Republic of Tajikistan 'On the State Budget' for 2018, 2019 and 2020 (<a href="http://moliya.tj/zakony-o-gosudarstvennyi-byudzheta/">http://moliya.tj/zakony-o-gosudarstvennyi-byudzheta/</a>);</li> <li>- annual budget performance reports for 2018-2020 (<a href="http://moliya.tj/ispolnenie-gosudarstvennogo-byudzheta/">http://moliya.tj/ispolnenie-gosudarstvennogo-byudzheta/</a>).</li> </ul>
2.2. Expenditure composition outturn by economic type	
2.3. Expenditure from contingency reserves	
<b>PI-3. Revenue outturn</b> 3.1. Aggregate revenue outturn	<ul style="list-style-type: none"> <li>- annual laws of the Republic of Tajikistan 'On the State Budget' for 2018, 2019 and 2020 (<a href="http://moliya.tj/zakony-o-gosudarstvennyi-byudzheta/">http://moliya.tj/zakony-o-gosudarstvennyi-byudzheta/</a>);</li> <li>- annual budget performance reports for 2018-2020 (<a href="http://moliya.tj/ispolnenie-gosudarstvennogo-byudzheta/">http://moliya.tj/ispolnenie-gosudarstvennogo-byudzheta/</a>).</li> </ul>
3.2. Revenue composition outturn	
<b>Transparency of public finances</b>	
<b>PI-4. Budget classification</b> 4.1 Budget classification	<ul style="list-style-type: none"> <li>- Law of the Republic of Tajikistan 'On Public Finances';</li> <li>- annual laws of the Republic of Tajikistan 'On the State Budget' for 2018, 2019 and 2020 (<a href="http://moliya.tj/zakony-o-gosudarstvennyi-byudzheta/">http://moliya.tj/zakony-o-gosudarstvennyi-byudzheta/</a>);</li> <li>- annual budget performance reports for 2018-2020 (<a href="http://moliya.tj/ispolnenie-gosudarstvennogo-byudzheta/">http://moliya.tj/ispolnenie-gosudarstvennogo-byudzheta/</a>);</li> <li>- Classification of Revenue and Expenditure of the State Budget of the Republic of Tajikistan and Instructions on their Use' (Ministry of Finance, 2015);</li> <li>- Unified Chart of Accounts in Budgetary Organizations, Institutions and Treasury, and Instructions on their Use.</li> <li>- Order of the Ministry of Finance of the Republic of Tajikistan #109 dated September 30, 2020 (on the implementation of program budgeting in Tajikistan).</li> </ul>
<b>PI-5. Budget documentation</b> 5.1 Budget documentation	<ul style="list-style-type: none"> <li>- Law of the Republic of Tajikistan 'On Public Finances';</li> <li>- inputs from the Economics and Finance Committee under the Lower Chamber of the Parliament;</li> <li>- Budget proposal for 2021 and indicative parameters for 2022-2023, including annexes (also available on the</li> </ul>

	<p>website of the Ministry of Finance at this link: <a href="http://moliya.tj/byudzhetnyj-proczess-2021-2023gg/">http://moliya.tj/byudzhetnyj-proczess-2021-2023gg/</a>).</p>
<b>PI-6. Central government operations outside financial reports</b>	<ul style="list-style-type: none"> <li>- Law of the Republic of Tajikistan 'On Treasury';</li> <li>- annual consolidated financial report for 2020 and the Single Treasury Account (STA);</li> <li>- inputs from the Central Treasury officials.</li> </ul>
6.1. Expenditure outside financial reports	
6.2. Revenue outside financial reports	
6.3. Financial reports of extra-budgetary units	
<b>PI-7. Transfers to subnational governments</b>	<ul style="list-style-type: none"> <li>- Law of the Republic of Tajikistan 'On Public Finances';</li> <li>- Law of the Republic of Tajikistan 'On the State Budget for 2020';</li> <li>- Law of the Republic of Tajikistan 'On Local Bodies of State Power' (or Law on Subnational Governments);</li> <li>- consolidated budget performance reports of subnational governments (SNGs) obtained from the Central Treasury of the Ministry of Finance;</li> <li>- inputs from the Ministry of Finance officials.</li> </ul>
7.1. System for allocating transfers	
7.2. Timeliness of information on transfers	
<b>PI-8. Performance information for service delivery</b>	<ul style="list-style-type: none"> <li>- medium-term strategic sectoral budget plans (SBPs) of budgetary organizations (namely, SBPs of the Main Administrators of Budget Allocations, or MABAs);</li> <li>- inputs from the Ministry of Finance officials</li> <li>- inputs from line ministries (e.g. MoES and MoHSPP)</li> </ul>
8.1. Performance plans for service delivery	
8.2. Performance achieved for service delivery	
8.3. Resources received by service delivery units	
8.4. Performance evaluation for service delivery	
<b>PI-9. Public access to fiscal information</b>	<ul style="list-style-type: none"> <li>- Order of the Minister of Finance 'On the Activities of the Ministry of Finance in Relation to Ensuring Transparency and Public Access to Budgetary Information' (#108 dated September 30, 2020);</li> <li>- Ministry of Finance website: <ul style="list-style-type: none"> <li>- Budget proposal (<a href="http://moliya.tj/wp-content/uploads/2021/06/03.proekt-zakona-respubliki-tadzhikistan-%C2%ABo-gosudarstvennom-byudzhet-respubliki-tadzhikistan-na-2021-god%C2%BB.pdf">http://moliya.tj/wp-content/uploads/2021/06/03.proekt-zakona-respubliki-tadzhikistan-%C2%ABo-gosudarstvennom-byudzhet-respubliki-tadzhikistan-na-2021-god%C2%BB.pdf</a>);</li> <li>- Enacted budget (<a href="http://moliya.tj/zakony-o-gosudarstvennyj-byudzhet/">http://moliya.tj/zakony-o-gosudarstvennyj-byudzhet/</a>);</li> <li>- In-year budget execution reports (<a href="http://moliya.tj/2020-g/">http://moliya.tj/2020-g/</a>);</li> <li>- Annual budget execution reports (<a href="http://moliya.tj/2020-g/">http://moliya.tj/2020-g/</a>);</li> <li>- Prebudget statement (<a href="http://moliya.tj/wp-content/uploads/2021/05/tavzhot-2021-2023-marhilai-1.pdf">http://moliya.tj/wp-content/uploads/2021/05/tavzhot-2021-2023-marhilai-1.pdf</a>);</li> <li>- Summary of the budget proposal (<a href="http://moliya.tj/2-3-3-grazhdanskij-byudzhet/">http://moliya.tj/2-3-3-grazhdanskij-byudzhet/</a>);</li> <li>- Macroeconomic forecasts (<a href="http://moliya.tj/wp-content/uploads/2021/06/02prognoz-21-23.pdf">http://moliya.tj/wp-content/uploads/2021/06/02prognoz-21-23.pdf</a>);</li> </ul> </li> <li>- inputs from the Ministry of Finance officials;</li> <li>- inputs from the Committee on Economy and Finance of the Lower Chamber of the Parliament;</li> <li>- inputs from the Chamber of Accounts officials.</li> </ul>
9.1. Public access to fiscal information	

<b>Management of assets and liabilities</b>	
<b>PI-10. Fiscal risk reporting</b>	<ul style="list-style-type: none"> <li>- Order of the Minister of Finance 'On the Adoption of the Methodology on the Assessment of Fiscal Risks of Large State-Owned Enterprises' (#112 dated October 5, 2020);</li> <li>- Methodology on the Assessment of Fiscal Risks of Large State-Owned Enterprises, adopted by the Ministry of Finance;</li> <li>- audited annual financial statements of state-owned enterprises (SOEs), published on the Ministry of Finance website (<a href="http://moliya.tj/2-3-4-monitoringovye-otchyoty-o-deyatelnosti-krupnyh-gosudarstvennyh-predpriyatij/">http://moliya.tj/2-3-4-monitoringovye-otchyoty-o-deyatelnosti-krupnyh-gosudarstvennyh-predpriyatij/</a>);</li> <li>- Resolution of the GoRT 'On Additional Measures of Regulating Accounting and Financial Reporting' (#154 dated April 3, 2012);</li> <li>- Resolution of the GoRT 'On Large State-Owned Enterprises Whose Shares are Owned by the State' (#632 dated December 28, 2019);</li> <li>- Law of the Republic of Tajikistan 'On Public Finances';</li> <li>- inputs from the Ministry of Finance officials.</li> </ul>
10.1. Monitoring of public corporations	
10.2. Monitoring of sub-national government	
10.3. Contingent liabilities and other fiscal risks	
<b>PI- 11. Public investment management</b>	<ul style="list-style-type: none"> <li>- Resolution of the GoRT 'On the Order of Developing State Investment Projects and Implementing the Public Investment Program of the Republic of Tajikistan' (#161 dated March 27, 2018);</li> <li>- Resolution of the GoRT 'On the Rules of Engagement Used in the Coordination and Monitoring of Foreign Aid in Tajikistan' (#95 dated February 25, 2017);</li> <li>- Public Investment Program (PIP) matrix (<a href="http://moliya.tj/2-1-4-programma-gosudarstvennyh-investiczij/">http://moliya.tj/2-1-4-programma-gosudarstvennyh-investiczij/</a>);</li> <li>- technical and economic analysis of the Rogun HPP construction project (supported by the World Bank);</li> <li>- inputs from the SCISPM officials;</li> <li>- inputs from the MoEDT officials;</li> <li>- inputs from the Ministry of Finance officials.</li> </ul>
11.1. Economic analysis of investment proposals	
11.2. Investment project selection	
11.3. Investment project costing	
11.4. Investment project monitoring	
<b>PI-12. Public asset management</b>	<ul style="list-style-type: none"> <li>- Resolution of the GoRT 'On the Procedure for Transferring Objects of Republican Property and Communal Property' (#92 dated March 2, 2013);</li> <li>- Resolution of the GoRT 'On Approval of the Procedure for Writing Off Fixed Assets that are State Property' (#184 dated April 30, 2012);</li> <li>- Analytical representation of the Balance of Payments (BoP), available on the NBT website;</li> <li>- inputs from the SCISPM officials;</li> <li>- inputs from the Ministry of Finance officials.</li> </ul>
12.1. Financial asset monitoring	
12.2. Nonfinancial asset monitoring	
12.3. Transparency of asset disposal.	
<b>PI-13. Debt management</b>	<ul style="list-style-type: none"> <li>- Public Debt Management Strategy of the Republic of Tajikistan for the period 2021-2023 (<a href="http://moliya.tj/3-1-strategiya-upravleniya-gosudarstvennym-dolgom/">http://moliya.tj/3-1-strategiya-upravleniya-gosudarstvennym-dolgom/</a>);</li> <li>- Quarterly public debt monitoring reports issued by the Ministry of Finance (<a href="http://moliya.tj/tj/dar-soli-">http://moliya.tj/tj/dar-soli-</a></li> </ul>
13.1. Recording and reporting of debt and guarantees	
13.2. Approval of debt and guarantees	
13.3. Debt management strategy	

	<p><a href="#">2020/</a>);</p> <ul style="list-style-type: none"> <li>- Law of the Republic of Tajikistan ‘On Public and Publicly Guaranteed Borrowing and Debt’;</li> <li>- Law of the Republic of Tajikistan ‘On the State Budget for 2020’;</li> <li>- Resolution of the GoRT ‘Matters of Public and Publicly Guaranteed Borrowing and Debt’ (#215 dated May 10, 2000);</li> <li>- Debt Tracking System (DTS) in MS Access format;</li> <li>- inputs from the Ministry of Finance officials.</li> </ul>
<b>Policy-based fiscal strategy and budgeting</b>	
<b>PI-14. Macroeconomic and fiscal forecasting</b>	
14.1. Macroeconomic forecasts	<ul style="list-style-type: none"> <li>- Annual budget circular for Phase I of the budget preparation process (<a href="http://moliya.tj/wp-content/uploads/2021/05/dasturamal-mar%D2%B3ilai-1-2021-2023.pdf">http://moliya.tj/wp-content/uploads/2021/05/dasturamal-mar%D2%B3ilai-1-2021-2023.pdf</a>);</li> <li>- Annual budget circular for Phase II of the budget preparation process (<a href="http://moliya.tj/wp-content/uploads/2021/06/01.instruksiya-ru-2021-2023-faza-2.pdf">http://moliya.tj/wp-content/uploads/2021/06/01.instruksiya-ru-2021-2023-faza-2.pdf</a>);</li> </ul>
14.2. Fiscal forecasts	<ul style="list-style-type: none"> <li>- Main Directions of Fiscal Policy of the State Budget of the Republic of Tajikistan (<a href="http://moliya.tj/wp-content/uploads/2021/05/tavzehot-2021-2023-marhilai-1.pdf">http://moliya.tj/wp-content/uploads/2021/05/tavzehot-2021-2023-marhilai-1.pdf</a>);</li> <li>- Medium-term macro-fiscal framework, published by the Ministry of Finance (<a href="http://moliya.tj/wp-content/uploads/2021/06/03.paratmetrnoi-asosii-buchet-2020-2022.pdf">http://moliya.tj/wp-content/uploads/2021/06/03.paratmetrnoi-asosii-buchet-2020-2022.pdf</a>);</li> <li>- Macroeconomic forecasts, endorsed by the GoRT (<a href="http://moliya.tj/wp-content/uploads/2021/06/02prognoz-21-23.pdf">http://moliya.tj/wp-content/uploads/2021/06/02prognoz-21-23.pdf</a>);</li> <li>- inputs from the Ministry of Finance officials.</li> <li>- inputs from the MoEDT officials.</li> </ul>
14.3. Macro-fiscal sensitivity analysis	
<b>PI-15. Fiscal strategy</b>	
15.1. Fiscal impact of policy proposals	
15.2. Fiscal strategy adoption	
15.3. Reporting on fiscal outcomes	<ul style="list-style-type: none"> <li>- Public Finance Management Reform Strategy (PFMRS) of the Republic of Tajikistan for the period until 2030 (<a href="http://moliya.tj/tj/strategiyai-idorakunii-moliyai-davlatii-%d2%b7um%d2%b3urii-to%d2%b7ikiston-to-soli-2030/">http://moliya.tj/tj/strategiyai-idorakunii-moliyai-davlatii-%d2%b7um%d2%b3urii-to%d2%b7ikiston-to-soli-2030/</a>);</li> <li>- Mid-Term Action Plan for 2021-2023 (i.e. operational framework for the PFMRS implementation) (<a href="http://moliya.tj/tj/na%d2%9bshai-amali-miyonam%d3%af%d2%b3lat-baroi-sol%d2%b3oi-2020-2022/">http://moliya.tj/tj/na%d2%9bshai-amali-miyonam%d3%af%d2%b3lat-baroi-sol%d2%b3oi-2020-2022/</a>);</li> <li>- Resolution of the GoRT ‘On the Mid-Term Action Plan for 2021-2023 to Implement the Public Finance Management Reform Strategy of the Republic of Tajikistan for the period until 2030’ (#112 dated April 3, 2021);</li> <li>- Main Directions of Fiscal Policy of the State Budget of the Republic of Tajikistan (<a href="http://moliya.tj/wp-">http://moliya.tj/wp-</a></li> </ul>

	<p><a href="http://content/uploads/2021/05/tavzehot-2021-2023-marhilai-1.pdf">content/uploads/2021/05/tavzehot-2021-2023-marhilai-1.pdf</a>);</p> <ul style="list-style-type: none"> <li>- inputs from the Ministry of Finance officials.</li> </ul>
<b>PI-16. Medium-term perspective in expenditure budgeting</b>	<ul style="list-style-type: none"> <li>- Resolution of the GoRT 'On the Introduction of Medium-Term Expenditure Framework in the Republic of Tajikistan' (#409 dated September 7, 2006);</li> </ul>
16.1. Medium-term expenditure estimates	
16.2. Medium-term expenditure ceilings	<ul style="list-style-type: none"> <li>- Regulation of the Ministry of Finance 'On the Formation and Implementation of the Medium-Term Expenditure Framework (#2-3-21 dated December 1, 2006);</li> </ul>
16.3. Alignment of strategic plans and medium-term budgets	<ul style="list-style-type: none"> <li>- Main Directions of Fiscal Policy of the State Budget of the Republic of Tajikistan (<a href="http://moliya.tj/wp-content/uploads/2021/05/tavzehot-2021-2023-marhilai-1.pdf">http://moliya.tj/wp-content/uploads/2021/05/tavzehot-2021-2023-marhilai-1.pdf</a>);</li> <li>- Medium-term macro-fiscal framework, published by the Ministry of Finance (<a href="http://moliya.tj/wp-content/uploads/2021/06/03.paratmetrhoi-asosii-buchet-2020-2022.pdf">http://moliya.tj/wp-content/uploads/2021/06/03.paratmetrhoi-asosii-buchet-2020-2022.pdf</a>);</li> <li>- Macroeconomic forecasts, endorsed by the GoRT (<a href="http://moliya.tj/wp-content/uploads/2021/06/02prognoz-21-23.pdf">http://moliya.tj/wp-content/uploads/2021/06/02prognoz-21-23.pdf</a>);</li> <li>- The Medium-Term Budgeting Manual (developed and operationalized by the Ministry of Finance);</li> <li>- annual laws of the Republic of Tajikistan 'On the State Budget' for 2018, 2019 and 2020;</li> <li>- inputs from the Ministry of Finance officials.</li> </ul>
16.4 Consistency of budgets with previous year's estimates	
<b>PI-17. Budget preparation process</b>	<ul style="list-style-type: none"> <li>- Law of the Republic of Tajikistan 'On Public Finances';</li> </ul>
17.1. Budget calendar	<ul style="list-style-type: none"> <li>- annual budget circular for Phase I of the budget preparation process in 2020 (<a href="http://moliya.tj/wp-content/uploads/2021/05/dasturamal-mar%D2%B3ilai-1-2021-2023.pdf">http://moliya.tj/wp-content/uploads/2021/05/dasturamal-mar%D2%B3ilai-1-2021-2023.pdf</a>), as well as 2019 and 2018;</li> </ul>
17.2. Guidance on budget preparation	<ul style="list-style-type: none"> <li>- annual budget circular for Phase II of the budget preparation process in 2020 (<a href="http://moliya.tj/wp-content/uploads/2021/06/01.instruksiya-ru-2021-2023-faza-2.pdf">http://moliya.tj/wp-content/uploads/2021/06/01.instruksiya-ru-2021-2023-faza-2.pdf</a>), as well as 2019 and 2018;</li> </ul>
17.3. Budget submission to the legislature	<ul style="list-style-type: none"> <li>- Main Directions of Fiscal Policy of the State Budget of the Republic of Tajikistan issued in 2020 (<a href="http://moliya.tj/wp-content/uploads/2021/05/tavzehot-2021-2023-marhilai-1.pdf">http://moliya.tj/wp-content/uploads/2021/05/tavzehot-2021-2023-marhilai-1.pdf</a>), as well as 2019 and 2018;</li> <li>- inputs from the Ministry of Finance officials.</li> </ul>
<b>PI-18. Legislative scrutiny of budgets</b>	<ul style="list-style-type: none"> <li>- Law of the Republic of Tajikistan 'On Public Finances';</li> </ul>
18.1. Scope of budget scrutiny	<ul style="list-style-type: none"> <li>- Budget proposal for 2021 and indicative parameters for 2022-2023, including annexes (also available on the website of the Ministry of Finance at this link: <a href="http://moliya.tj/byudzhetnyj-proccess-2021-2023gg/">http://moliya.tj/byudzhetnyj-proccess-2021-2023gg/</a>);</li> </ul>
18.2. Legislative procedures for budget scrutiny	
18.3. Timing of budget approval	<ul style="list-style-type: none"> <li>- inputs from the Ministry of Finance officials;</li> </ul>
18.4. Rules for budget adjustments by the executive	<ul style="list-style-type: none"> <li>- inputs from the Economy and Finance Committee of the Lower Chamber of the Parliament.</li> </ul>



Predictability and control in budget execution	
<b>PI-19. Revenue administration</b>	- Tax Administration Reform Program of the Republic of Tajikistan for 2020-2025
19.1. Rights and obligations for revenue measures	( <a href="https://andoz.tj/docs/strategy/%D0%91%D0%B0%D1%80%D0%BD%D0%BE%D0%BC%D0%B0%D0%B8%20%D0%A0%D0%9C%D0%90%20%D0%A0%D1%83%D1%81%D0%B8.pdf">https://andoz.tj/docs/strategy/%D0%91%D0%B0%D1%80%D0%BD%D0%BE%D0%BC%D0%B0%D0%B8%20%D0%A0%D0%9C%D0%90%20%D0%A0%D1%83%D1%81%D0%B8.pdf</a> );
19.2. Revenue risk management	- Tax Code of the Republic of Tajikistan;
19.3. Revenue audit and investigation	- various resolutions of the GoRT with respect to taxation, tax policy, and revenue administration ( <a href="https://andoz.tj/Law/Qarorho?culture=ru-RU">https://andoz.tj/Law/Qarorho?culture=ru-RU</a> );
	- various orders of the Tax Committee ( <a href="https://andoz.tj/Law/FarmoishiKumita?culture=ru-RU">https://andoz.tj/Law/FarmoishiKumita?culture=ru-RU</a> );
	- registry of all electronic services for taxpayers ( <a href="https://andoz.tj/Services?culture=ru-RU">https://andoz.tj/Services?culture=ru-RU</a> );
19.4. Revenue arrears monitoring	- Information on key obligations and rights of taxpayers ( <a href="https://andoz.tj/BaAndozsuporanda/Tavzehot?culture=ru-RU">https://andoz.tj/BaAndozsuporanda/Tavzehot?culture=ru-RU</a> and <a href="https://andoz.tj/BaAndozsuporanda/Dasturamalho?culture=ru-RU">https://andoz.tj/BaAndozsuporanda/Dasturamalho?culture=ru-RU</a> );
	- Integrated Tax Management Information System (ITMIS);
	- inputs from the Tax Committee officials;
	- inputs from the Customs Committee officials;
	- inputs from the Agency for Social Insurance and Pensions (ASIP) officials;
	- inputs from the Ministry of Finance officials.
<b>PI-20. Accounting for revenues</b>	- Law of the Republic of Tajikistan 'On Treasury';
20.1. Information on revenue collections	- annual consolidated financial report for 2020 and the Single Treasury Account (STA);
20.2. Transfer of revenue collections	- Guidelines on the Execution of State Revenue and Expenditure and Preparation of Reports in the Treasury System, approved via the Order of the Minister of Finance #64 dated April 27, 2021 ( <a href="http://moliya.tj/wp-content/uploads/2021/06/dasturamal-oid-ba-i%D2%B7roi-daromad-va-haro%D1%99oti-bu%D2%B7eti-davlat%D3%A3-va-ta%D2%B3iyai-%D2%B3isobot-dar-nizomi-hazinador%D3%A3.pdf">http://moliya.tj/wp-content/uploads/2021/06/dasturamal-oid-ba-i%D2%B7roi-daromad-va-haro%D1%99oti-bu%D2%B7eti-davlat%D3%A3-va-ta%D2%B3iyai-%D2%B3isobot-dar-nizomi-hazinador%D3%A3.pdf</a> );
20.3. Revenue accounts reconciliation	- annual budget performance reports for 2018-2020;
	- inputs from the Tax Committee officials;
	- inputs from the Customs Committee officials;
	- inputs from the Agency for Social Insurance and Pensions (ASIP) officials;
	- inputs from the Central Treasury officials.
<b>PI-21. Predictability of in-year resource allocation</b>	- Law of the Republic of Tajikistan 'On Treasury';
21.1. Consolidation of cash balances	- annual consolidated financial report for 2020 and the Single Treasury Account (STA);
21.2. Cash forecasting and monitoring	- cash flow forecasts in the Tajikistan Financial Management Information System (TFMIS);
21.3. Information on commitment ceilings	- Guidelines on the Execution of State Revenue and
21.4. Significance of in-year budget adjustments	

	Expenditure and Preparation of Reports in the Treasury System, approved via the Order of the Minister of Finance #64 dated April 27, 2021 ( <a href="http://moliya.tj/wp-content/uploads/2021/06/dasturamal-oid-ba-i%D2%B7roi-daromad-va-haro%D1%99oti-bu%D2%B7eti-davlat%D3%A3-va-ta%D2%B3iyai-%D2%B3isobot-dar-nizomi-hazinador%D3%A3.pdf">http://moliya.tj/wp-content/uploads/2021/06/dasturamal-oid-ba-i%D2%B7roi-daromad-va-haro%D1%99oti-bu%D2%B7eti-davlat%D3%A3-va-ta%D2%B3iyai-%D2%B3isobot-dar-nizomi-hazinador%D3%A3.pdf</a> ); - inputs from the Central Treasury officials.
<b>PI-22. Expenditure arrears</b>	- Law of the Republic of Tajikistan 'On Treasury';
22.1. Stock of expenditure arrears	- annual consolidated financial report for 2020 and the Single Treasury Account (STA);
22.2. Expenditure arrears monitoring	- Guidelines on the Execution of State Revenue and Expenditure and Preparation of Reports in the Treasury System, approved via the Order of the Minister of Finance #64 dated April 27, 2021 ( <a href="http://moliya.tj/wp-content/uploads/2021/06/dasturamal-oid-ba-i%D2%B7roi-daromad-va-haro%D1%99oti-bu%D2%B7eti-davlat%D3%A3-va-ta%D2%B3iyai-%D2%B3isobot-dar-nizomi-hazinador%D3%A3.pdf">http://moliya.tj/wp-content/uploads/2021/06/dasturamal-oid-ba-i%D2%B7roi-daromad-va-haro%D1%99oti-bu%D2%B7eti-davlat%D3%A3-va-ta%D2%B3iyai-%D2%B3isobot-dar-nizomi-hazinador%D3%A3.pdf</a> ); - inputs from the Central Treasury officials.
<b>PI-23. Payroll controls</b>	- Law of the Republic of Tajikistan 'On Treasury';
23.1. Integration of payroll and personnel records	- Law of the Republic of Tajikistan 'On Civil Service';
23.2. Management of payroll changes	- Resolution of the GoRT 'On the list of civil service positions (including technical and support personnel) of state bodies' (#194 dated April 27, 2018);
23.3. Internal control of payroll	- inputs from the Ministry of Finance officials;
23.4. Payroll audit	- inputs from the Chamber of Accounts officials; - inputs from the Agency for Civil Service (ACS) officials.
<b>PI-24. Procurement</b>	- Law of the Republic of Tajikistan 'On Public Procurement of Goods, Works and Services';
24.1. Procurement monitoring	- Resolution of the GoRT 'On the Qualification Committee for the Assignment of the Status of a Qualified Procuring Entity' (#319 dated June 1, 2007);
24.2. Procurement methods	- website of the Agency for Public Procurement of Goods, Works and Services (APPGWS) ( <a href="https://zakupki.gov.tj/">https://zakupki.gov.tj/</a> ), including:
24.3. Public access to procurement information	- guidelines for developing a procurement plan ( <a href="https://zakupki.gov.tj/ref/zakupki/">https://zakupki.gov.tj/ref/zakupki/</a> );
24.4. Procurement complaints management	- registry of Qualified Procuring Entities (QPEs) ( <a href="http://portal.zakupki.gov.tj/reestr-kzo/">http://portal.zakupki.gov.tj/reestr-kzo/</a> ); - complaints registry ( <a href="http://portal.zakupki.gov.tj/reestr-zhalob/">http://portal.zakupki.gov.tj/reestr-zhalob/</a> ); - electronic government procurement (e-GP) portal ( <a href="https://eprocurement.gov.tj/">https://eprocurement.gov.tj/</a> ); - inputs from the Agency for Public Procurement of Goods, Works and Services (APPGWS) officials; - inputs from the Ministry of Finance officials.
<b>PI-25. Internal controls on non-salary expenditure</b>	- Law of the Republic of Tajikistan 'On Treasury';
25.1. Segregation of duties	- Guidelines on the Execution of State Revenue and Expenditure and Preparation of Reports in the Treasury System, approved via the Order of the Minister of
25.2. Effectiveness of expenditure commitment controls	
25.3. Compliance with payment rules and procedures	

	<p>Finance #64 dated April 27, 2021 (<a href="http://moliya.tj/wp-content/uploads/2021/06/dasturamal-oid-ba-i%D2%B7roi-daromad-va-haro%D1%99oti-bu%D2%B7eti-davlat%D3%A3-va-ta%D2%B3iyai-%D2%B3isobot-dar-nizomi-hazinador%D3%A3.pdf">http://moliya.tj/wp-content/uploads/2021/06/dasturamal-oid-ba-i%D2%B7roi-daromad-va-haro%D1%99oti-bu%D2%B7eti-davlat%D3%A3-va-ta%D2%B3iyai-%D2%B3isobot-dar-nizomi-hazinador%D3%A3.pdf</a>);</p> <ul style="list-style-type: none"> <li>- various bylaws and regulations with respect to treasury operations and internal financial control;</li> <li>- Tajikistan Financial Management Information System (TFMIS);</li> <li>- inputs from the Ministry of Finance officials.</li> </ul>
<b>PI-26. Internal audit</b>	- Law of the Republic of Tajikistan 'On Internal Audit in Public Sector Entities;
26.1. Coverage of internal audit	- Resolution of the GoRT 'On the Procedure for Creation and Liquidation of Internal Audit Units in Public Sector Entities (#443 dated October 22, 2021);
26.2. Nature of audits and standards applied	- Annual internal audit plan for 2020;
26.3. Implementation of internal audits and reporting	- Information on the activities of the Department of Internal Audit and Control of the Ministry of Finance in 2020 ( <a href="http://moliya.tj/wp-content/uploads/2021/08/malumotnoma-soli-2020.pdf">http://moliya.tj/wp-content/uploads/2021/08/malumotnoma-soli-2020.pdf</a> );
26.4. Response to internal audits	<ul style="list-style-type: none"> <li>- Registry of all internal auditors of the Ministry of Finance's Department for Internal Audit and Supervision (<a href="http://moliya.tj/wp-content/uploads/2022/01/r%D3%AFjhati-auditoroni-dohilie-ki-sertifikati-tahassus%D3%A3-dorand..pdf">http://moliya.tj/wp-content/uploads/2022/01/r%D3%AFjhati-auditoroni-dohilie-ki-sertifikati-tahassus%D3%A3-dorand..pdf</a>);</li> <li>- Code of Ethics of Internal Auditors in the Republic of Tajikistan;</li> <li>- Manual on Internal Audit in the Public Sector in the Republic of Tajikistan;</li> <li>- various guidelines for internal auditors (was available in the outdated version of the Ministry of Finance website), including: <ul style="list-style-type: none"> <li>- annual internal audit planning;</li> <li>- annual internal audit reporting;</li> <li>- internal audit appraisal;</li> </ul> </li> <li>- International Standards for the Professional Practice of Internal Auditing (Institute of Internal Auditors, IIA);</li> <li>- inputs from the Chamber of Accounts officials;</li> <li>- inputs from the Ministry of Finance officials.</li> </ul>

<b>Accounting and reporting</b>	
<b>PI-27. Financial data integrity</b>	<ul style="list-style-type: none"> <li>- Law of the Republic of Tajikistan 'On Treasury';</li> <li>- Law of the Republic of Tajikistan 'On Mandatory Pension Insurance;</li> <li>- Guidelines on the Execution of State Revenue and Expenditure and Preparation of Reports in the Treasury System, approved via the Order of the Minister of Finance #64 dated April 27, 2021 (<a href="http://moliya.tj/wp-content/uploads/2021/06/dasturamal-oid-ba-i%D2%B7roi-daromad-va-haro%D1%99oti-bu%D2%B7eti-davlat%D3%A3-va-ta%D2%B3iyai-%D2%B3isobot-dar-nizomi-hazinador%D3%A3.pdf">http://moliya.tj/wp-content/uploads/2021/06/dasturamal-oid-ba-i%D2%B7roi-daromad-va-haro%D1%99oti-bu%D2%B7eti-davlat%D3%A3-va-ta%D2%B3iyai-%D2%B3isobot-dar-nizomi-hazinador%D3%A3.pdf</a>);</li> <li>- annual consolidated financial report for 2020 and the Single Treasury Account (STA);</li> <li>- inputs from the Central Treasury officials.</li> </ul>
27.1. Bank account reconciliation	
27.2. Suspense accounts	
27.3. Advance accounts	
27.4. Financial data integrity processes	
<b>PI-28. In-year budget reports</b>	<ul style="list-style-type: none"> <li>- quarterly and semi-annual budget performance reports for 2018-2020 produced by the Ministry of Finance;</li> <li>- Order of the Minister of Finance 'On the Guidelines for the Preparation of State Budget Performance Report and the Citizens' Budget of the Republic of Tajikistan' (#106 dated September 29, 2020);</li> <li>- Guidelines on the Execution of State Revenue and Expenditure and Preparation of Reports in the Treasury System, approved via the Order of the Minister of Finance #64 dated April 27, 2021 (<a href="http://moliya.tj/wp-content/uploads/2021/06/dasturamal-oid-ba-i%D2%B7roi-daromad-va-haro%D1%99oti-bu%D2%B7eti-davlat%D3%A3-va-ta%D2%B3iyai-%D2%B3isobot-dar-nizomi-hazinador%D3%A3.pdf">http://moliya.tj/wp-content/uploads/2021/06/dasturamal-oid-ba-i%D2%B7roi-daromad-va-haro%D1%99oti-bu%D2%B7eti-davlat%D3%A3-va-ta%D2%B3iyai-%D2%B3isobot-dar-nizomi-hazinador%D3%A3.pdf</a>);</li> <li>- inputs from the Central Treasury officials.</li> </ul>
28.1. Coverage and comparability of reports	
28.2. Timing of in-year budget reports	
28.3. Accuracy of in-year budget reports	
<b>PI-29. Annual financial reports</b>	<ul style="list-style-type: none"> <li>- annual consolidated financial report for 2020;</li> <li>- IPSAS Implementation Roadmap of the Republic of Tajikistan for 2021-2025 (approved via the Order of the Minister of Finance #67 dated June 15, 2020);</li> <li>- inputs from the Central Treasury officials.</li> </ul>
29.1. Completeness of annual financial reports	
29.2. Submission of the reports for external audit	
29.3. Accounting standards	
<b>External scrutiny and audit</b>	
<b>PI-30. External audit</b>	<ul style="list-style-type: none"> <li>- Law of the Republic of Tajikistan 'On the Chamber of Accounts';</li> <li>- Law of the Republic of Tajikistan 'On Public Finances';</li> <li>- Provisions of the Chamber of Accounts (<a href="https://www.sai.tj/images/banners/12/NIZOMNOMA%20PH.pdf">https://www.sai.tj/images/banners/12/NIZOMNOMA%20PH.pdf</a>);</li> <li>- National auditing standards, guidelines of the Chamber of Accounts, and ISSAI (<a href="https://www.sai.tj/index.php/tj/metododol">https://www.sai.tj/index.php/tj/metododol</a>);</li> <li>- Development Strategy of the Chamber of Accounts of the Republic of Tajikistan for 2019-2023 (<a href="https://www.sai.tj/images/prensa/qonunru/DEVELOPMENT%20STRATEGY%20rus.%20version.pdf">https://www.sai.tj/images/prensa/qonunru/DEVELOPMENT%20STRATEGY%20rus.%20version.pdf</a>);</li> </ul>
30.1. Audit coverage and standards	
30.2. Submission of audit reports to the legislature	
30.3. External audit follow-up	
30.4. Supreme Audit Institution independence	

	<ul style="list-style-type: none"> <li>- audit statement of the Chamber of Accounts based on its audit of the state budget performance in 2020 (<a href="https://www.sai.tj/images/Hujiatho/Hisobotho/Khulos a2020.pdf">https://www.sai.tj/images/Hujiatho/Hisobotho/Khulos a2020.pdf</a>);</li> <li>- an example of audit statement of the Chamber of Accounts based on its financial audit of the Ministry of Agriculture during 2019-2021 (<a href="https://www.sai.tj/images/Hujiatho/Hisobotho/Vazora tikishovarzi.pdf">https://www.sai.tj/images/Hujiatho/Hisobotho/Vazora tikishovarzi.pdf</a>);</li> <li>- summary of the performance of the Chamber of Accounts in the last three years (<a href="https://www.sai.tj/index.php/tj/isobot-o">https://www.sai.tj/index.php/tj/isobot-o</a>);</li> <li>- inputs from the Ministry of Finance officials;</li> <li>- inputs from the Chamber of Accounts officials.</li> </ul>
<b>PI-31. Legislative scrutiny of audit reports</b>	
31.1. Timing of audit report scrutiny	- Constitutional Law of the Republic of Tajikistan 'On Majlisi Oli of the Republic of Tajikistan' (on parliament);
31.2. Hearings on audit findings	- Law of the Republic of Tajikistan 'On Public Finances';
31.3. Recommendations on audit by the legislature	- Website of the Lower Chamber of the Parliament ( <a href="https://www.parlament.tj/ru">https://www.parlament.tj/ru</a> );
31.4. Transparency of legislative scrutiny of audit reports	<ul style="list-style-type: none"> <li>- Budget proposal for 2021 and indicative parameters for 2022-2023, including annexes (also available on the website of the Ministry of Finance at this link: <a href="http://moliya.tj/byudzhetniyi-proczess-2021-2023gg/">http://moliya.tj/byudzhetniyi-proczess-2021-2023gg/</a>);</li> <li>- Public Investment Program for 2021-2025, which was submitted to the Parliament as part of the budget proposal package;</li> <li>- inputs from the Ministry of Finance officials;</li> <li>- inputs from the Economy and Finance Committee under the Lower Chamber of the Parliament.</li> </ul>

## Annex 4: Tracking change in performance based on previous versions of PEFA

Indicator/Dimension	Score previous assessment (2017 PEFA)	Score current assessment (2022 PEFA)	Change	Explanation of change
<b>Pillar 1: Budget reliability</b>				
<b>PI-1. Aggregate expenditure outturn</b>	<b>A</b>	<b>B</b>	↓	The variance between outturn and planned budgets worsened slightly, not least due to COVID-induced implications.
<b>PI-2. Expenditure composition outturn</b>	<b>D+</b>	<b>D+</b>	--	
2.1. Expenditure composition outturn by function	D	D	--	No underlying change
2.2. Expenditure composition outturn by economic type	C	D	↓	Deviation from the original plan exceeded 15% in 2018-2020, compared to less than 15% on average during 2013-2015.
2.3. Expenditure from contingency reserves	A	A	--	No underlying change
<b>PI-3. Revenue outturn</b>	<b>B</b>	<b>B+</b>	↑	
3.1. Aggregate revenue outturn	B	A	↑	Revenue outturn was between 98.2% and 105.3% in 2018-2020, compared to a 10% range in 2013-2015.
3.2. Revenue composition outturn	B	B	--	No underlying change
<b>Pillar 2: Transparency of public finances</b>				
<b>PI-4. Budget classification</b>	<b>B</b>	<b>B</b>	--	No underlying change
<b>PI-5. Budget documentation</b>	<b>A</b>	<b>A</b>	--	No underlying change
<b>PI-6. Central government operations outside financial reports</b>	<b>A</b>	<b>A</b>	--	
6.1. Expenditure outside financial reports	A	A	--	No underlying change
6.2. Revenue outside financial reports	A	A	--	No underlying change
6.3. Financial reports of extra-budgetary units	A	A	--	No underlying change
<b>PI-7. Transfers to subnational governments</b>	<b>B</b>	<b>C+</b>	↓	
7.1. System for allocating transfers	C	D	↓	The allocation of IGFTs still does not follow a rules-based approach, which was also the case at the time of the previous assessment (thus, the 2017 PEFA score also should have been 'D').
7.2. Timeliness of information on transfers	A	A	--	No underlying change
<b>PI-8. Performance information for service delivery</b>	<b>D</b>	<b>D</b>	--	

Indicator/Dimension	Score previous assessment (2017 PEFA)	Score current assessment (2022 PEFA)	Change	Explanation of change
<b>Pillar 1: Budget reliability</b>				
8.1. Performance plans for service delivery	D	D	--	No underlying change
8.2. Performance achieved for service delivery	D	D	--	No underlying change
8.3. Resources received by service delivery units	C	D	↓	Resources received by service delivery units (SDUs) are recorded at SDU level, but are not consolidated at the central government level and are not compiled into a report. This was also the case at the time of the previous assessment (thus, the 2017 PEFA score also should have been 'D').
8.4. Performance evaluation for service delivery	D	D	--	No underlying change
<b>PI-9. Public access to fiscal information</b>	<b>D</b>	<b>B</b>	↑	Significant improvement. In 2020, public access was provided to 7 (out of 9) main elements, including at least 4 (out of 5) basic elements of fiscal information, compared to 2 (out of 9) main elements and 2 (out of 5) basic elements in 2017.
<b>Pillar 3: Management of assets and liabilities</b>				
<b>PI-10. Fiscal risk reporting</b>	<b>C</b>	<b>D+</b>	↓	No underlying change
10.1. Monitoring of public corporations	C	D	↓	Monitoring of public corporations only covers a small fraction of all SOEs in the country, which was also the situation in the last assessment (and the score in 2017 should have also been 'D' rather than 'C').
10.2. Monitoring of sub-national government	C	C	--	No underlying change
10.3. Contingent liabilities and other fiscal risks	C	C	--	No underlying change
<b>PI-11. Public investment management</b>	<b>D+</b>	<b>C+</b>	↑	
11.1. Economic analysis of investment proposals	C	C	--	No underlying change
11.2. Investment project selection	D	B	↑	Following the adoption of the relevant government resolution in March 2018, investment project selection is undertaken on the basis of standard selection criteria.
11.3. Investment project costing	C	C	--	No underlying change
11.4. Investment project monitoring	C	C	--	No underlying change
<b>PI-12. Public asset management</b>	<b>C+</b>	<b>C</b>	↓	
12.1. Financial asset monitoring	C	C	--	No underlying change
12.2. Nonfinancial asset monitoring	C	C	--	No underlying change

Indicator/Dimension	Score previous assessment (2017 PEFA)	Score current assessment (2022 PEFA)	Change	Explanation of change
<b>Pillar 1: Budget reliability</b>				
12.3. Transparency of asset disposal.	B	C	↓	Relevant procedures and rules are well-established, but only limited basic information on the transfers and disposals of financial and non-financial assets is included in the budget proposal. This was also the case during the 2017 assessment (thus, the 2017 PEFA score also should have been 'C').
<b>PI-13. Debt management</b>				
13.1. Recording and reporting of debt and guarantees	B	B	--	No underlying change
13.2. Approval of debt and guarantees	A	B	↓	There are two central government entities (namely, Ministry of Finance and NBT) that are mandated to borrow and issue new debt on behalf of the government. This was also the case during the 2017 assessment (thus, the 2017 PEFA score also should have been 'B').
13.3. Debt management strategy	A	A	--	No underlying change
<b>Pillar 4: Policy-based fiscal strategy and budgeting</b>				
<b>PI-14. Macroeconomic and fiscal forecasting</b>				
14.1. Macroeconomic forecasts	B	B	--	No underlying change
14.2. Fiscal forecasts	C	B	↑	The MoF submits its three-year macro-fiscal framework as part of the budget proposal to the legislature, including underlying assumptions.
14.3. Macro-fiscal sensitivity analysis	D	C	↑	Macro-fiscal analysis is carried out by three central government agencies (MoEDT, MoF and NBT) and various scenarios are developed based on sensitivity analysis, but this information is not publicly disclosed.
<b>PI-15. Fiscal strategy</b>				
15.1. Fiscal impact of policy proposals	C	D*	n/a	The assessment team could not access the required information on fiscal impact. Fiscal impact assessments are believed to be rudimentary, often cover only a single year (e.g. next financial year) and are not publicly accessible. The 2017 PEFA assessment did not review the quality of fiscal impact work undertaken by the Ministry of Finance.
15.2. Fiscal strategy adoption	B	A	↑	The PFM Reform Strategy until 2030 was



Indicator/Dimension	Score previous assessment (2017 PEFA)	Score current assessment (2022 PEFA)	Change	Explanation of change
<b>Pillar 1: Budget reliability</b>				
				endorsed by the President in January 2020, and its three-year operational framework has been in place since April 2021. The previous strategy, which was referenced in the 2017 PEFA assessment, did not include clear and time-based quantitative fiscal goals and targets.
15.3. Reporting on fiscal outcomes	C	A	↑	Reporting on fiscal outcomes has improved as a result of the development and timely and comprehensive issuance of the explanatory notes by the Ministry of Finance that are submitted to the legislature with the budget proposal.
<b>PI-16. Medium-term perspective in expenditure budgeting</b>	<b>D+</b>	<b>C</b>	↑	
16.1. Medium-term expenditure estimates	D	B	↑	The annual and medium-term state budget present public expenditure by administrative and economic classification (and program classification that is being piloted since 2019 and, so far, only covers the central government). The 2017 PEFA assessment based its 'D' score on some methodological discrepancies.
16.2. Medium-term expenditure ceilings	C	C	--	No underlying change
16.3. Alignment of strategic plans and medium-term budgets	C	C	--	No underlying change
16.4 Consistency of budgets with previous year's estimates	D	D	--	No underlying change
<b>PI-17. Budget preparation process</b>	<b>B</b>	<b>B</b>	--	
17.1. Budget calendar	C	B	↑	The difference in scores is explained by the fact that budgetary units now have more time to prepare their budget proposals during the budget preparation process compared to the previous assessment (i.e. an estimated 10 weeks from receipt of the budget circular in 2018-2020 compared to 15 days in 2014-2016).
17.2. Guidance on budget preparation	C	C	--	No underlying change
17.3. Budget submission to the legislature	A	A	--	No underlying change
<b>PI-18. Legislative scrutiny of budgets</b>	<b>B+</b>	<b>B+</b>	--	

Indicator/Dimension	Score previous assessment (2017 PEFA)	Score current assessment (2022 PEFA)	Change	Explanation of change
<b>Pillar 1: Budget reliability</b>				
18.1. Scope of budget scrutiny	A	B	↓	The legislature's review of medium-term fiscal forecasts and medium-term priorities is very limited, which could be attributed to limited staff and technical capacity in the Committee on Economy and Finance. During the 2017 PEFA assessment, the Committee had a dedicated analytical unit in place, which is no longer operational.
18.2. Legislative procedures for budget scrutiny	B	B	--	No underlying change
18.3. Timing of budget approval	A	A	--	No underlying change
18.4. Rules for budget adjustments by the executive	A	A	--	No underlying change
<b>Pillar 5: Predictability and control in budget execution</b>				
<b>PI-19. Revenue administration</b>				
19.1. Rights and obligations for revenue measures	B	A	↑	Entities collecting most revenues (Tax Committee and Customs Service) use multiple channels to provide taxpayers with information about their rights and obligations. The 2017 PEFA assessment captured information merely from a single revenue collecting entity (Tax Committee).
19.2. Revenue risk management	B	C	↓	Risk-based approach has been introduced, but the new IT modules in the Tax Committee and the Customs Service have not been fully operationalized at the time of the assessment (in 2020). The 2017 PEFA assessment captured information merely from a single revenue collecting entity.
19.3. Revenue audit and investigation	D	D	--	No underlying change
19.4. Revenue arrears monitoring	C	A	↑	In 2020, total outstanding tax debt comprised 8.3% of total tax receipts, and revenue arrears older than 12 months were equivalent to 17.2% of total revenue arrears. In 2016, total outstanding tax debt was 3.7% of total tax receipts, but revenue arrears older than 12 months equaled 74.8% of total revenue arrears.
<b>PI-20. Accounting for revenues</b>				
20.1. Information on revenue	A	A	--	No underlying change

Indicator/Dimension	Score previous assessment (2017 PEFA)	Score current assessment (2022 PEFA)	Change	Explanation of change
<b>Pillar 1: Budget reliability</b>				
collections				
20.2. Transfer of revenue collections	A	A	--	No underlying change
20.3. Revenue accounts reconciliation	A	A	--	No underlying change
<b>PI-21. Predictability of in-year resource allocation</b>	<b>C+</b>	<b>C+</b>	--	
21.1. Consolidation of cash balances	C	C	--	No underlying change
21.2. Cash forecasting and monitoring	C	C	--	No underlying change
21.3. Information on commitment ceilings	B	A	↑	In 2020, budgetary units produced annual spending plans (with commitment ceilings) broken down by quarters. The 2017 PEFA assessment indicated that budgetary units had only quarterly spending plans with expenditure ceilings.
21.4. Significance of in-year budget adjustments	C	C	--	No underlying change
<b>PI-22. Expenditure arrears</b>	<b>C+</b>	<b>C+</b>	--	
22.1. Stock of expenditure arrears	A	B	↓	The stock of expenditure arrears amounted to no more than 6% of total expenditure in the last three years (i.e. 2.3% in 2020, 2.5% in 2019, and 1.6% in 2018 respectively), compared to less than 2% of total expenditure in at least two years during 2014-2016 (i.e. 3.4% in 2014, 0.3% in 2015, and 15.4% in 2016 respectively).
22.2. Expenditure arrears monitoring	C	C	--	No underlying change
<b>PI-23. Payroll controls</b>	<b>C+</b>	<b>C+</b>	--	
23.1. Integration of payroll and personnel records	B	B	--	No underlying change
23.2. Management of payroll changes	A	A	--	No underlying change
23.3. Internal control of payroll	C	C	--	No underlying change
23.4. Payroll audit	B	B	--	No underlying change
<b>PI-24. Procurement</b>	<b>B</b>	<b>B</b>	--	
24.1. Procurement monitoring	B	B	--	No underlying change
24.2. Procurement methods	A	A	--	No underlying change
24.3. Public access to procurement information	B	B	--	No underlying change
24.4. Procurement complaints management	D	D	--	No underlying change
<b>PI-25. Internal controls on non-salary expenditure</b>	<b>B+</b>	<b>A</b>	↑	
25.1. Segregation of duties	B	A	↑	Appropriate segregation of duties is prescribed/ensured in national

Indicator/Dimension	Score previous assessment (2017 PEFA)	Score current assessment (2022 PEFA)	Change	Explanation of change
<b>Pillar 1: Budget reliability</b>				
				legislation, including for audit of IT systems. The latter was not in place at the time of the 2017 PEFA assessment.
25.2. Effectiveness of expenditure commitment controls	A	B	↓	Similar to 2017, expenditure commitment controls are now in place and effectively limit commitments to projected cash availability and approved budget allocations for most types of expenditure, excluding social contributions and social benefits, and the acquisition of financial and non-financial assets. The 2017 PEFA assessment should have been scored 'B'.
25.3. Compliance with payment rules and procedures	B	A	↑	All payments are compliant with regular payment procedures. All exceptions are properly authorized in advance and justified (compared to <i>most</i> exceptions in the 2017 PEFA assessment).
<b>PI-26. Internal audit</b>	<b>C</b>	<b>C+</b>	<b>↑</b>	
26.1. Coverage of internal audit	C	B	↑	Following amendments to internal audit legislation (in 2020) and new government resolution on the procedure for creation and liquidation of internal audit units in public sector entities (in 2021), internal audit is now operationalized in 10 central government entities, representing <i>most</i> of total budgeted expenditures and for central government entities collecting <i>most</i> of budgeted government revenue. In the 2017 PEFA assessment, internal audit was present in central government entities representing the <i>majority</i> of total budgeted expenditure.
26.2. Nature of audits and standards applied	C	C	--	No underlying change
26.3. Implementation of internal audits and reporting	C	B	↑	Compared to the previous assessment, adherence to audit plans and programs has generally improved. Currently, <i>most</i> programmed audits are completed (compared to <i>majority</i> of programmed audits based on the 2017 PEFA assessment).
26.4. Response to internal audits	C	B	↑	In parallel with improved adherence to audit plans and programs, management provides a partial response to audit

Indicator/Dimension	Score previous assessment (2017 PEFA)	Score current assessment (2022 PEFA)	Change	Explanation of change
<b>Pillar 1: Budget reliability</b>				
				recommendations for <i>most</i> audited entities within 12 months of the report being produced (compared to <i>majority</i> of audited entities based on the 2017 PEFA assessment).
<b>Pillar 6: Accounting and reporting</b>				
<b>PI-27. Financial data integrity</b>				
27.1. Bank account reconciliation	A	A	--	No underlying change
27.2. Suspense accounts	N/A	A	↑	Within the Treasury Single Account (TSA), there is an account intended for crediting unclear amounts with clear procedures being put in place. The 2017 PEFA assessment argued that there were no suspense accounts at the time, which is why this parameter was not rated.
27.3. Advance accounts	B	C	↓	While the vast majority of advance accounts are cleared in a timely manner, reconciliation of advance accounts is reportedly performed annually. The 2017 PEFA assessment indicated that in 2016 reconciliation took place at least monthly.
27.4. Financial data integrity processes	B	A	↑	Unlike in 2017, access and changes to records is restricted and recorded, and results in an audit trail. There is a state unitary enterprise (an ICT unit) under the Ministry of Finance that is responsible for checking the integrity of financial data.
<b>PI-28. In-year budget reports</b>				
28.1. Coverage and comparability of reports	B	C	↓	In-year budget reports are produced on a monthly, quarterly, and semi-annual basis, but does not allow direct comparability and alignment of performance with plan for the main administrative units (i.e. MABAs). This was also the case during the 2017 PEFA assessment, which is why the previous assessment's score should have been 'C'.
28.2. Timing of in-year budget reports	B	B	--	No underlying change
28.3. Accuracy of in-year budget reports	A	A	--	No underlying change
<b>PI-29. Annual financial reports</b>				
	D+	D+	--	

Indicator/Dimension	Score previous assessment (2017 PEFA)	Score current assessment (2022 PEFA)	Change	Explanation of change
<b>Pillar 1: Budget reliability</b>				
29.1. Completeness of annual financial reports	C	B	↑	Annual financial reports cover the majority of assets and liabilities (except the Public Investment Program and financial performance of state-owned enterprises). The 2017 PEFA assessment indicated that the low score ('C') was justified because national accounting standards were not sufficiently consistent (and not regularly updated in line) with IPSAS.
29.2. Submission of the reports for external audit	C	B	↑	Financial reports are submitted to the Chamber of Accounts within 6 months of the end of the fiscal year. The 2017 PEFA assessment acknowledged the same provision in national budgeting legislation, but still gave an incorrect score of 'C'.
29.3. Accounting standards	D	D	--	No underlying change
<b>Pillar 7: External scrutiny and audit</b>				
<b>PI-30. External audit</b>	<b>C+</b>	<b>D+</b>	↓	
30.1. Audit coverage and standards	C	C	--	No underlying change
30.2. Submission of audit reports to the legislature	A	A	--	No underlying change
30.3. External audit follow-up	B	B	--	No underlying change
30.4. Supreme Audit Institution independence	C	D	↓	The Chamber of Accounts is not fully financially independent (in particular, in terms of setting the amount of official salaries, as well as conditions and procedures for paying wages to the chairman, deputy chairman, and chief auditors. The 2017 PEFA score also should have been 'D' since the situation remains unchanged.
<b>PI-31. Legislative scrutiny of audit reports</b>	<b>C+</b>	<b>C+</b>	--	
31.1. Timing of audit report scrutiny	A	A	--	No underlying change
31.2. Hearings on audit findings	C	C	--	No underlying change
31.3. Recommendations on audit by the legislature	B	B	--	No underlying change
31.4. Transparency of legislative scrutiny of audit reports	D	D	--	No underlying change



# Annex 5: Calculations for PI-1, PI-2 and PI-3

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

Step 1: Enter the three fiscal years used for assessment in table 1.

Step 2: Enter the **administrative** OR **functional** head for up to 20 heads.


The 21st line will be the sum of figures for all remaining heads (if any).

Step 3: Enter **budget** and **actual** expenditure data for each of the three years in tables 2, 3, and 4 respectively.

Step 4: Enter **contingency** data for each of the three years in tables 2, 3, and 4 respectively.

Step 5: Read the results for each of the three years for each indicator in table 5.

Step 6: Refer to the scoring tables for indicators PI-1 and PI-2 respectively in the Performance Measurement Framework in order to decide the score for each indicator.

**Table 1 - Fiscal years for assessment**

Year 1 =	2018					
Year 2 =	2019					
Year 3 =	2020					



**Table 2 (in million TJS)**

	Data for year =		2018				
administrative or functional head	<b>budget</b>	<b>actual</b>	adjusted budget	deviation	absolute deviation	percent	
1. Public administration and governance	1,122.4	1,646.9	1,290.9	356.0	356.0	27.6	
2. Defense	751.7	771.1	864.5	-93.4	93.4	10.8	
3. Law enforcement	904.5	905.9	1,040.3	-134.4	134.4	12.9	
4. Education	3,655.4	3,702.6	4,204.1	-501.5	501.5	11.9	
5. Health	1,535.4	1,538.1	1,765.9	-227.8	227.8	12.9	
6. Social assistance and social protection	3,379.9	3,156.8	3,887.2	-730.4	730.4	18.8	
7. Housing and communal services	1,380.6	1,154.9	1,587.8	-432.9	432.9	27.3	
8. Culture and sport	529.8	744.1	609.3	134.8	134.8	22.1	
9. Fuel and energy complex	3,483.2	6,471.6	4,006.1	2,465.5	2,465.5	61.5	
10. Agriculture, fishery and hunting	681.6	571.5	783.9	-212.4	212.4	27.1	
11. Industry and construction	171.4	141.9	197.1	-55.2	55.2	28.0	
12. Transport and communications	576.0	780.9	662.5	118.4	118.4	17.9	
13. Other economic activity and services	57.3	53.9	65.9	-12.0	12.0	18.2	
14. Expenditure not indicated in other categories	1,055.6	539.4	1,214.1	-674.7	674.7	55.6	
allocated expenditure	19,284.8	22,179.6	22,179.6	0.0	6,149.5		
interests	1,420.9	1,354.5					
contingency	631.7	511.1					
total expenditure	21,337.4	24,045.2					
aggregate outturn (PI-1)							112.7
composition (PI-2) variance							27.7
contingency share of budget							2.4

<b>Table 3 (in million TJS)</b>							
	<b>Data for year =</b>		<b>2019</b>				
administrative or functional head	<b>budget</b>	<b>actual</b>	adjusted budget	deviation	absolute deviation	percent	
1. Public administration and governance	1,363.4	1,423.2	1,359.5	63.7	63.7	4.7	
2. Defense	806.6	788.7	804.3	-15.6	15.6	1.9	
3. Law enforcement	986.7	1,056.9	983.9	73.0	73.0	7.4	
4. Education	4,230.9	4,338.6	4,218.7	119.9	119.9	2.8	
5. Health	1,744.3	1,793.4	1,739.3	54.1	54.1	3.1	
6. Social assistance and social protection	3,715.4	3,515.0	3,704.7	-189.7	189.7	5.1	
7. Housing and communal services	1,616.4	1,255.2	1,611.8	-356.6	356.6	22.1	
8. Culture and sport	592.3	945.9	590.6	355.3	355.3	60.2	
9. Fuel and energy complex	4,101.9	4,674.3	4,090.1	584.2	584.2	14.3	
10. Agriculture, fishery and hunting	918.6	632.4	916.0	-283.6	283.6	31.0	
11. Industry and construction	200.7	193.0	200.1	-7.1	7.1	3.6	
12. Transport and communications	732.2	930.4	730.1	200.3	200.3	27.4	
13. Other economic activity and services	48.7	71.1	48.6	22.5	22.5	46.4	
14. Expenditure not indicated in other categories	1,056.8	433.2	1,053.8	-620.6	620.6	58.9	
allocated expenditure	22,114.9	22,051.3	22,051.3	0.0	2,946.2		
interests	1,476.6	1,348.4					
contingency	680.3	265.6					
total expenditure	24,271.8	23,665.3					
aggregate outturn (PI-1)						97.5	
composition (PI-2) variance						13.4	
contingency share of budget						1.1	

<b>Table 4 (in million TJS)</b>							
	<b>Data for year =</b>		<b>2020</b>				
administrative or functional head	<b>budget</b>	<b>actual</b>	adjusted budget	deviation	absolute deviation	percent	
1. Public administration and governance	1,411.5	1,380.0	1,382.6	-2.6	2.6	0.2	
2. Defense	892.5	795.9	874.2	-78.3	78.3	9.0	
3. Law enforcement	1,054.3	1,001.8	1,032.7	-30.9	30.9	3.0	
4. Education	4,783.0	4,311.4	4,685.0	-373.6	373.6	8.0	
5. Health	1,857.3	2,583.1	1,819.2	763.9	763.9	42.0	
6. Social assistance and social protection	3,952.2	3,865.9	3,871.2	-5.3	5.3	0.1	
7. Housing and communal services	1,817.7	1,419.1	1,780.4	-361.3	361.3	20.3	
8. Culture and sport	744.9	987.1	729.6	257.5	257.5	35.3	
9. Fuel and energy complex	3,927.6	4,976.5	3,847.2	1,129.4	1,129.4	29.4	
10. Agriculture, fishery and hunting	789.9	612.9	773.8	-160.9	160.9	20.8	
11. Industry and construction	279.2	171.5	273.4	-101.9	101.9	37.3	
12. Transport and communications	1,013.6	705.7	992.8	-287.1	287.1	28.9	
13. Other economic activity and services	70.0	224.1	68.6	155.5	155.5	226.7	
14. Expenditure not indicated in other categories	1,390.0	457.2	1,361.5	-904.3	904.3	66.4	
allocated expenditure	23,983.6	23,492.2	23,492.2	0.0	4,612.5		
interests	1,742.8	986.2					
contingency	725.5	320.0					
total expenditure	26,451.9	24,798.4					
aggregate outturn (PI-1)						93.7	
composition (PI-2) variance						19.6	
contingency share of budget						1.2	

<b>Table 5 - Results Matrix</b>			
	for PI-1.1	for PI-2.1	for PI-2.3
year	total expenditure outturn	composition variance	contingency share
2020	93.7%	19.6%	1.6%
2019	97.5%	13.4%	
2018	112.7%	27.7%	

### Calculation Sheet for Expenditure by Economic Classification Variance PI-2.2

Step 1: Enter the three fiscal years used for assessment in table 1.

Step 2: Enter **budget** and **actual** expenditure data for each of the three years in tables 2, 3, and 4 respectively.

Step 3: Read the results for each of the three years for each indicator in table 5.

**Table 1 - Fiscal years for assessment**

Year 1 =	2018					
Year 2 =	2019					
Year 3 =	2020					

**Table 2 (in million TJS)**

Data for year = 2018						
Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Compensation of employees	4,760.5	4,664.1	5,364.6	-700.5	700.5	13.1
Use of goods and services	7,272.1	6,775.3	8,195.0	-1,419.7	1,419.7	17.3
Consumption of fixed capital	4,229.2	7,985.8	4,765.9	3,219.9	3,219.9	67.6
Interest	1,421.0	1,354.5	1,601.3	-246.8	246.8	15.4
Subsidies	118.4	126.2	133.4	-7.2	7.2	5.4
Grants	190.1	66.9	214.2	-147.3	147.3	68.8
Social benefits	3,281.0	3,009.6	3,697.4	-687.8	687.8	18.6
Other expenses	65.2	62.9	73.5	-10.6	10.6	14.4
<b>Total expenditure</b>	<b>21,337.5</b>	<b>24,045.3</b>	<b>24,045.3</b>	<b>0.0</b>	<b>6,439.8</b>	
composition variance						26.8

<b>Table 3 (in million TJS)</b>						
<b>Data for year = 2019</b>						
Economic head	<b>budget</b>	<b>actual</b>	<b>adjusted budget</b>	<b>deviation</b>	<b>absolute deviation</b>	<b>percent</b>
Compensation of employees	5,358.7	5,223.1	5,224.8	-1.7	1.7	0.0
Use of goods and services	9,009.7	6,850.0	8,784.5	-1,934.5	1,934.5	22.0
Consumption of fixed capital	4,419.8	6,615.3	4,309.3	2,306.0	2,306.0	53.5
Interest	1,476.6	1,348.4	1,439.7	-91.3	91.3	6.3
Subsidies	112.1	150.3	109.3	41.0	41.0	37.5
Grants	209.4	109.6	204.2	-94.6	94.6	46.3
Social benefits	3,612.0	3,291.6	3,521.7	-230.1	230.1	6.5
Other expenses	73.6	76.9	71.8	5.1	5.1	7.2
<b>Total expenditure</b>	<b>24,271.8</b>	<b>23,665.3</b>	<b>23,665.2</b>	<b>0.0</b>	<b>4,704.2</b>	
composition variance						19.9

<b>Table 4 (in million TJS)</b>						
<b>Data for year = 2020</b>						
Economic head	<b>budget</b>	<b>actual</b>	<b>adjusted budget</b>	<b>deviation</b>	<b>absolute deviation</b>	<b>percent</b>
Compensation of employees	5,866.1	5,660.7	5,499.4	161.3	161.3	2.9
Use of goods and services	9,653.8	7,457.6	9,050.4	-1,592.8	1,592.8	17.6
Consumption of fixed capital	4,707.8	6,497.3	4,413.5	2,083.8	2,083.8	47.2
Interest	1,742.8	986.2	1,633.9	-647.7	647.7	39.6
Subsidies	153.2	193.3	143.6	49.7	49.7	34.6
Grants	306.3	311.0	287.2	23.8	23.8	8.3
Social benefits	3,938.9	3,614.7	3,692.7	-78.0	78.0	2.1
Other expenses	82.9	77.6	77.7	-0.1	0.1	0.2
<b>Total expenditure</b>	<b>26,451.9</b>	<b>24,798.4</b>	<b>24,798.4</b>	<b>0.0</b>	<b>4,637.1</b>	
composition variance						18.7

<b>Table 5 - Results Matrix</b>	
Year	composition variance
2018	26.8
2019	19.9
2020	18.7

**Calculation Sheet for Revenue outturn (Oct 2018)**

Step 1: Enter the three fiscal years used for assessment in table 1.

Step 2: Enter **budget** and **actual** revenue data for each of the three years in tables 2, 3, and 4 respectively.

Step 3: Read the results for each of the three years for each dimension in table 5.

**Table 1 - Fiscal years for assessment**

Year 1 =	2018
Year 2 =	2019
Year 3 =	2020


**Table 2 (in million TJS)**

**Data for year = 2018**

Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
<b>Tax revenues</b>						
Taxes on income, profit and capital gains	3,331.8	3,434.8	3,509.8	-75	75	2.1%
Taxes on payroll and workforce	--	--	--	--	--	--
Taxes on property	340.6	357.6	358.8	-1	1	0.3%
Taxes on goods and services	3,695.2	3,320.8	3,892.6	-572	572	14.7%
Taxes on international trade and transactions	4,735.6	4,774.1	4,988.7	-215	215	4.3%
Other taxes	955.0	1,039.6	1,006.1	-34	34	3.3%
<b>Social contributions</b>						
Social security contributions	1,682.0	1,638.0	1,771.9	-133.9	133.9	7.6%
Other social contributions	--	--	--	0.0	0.0	--
<b>Grants</b>						
Grants from foreign governments	405.0	100.7	426.6	-325.9	325.9	76.4%
Grants from international organizations	1,509.9	1,870.0	1,590.6	279.5	279.5	17.6%
Grants from other government units	--	--	--	0.0	0.0	--
<b>Other revenue</b>						
Property income	--	--	--	0.0	0.0	--
Sales of goods and services	466.8	476.0	491.8	-15.8	15.8	3.2%
Fines, penalties and forfeits	238.8	389.8	251.6	138.2	138.2	54.9%
Transfers not elsewhere classified	1,112.7	1,153.4	1,172.2	-18.8	18.8	1.6%
Premiums, fees, and claims related to nonlife insurance and standardized guarantee schemes	--	--	--	0.0	0.0	--
Sum of rest	2,612.5	3,657.9	2,752.1	905.8	905.8	32.9%
<b>Total revenue</b>	<b>21,085.9</b>	<b>22,212.8</b>	<b>22,212.8</b>	<b>0.0</b>	<b>2,714.1</b>	
overall variance						105.3%
composition variance						12.2%

**Table 3 (in million TJS)**

Data for year = 2019						
Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Tax revenues						
Taxes on income, profit and capital gains	3,848.1	3,813.6	3,779.6	34.0	34.0	0.9%
Taxes on payroll and workforce	--	--	0.0	0.0	--	--
Taxes on property	355.8	371.0	349.5	21.5	21.5	6.2%
Taxes on goods and services	4,051.0	3,449.4	3,978.9	-529.5	529.5	13.3%
Taxes on international trade and transactions	5,070.7	5,410.0	4,980.5	429.5	429.5	8.6%
Other taxes	985.9	1,025.3	968.4	56.9	56.9	5.9%
Social contributions						
Social security contributions	1,810.0	1,706.2	1,777.8	-71.6	71.6	4.0%
Other social contributions	--	--	0.0	0.0	--	--
Grants						
Grants from foreign governments	300.0	0.0	294.7	-294.7	294.7	100.0%
Grants from international organizations	1,562.3	1,720.0	1,534.5	185.6	185.6	12.1%
Grants from other government units	--	--	0.0	0.0	--	--
Other revenue						
Property income	--	--	0.0	0.0	--	--
Sales of goods and services	543.5	575.2	533.9	41.4	41.4	7.7%
Fines, penalties and forfeits	256.0	413.6	251.4	162.2	162.2	64.5%
Transfers not elsewhere classified	1,013.5	1,036.6	995.5	41.1	41.1	4.1%
Premiums, fees, and claims related to nonlife insurance and standardized guarantee schemes	--	--	0.0	0.0	--	--
Sum of rest	2,623.5	2,500.5	2,576.8	-76.3	76.3	3.0%
<b>Total revenue</b>	<b>22,420.3</b>	<b>22,021.4</b>	<b>22,021.4</b>	<b>0.0</b>	<b>1,944.2</b>	
overall variance						98.2%
composition variance						8.8%

<b>Table 4 (in million TJS)</b>						
<b>Data for year = 2020</b>						
Economic head	<b>budget</b>	<b>actual</b>	<b>adjusted budget</b>	<b>deviation</b>	<b>absolute deviation</b>	<b>percent</b>
<b>Tax revenues</b>						
Taxes on income, profit and capital gains	3,933.0	3,575.7	3,989.5	-413.8	413.8	10.4%
Taxes on payroll and workforce	--	--	0.0	0.0	--	--
Taxes on property	370.1	374.3	375.4	-1.1	1.1	0.3%
Taxes on goods and services	3,790.5	3,317.6	3,845.0	-527.4	527.4	13.7%
Taxes on international trade and transactions	4,223.4	4,676.4	4,284.1	392.3	392.3	9.2%
Other taxes	1,016.8	1,034.2	1,031.4	2.8	2.8	0.3%
<b>Social contributions</b>						
Social security contributions	1,748.0	1,686.9	1,773.1	-86.2	86.2	4.9%
Other social contributions	--	--	0.0	0.0	--	--
<b>Grants</b>						
Grants from foreign governments	1,230.0	1,150.7	1,247.7	-96.9	96.9	7.8%
Grants from international organizations	1,720.1	1,895.7	1,744.8	150.9	150.9	8.6%
Grants from other government units	--	--	0.0	0.0	--	--
<b>Other revenue</b>						
Property income	--	--	0.0	0.0	--	--
Sales of goods and services	562.8	535.0	570.9	-35.9	35.9	6.3%
Fines, penalties and forfeits	133.0	210.8	134.9	75.9	75.9	56.2%
Transfers not elsewhere classified	1,032.6	1,149.7	1,047.4	102.2	102.2	9.8%
Premiums, fees, and claims related to nonlife insurance and standardized guarantee schemes	--	--	0.0	0.0	--	--
Sum of rest	4,949.6	5,458.1	5,020.7	437.4	437.4	8.7%
<b>Total revenue</b>	<b>24,709.8</b>	<b>25,065.0</b>	<b>25,065.0</b>	<b>0.0</b>	<b>2,323.0</b>	
overall variance						101.4%
composition variance						9.3%

<b>Table 5 - Results Matrix</b>			
year	total revenue deviation		composition variance
	2018	105.3%	
2019	98.2%	8.8%	
2020	101.4%	9.3%	