

Government of Tajikistan

Public Expenditure and Financial Accountability (PEFA) Assessment:

Final Report

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CURRENCY AND EXCHANGE RATES

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

US\$1 = TJS 4.76 (as of 15 September, 2012)

Government Fiscal Year (FY): Calendar year

Abbreviations and Acronyms

ACU	Aid Coordination Unit
AER	Aid Effectiveness Review
BO	Budget Organization
COFOG	Classification of the Functions of Government (<i>COFOG</i>)
CS	Civil Service
CSIP	Centralized State Investment Program
EBF	Extra Budgetary Funds
GBAO	Gorno-Badakhshan Autonomous oblast
GFS	Government Financial Statistics
GOT	Government of Tajikistan
ICAD	Internal Control and Audit Department
IDF	International Development Fund
IGFR	Intergovernmental Fiscal Relations
INTOSAI	International Organization of Supreme Audit Institutions
KBO	Key Budget Organization
KRU	Kontrolno-Revisionnoe Upravlenie (Office for Control and Revision)
MDAs	Ministries, Departments, Agencies
MOF	Ministry of Finance
MOET	Ministry of Economy and Trade
MLSP	Ministry of Labour and Social Protection
MSRD	Ministry of State Revenue and Duties
MTEF	Medium-Term Expenditure Framework
NDS	National Development Strategy
PA	Procurement Agency (MOET)
PARS	Public Administration Reform Strategy
PEFA PMF	PEFA Performance Measurement Framework
PET(S)	Public Expenditure Tracking (Survey)
PFM	Public Financial Management
PFM-PR	Public Financial Management Performance Report
PIP	Public Investment Program
PITAPU	Public Investment and Technical Assistance Program Unit (MOET)
PRSP	Poverty Reduction Strategy
ROT	Republic of Tajikistan
RRS	Rayons of Republican Subordination
SCFCFC	State Committee on Financial Control and Fighting Corruption
SCIMSP	State Committee on Investment and Management of State Property
SFCC	State Financial Control Committee
SN	Sub-national
SPF	Social Protection Fund
TIN	Taxpayer Identification Number
UNCITRAL	United Nations Commission on International Trade Law
WB	World Bank

SUMMARY ASSESSMENT

Comparing this repeat PEFA assessment with the original 2007 assessment reveals overall improvement across most Performance Indicators, with slippage in some areas and no change in rating for others. This 2012 PEFA report also takes place at a time of considerable transition as various PFM reforms are either newly implemented or in the process of being implemented/close to being implemented (e.g. a new Chart of Accounts; a new supreme Audit Act; adoption of the Medium Term Expenditure Framework and the implementation of a Public Financial Management Reform Program).

Credibility of the Budget (PIs 1-4)

In some respects, the credibility of the budget has improved. Aggregate expenditure outturns are closer to original budgets due to improved estimation reflecting improved revenue forecasting, and to improved monitoring of expenditures during the year. The previous assessment noted conservative budgeting on revenue collections and when revenue exceeded expectations then reallocations of expenditure took place. This resulted in high fluctuations between planned and executed budgets. However, budget predictions, apart from 2009 when there was a fiscal crisis, have proved to be more accurate with deviations less than 5%

Payments arrears can indicate a budget credibility problem, when overspending relative to budget comes at the expense of service delivery in some other area, either during the current year or in the future. The current system identifies the balance in liabilities and is assumed to be accurate from the records shown to the assessment team. However, there is little or no attention paid to identifying the arrears contained within the liabilities. There is no aging of the liabilities to gauge the extent of arrears – this is a major weakness in the system.

Comprehensiveness and Transparency (PIs 5-10)

The comprehensiveness and transparency of the Government's Budget Papers has increased significantly since the 2007 PEFA report.

The budget classification system (PI-5): In 2007 only functional and economic classifications were in use for budget preparation. Now the classifications have been expanded to include administrative, program and funding classifications, however they are not operating at full strength yet. A new Chart of Accounts is being formulated under the PFM program.

Comprehensiveness of information included in Budget documentation (PI-6): The Budget Papers are quite comprehensive. Information is provided on macroeconomic assumptions, debt, revenue and expense estimates, prior year Budget out-turn and all new measures funded in the Budget are now listed by ministry whereas before it was only functional classification.

Extent of unreported domestic Extra-Budgetary Operations (EBOs) (PI-7): The financial statement and system has improved over the period 2008 -2012 such that extra budgetary expenditure is low and the system for recording development partner loans, grants and state debt has improved.

Transparency of Inter-Governmental Fiscal Relations (PI-8): Since 2007 there were new developments and initiatives introduced in general budget formulation and reporting processes which affected transparency and rules of the horizontal allocation of transfers among SN governments and the timelines of reliable information to SN governments.

Extent of monitoring of fiscal risk (PI-9): The SOEs and Statutory Authorities represent a fiscal risk in terms of calls on the national Budget when financial difficulties arise. The assessment of

aggregate risk at the significant level of major AGA and PE is now monitored by an agency that was not fully operational during the PEFA of 2007. Whilst the monitoring of the budget execution system at SNL is strong there is no system for assessing aggregate risk at that level in a consolidated fashion. Consolidated risk reports are not available to the public on the operations of sub-national governments, and the provision of these, either as part of the above report or in a second document, would also be of benefit to Parliament and the public.

Availability of fiscal information to the public (PI-10): There is an improvement in the information system through websites and to say that there is no information would be harsh. However, there are shortcomings basically in the oversight of an external auditor, but it is recognized that the government has made an initial start to appointment an external auditor and when this appointment is made then improvements will be seen.

Policy orientation of the budget (PIs 11-12)

The organisation and coordination of the annual Budget process has been strengthened since 2007 with the early release to all ministries of a clear Budget timetable. The parliamentary Committee of Majlisi Namoyadagon Majlisi Oli of RT on Economy and Finance has taken an active part in the budget formulation for 2012 and 2013 at all stages of the process, this contributes to a better link with policy directives and the policy orientation of the Budget has correspondingly increased.

A medium-term perspective is evolving that will in time strengthen the policy-based nature of the Budget process. However, the implementation of a Medium Term Expenditure Framework appears to be meeting resistance from the Government. In order for the system to work it needs demonstrated government ownership and should not be Development Partner led. This probably needs a reorientation on the benefits to government of medium term planning.

Nevertheless, despite overall improved links between policy statements and funding, the link between recurrent cost implications and capital investments (particularly donor-funded and central government investments in the provinces) remains weak, thereby limiting the meaningfulness of a medium term perspective to budgeting. This weakness should dissipate as detailed rolling forward estimates through an MTEF are introduced.

Predictability and control in budget execution (PIs 13-21)

Revenue Administration (PIs 13-15)

Transparency of taxpayer obligations: The current Tax Code of the Republic of Tajikistan was adopted by the Resolution of Majlisi Namoyandagon Majlisi Oli of the Republic of Tajikistan on November 3, 2004 № 1207. Since then, 14 changes and additions have been made to the Code. The Tax and Customs Codes are generally clear, and set out the rights and obligations of taxpayers. There is a revised law on tax to take effect on January 1, 2013 before parliament, indeed it is holding up the passing of the 2013 budget because until it is passed the forecast revenue steams and resulting expenditure budget cannot be finalized.

In 2007 the implementation of the codes in practice was less certain. However, since then the tax codes have been simplified, although there are still 21 types of taxation. The PEFA of 2007 identified lack of clarity for SMEs, however, that was simplified to 4% of total revenue in 2008. As mentioned the new law has been drafted and is before the legislators now which classify SME's along with production companies who will have a tax regime of 5% for production companies and all others 6% tax on revenues – this will take effect on January 1, 2013. The Tax Committee assured the assessment team that full consultation have taken place with the public.

Effectiveness of measures for tax registration and assessment: Taxpayers have easy access to comprehensive, user friendly and up-to-date information on tax liabilities and administrative procedures for some of the major taxes, while for other taxes the information is limited. Given that a new tax law will come into effect on January 1, 2013 that simplifies the tax system it cannot be rated for the 2012 PFEA. However, it is recognized and confirmed by the Chamber of Commerce that the tax system has evolved over the last 4-years, with creation of websites and active awareness programs. The database is now in place but it needs linking to other systems to ensure its capture all potential taxpayers.

Effectiveness in collections of taxes: There is evidence of improvement, but the systems need more attention. The penalties and fees system needs a re-think to ensure that there is incentives for taxpayers to pay their tax rather than stalling and the program of tax audits needs to be bedded in with risk assessment criteria.

There is also a problem with identifying arrears on an aggregate basis which needs attention.

Budget Execution and Cash and Debt Management (PIs 16-17)

Cash planning is not based on the real needs of the budget organizations and there is no reliable indication of actual resource availability for commitments. There are significant in-year budget adjustments, however it is possible that MDAs are expecting only increases because of a historical under estimation of revenue generation.

In order to show improvement in this area domestic and foreign debt records should be reconciled routinely and there should be clear guidelines, criteria and ceilings for the issuance of loans and government guarantees. The consolidation of a single treasury account enabling daily cash balance information is certainly an improvement.

Internal Controls (PIs 18-21)

The personnel and payroll system is decentralized and of course has the problems associated with decentralised systems which makes it difficult to review in the time allotted to a PEFA review. However, with policy, terms and conditions of civil servant being done at the central level and with the budget holders responsible through an authorization process, which in itself is subject to frequent audits, the system appears robust. However, there does not seem to be a compelling improvement in personnel data and payroll reconciliations, mainly due to the fact the system is not automated.

Tajikistan's procurement system is evolving with the legal framework in place, however the score is affected by the lack of independence in the complaints handling system.

There is widespread understanding of expenditure rules and regulations, backed up with instructions, rules and manuals readily assessable to all government officers. The IMF have identified that further strengthening of commitment controls is warranted. Internal audit is being strengthened but it is not fully operational to international standards yet.

The presence of internal audit departments and their development over the last 3-years have indicated that internal audit is going in the right direction, particularly with the amount of training being applied. However, to get a better score it needs to implement the translated International Standards and place more emphasis on systems improvement and risk management. Of course the absence of SAI to receive internal audit reports affects the rating.

Accounting, recording and reporting (PIs 22-25)

In the last 3-years the government has moved to establish the Single Treasury Account which means the reconciliations processes has improved.

No comprehensive data collection on resources to service delivery units in any major sector has been collected and processed within the last 3 years. This should be a regular occurrence in the ministries to ensure service delivery is maintained at a high level and to ensure that resources are being administered in the correct way.

Overall the in-year budget reports are produced in a timely and regular manner on actual budget performance enabling all management levels, from Government down to managers of BOs, a tool for effective monitoring throughout the year.

With a strong legal base the consolidated government statement is prepared in a timely manner meeting annual deadlines of July 15 for submission to Parliament and includes, with few exceptions, full information on revenue, expenditure and financial assets/liabilities, including a statement on accounting standards.

External scrutiny and audit (PIs 26-28)

External audit is not yet in place, however the Law on the Supreme Audit Institution was adopted in 2011 indicating progress, however no appointments have been made yet.

The legislature through the Parliamentary Committee of Majlisi Namoydagon Majlisi Oli of RT on Economy and Finance involves itself in the budget formulation much more than in previous administrations from the start of the budget process and the formulation of macroeconomic parameters, budget negotiations and to the final submission of the budget to parliament. Parliament is given adequate time for deliberations on the budget. Changes in support staff (civil servants) after elections could disrupt parliamentary procedures.

Summary of Performance Indicator Ratings, 2007 and 2012 PEFA Assessments

A: BUDGET CREDIBILITY		Score 2007 PEFA	Score 2012 PEFA	Performance changes
PI-1 (M1)	Aggregate expenditure out-turn compared to original approved budget	B	A	<i>Performance improved.</i> The previous assessment noted conservative budgeting on revenue collections and when revenue exceeded expectations then reallocations of expenditure took place. This resulted in high fluctuations between planned and executed budgets. However, budget predictions, apart from 2009 when there was a fiscal crisis, have proved to be more accurate with deviations less than 5%
PI-2 (M1)	Composition of expenditure out-turn compared to original approved budget	C	C+ (i) C (ii) B	<i>The 2007 assessment was according to a previous methodology and the results are not directly comparable.</i> Using the PEFA assessment methodology an analysis of expenditure composition highlights that there are significant

				differences between the original plan and the actual allocation of funds to sectors and this will need more attention to achieve a higher score. The contingency funds should be reallocated to those votes against which the unforeseen expenditure is recorded not as in current practice of maintaining separate accounts, which distort the expenditure by sector. However, the contingency funds are not significant.
PI-3 (M1)	Aggregate revenue out-turn compared to original approved budget	A	B	<i>The 2007 assessment was according to a previous methodology and the results are not directly comparable.</i> If we discard the special funds of budget organizations then the 2012 score would be A. Revenue has marginally exceeded budget in the last 2-years 2011 & 2012. Before this period forecasting was quite erratic, due to an historical tendency in former soviet controlled states to understate potential revenues.
PI-4 (M1)	Stock and monitoring of expenditure payment arrears	C+ (i) A (ii) C	D+ (i) A (ii) D	<i>Performance Unchanged.</i> In 2007 there appears to be a typo error in the rating and the score should have been a B. In addition, the rating of Dimension (ii) may be too high in 2007 as there is no data on the stock of arrears, only the level and balance of liabilities.
B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency		Score 2007 PEFA	Score 2012 PEFA	Performance changes
PI-5/ M1	Classification of the budget	D	B	<i>Performance Improved.</i> In 2007 only functional and an economic classifications were in use for budget preparation. Now the classifications have been expanded to include Administrative and Program classifications, however they are not operating at full strength yet.
PI-6/ M1	Comprehensiveness of information included in budget documentation	A	A	<i>Performance Unchanged.</i> The recent budget documentation submitted to parliament fulfills 7-9 of the 9 information benchmarks and therefore the score is assessed as A.
PI-7/ M1	Extent of unreported government operations	C+ (i) B (ii) C	B+ (i) B (ii) A	<i>Performance Improved.</i> The financial statement and system has improved over the period 2008 -2012 such that extra budgetary expenditure is low and the system for recording development partner loans, grants and state debt has improved.
PI-8/ M2	Transparency of Inter-Governmental Fiscal	B (i) C	B+ (i) B	<i>Performance improved.</i> Since 2007 there were new developments and

	Relations	(ii) C (iii) A	(ii) B (iii) A	initiatives introduced in general budget formulation and reporting processes which affected transparency and rules of the horizontal allocation of transfers among SN governments and the timelines of reliable information to SN governments. At least 50% of SN transfers adhere to set allocation rules and budgets are determined well ahead of time.
PI-9/ M1	Oversight of aggregate fiscal risk from other public sector entities	C (i) C (ii) C	C+ (i) A (ii) C	Performance Improved. The assessment of aggregate risk at the significant level of major AGA and PE is now monitored by an agency that was not fully operational during the PEFA of 2007. Whilst the monitoring of the budget execution system at SNL is strong there is no system for assessing aggregate risk in a consolidated fashion.
PI-10/ M1	Public access to key fiscal information	D	C	Performance Improved. The assessment is based on an improved information system through websites and to say that there is no information would be harsh. Even in the 2 areas where the team has assessed a positive answer there are shortcomings. However, it is recognized that the government has made an initial start to appointment an external auditor and when this appointment is made then improvements will be seen.
C. BUDGET CYCLE		Score 2007 PEFA	Score 2012 PEFA	Performance changes
C (i) Policy-Based Budgeting				
PI-11/ M2	Orderliness and participation in the annual budget process	B (i) B (ii) D (iii) A	B+ (i) B (ii) B (iii) A	Performance Improved. Whilst there has been some delays experienced in the last 3-years the Budget has always been approved by the legislators before the start of the year. It is therefore concluded that the system is robust With clear participation at all levels of government. The improvement stems from the Parliamentary Budget Commission being involved at a much earlier stage and is also actively following the budget process.
PI-12/ M2	Multi-year perspective in fiscal planning, expenditure policy and budgeting	D+ (i) C (ii) C (iii) C (iv) D	D+ (i) C (ii) B (iii) D (iv) D	Performance Unchanged. The new Law on State finance was adopted in 2011, which incorporated three-year forward-looking budget. Three year forward budget planning was introduced in social sectors. The debt strategy for 2009 – 2011 was adopted in 2008, in the last five years the debt sustainability

				analysis reports were written annually and have being posted on the MoF website.
C (ii) Predictability & Control in Budget Execution				
<i>Revenue Administration</i>				
PI-13/ M2	Transparency of taxpayer obligations and liabilities	C (i) C (ii) C (iii) C	B (i) B (ii) B (iii) B	Performance Improved. There is a marked change in performance over 2007 PEFA. The legislation has been tightened and simplified. There is still some development to be done, but that will come in 2013. There is an active awareness campaign to keep taxpayers informed in both city and rural areas, reaction from the private sector consultation is reasonable. Finally the appeal process is working with a good number of appeals being considered, however it does lack independence. There is no data on successful/unsuccessful claims.
PI-14/ M2	Effectiveness of measures for taxpayer registration and tax assessment	D+ (i) D (ii) C (iii) C	C (i) C (ii) C (iii) C	Performance Improved. There is evidence of improvement, but the systems need more attention. The database is now in place but it needs linking to other systems to ensure its capture all potential taxpayers. The penalties and fees system needs a re-think to ensure that there is incentives for taxpayers to pay their tax rather than stalling and the program of tax audits needs to be bedded in with risk assessment criteria.
PI-15/ M1	Effectiveness in collection of tax payments	NR (i) NR (ii) D (iii) D	D+ (i) D (ii) A (iii) D	Performance Improved. The practice of publically and periodically issuing the names of taxpayers with arrears in excess of 500,000 Somoni is evidence that arrears are actively pursued. However, the aggregate assessment of arrears needs improvement. The new practice of all tax collection been paid directly into the Single Treasury Account is a significant improvement since 2007. Complete reconciliation of tax assessments, collections, arrears and transfers to Treasury does not take place annually although there are records for collections and reconciliation of the collections to Treasury there is little interaction on consultation with Treasury of the status of arrears.
Budget Execution & Cash/Debt Management				
PI-16/ M1	Predictability in the availability of funds for commitment of expenditures	D+ (i) B (ii) B (iii) D	D+ (i) C (ii) D (iii) C	Performance Unchanged. Cash planning is not based on the real needs of the budget organizations and there is no reliable indication of actual resource

				availability for commitments. There are significant in-year budget adjustments, however it is possible that MDAs are expecting only increases because of a historical under estimation of revenue generation.
PI-17/ M2	Recording and management of cash balances, debt and guarantees	C+ (i) C (ii) C (iii) C	C+ (i) C (ii) A (iii) C	Performance Unchanged. In order to show improvement in this area domestic and foreign debt records should be reconciled routinely and there should be clear guidelines, criteria and ceilings for the issuance of loans and government guarantees. The consolidation of a single treasury account enabling daily cash balance information is certainly an improvement.
Internal Controls				
PI-18/ M1	Effectiveness of payroll controls	D+ (i) D (ii) C (iii) C (iv) B	D+ (i) D (ii) B (iii) B (iv) B	Performance Unchanged. The personnel and payroll system is decentralized and of course has the problems associated with decentralised systems which makes it difficult to review in the time allotted to a PEFA review. However, with policy, terms and conditions of civil servant being done at the central level and with the budget holders responsible through an authorization process, which in itself is subject to frequent audits, the system appears robust. However, there does not seem to be a compelling improvement in personnel data and payroll reconciliations, mainly due to the fact the system is not automated.
PI-19/ M2	Competition, value for money and controls in procurement	C (i) (ii) (iii) (iv) C	C+ (i) B (ii) C (iii) B (iv) D	The 2007 assessment was according to a previous methodology and the results are not directly comparable. Tajikistan's procurement system is evolving with the legal framework in place, however the score is affected by the lack of independence in the complaints handling system.
PI-20/ M1	Effectiveness of internal controls for non-salary expenditures	C+ (i) B (ii) B (iii) C	C+ (i) C (ii) A (iii) C	Performance Unchanged. There is widespread understanding of expenditure rules and regulations, backed up with instructions, rules and manuals readily assessable to all government officers. The IMF have identified that further strengthening of commitment controls is warranted. Internal audit is being strengthened but it is not fully operational to international standards yet.
PI-21/ M1	Effectiveness of internal audit	D+ (i) D	C+ (i) C	Performance Enhanced. The presence of internal audit departments and their

		(ii) C (iii) C	(ii) B (iii) C	development over the last 3-years have indicated that internal audit is going in the right direction, particularly with the amount of training being applied. However, to get a better score it needs to implement the translated International Standards and place more emphasis on systems improvement and risk management. Of course the absence of SAI to receive internal audit reports affects the rating.
C (iii) Accounting, Recording and Reporting				
PI-22/ M2	Timeliness and regularity of accounts reconciliation	B (i) B (ii) B	B+ (i) A (ii) B	Performance Enhanced. In the last 3-years the government has moved to establish the Single Treasury Account which means the reconciliations processes has improved. Bank reconciliations for all central government and Treasury managed bank accounts take place at least monthly at aggregate & detailed levels, usually within 4 weeks of end of period. SN Bank accounts are reconciled monthly and officially sent to treasury quarterly.
PI-23	Availability of information on resources received by service delivery units	C	D	Performance deteriorated. No comprehensive data collection on resources to service delivery units in any major sector has been collected and processed within the last 3 years. [This score seems harsh, since comprehensive data was collected 5 years ago, but neither score C nor B fit the current information situation.] It seems the 2007 indicator was over stated.
PI-24/ M1	Quality and timeliness of in-year budget reports	C+ (i) C (ii) A (iii) B	C+ (i) C (ii) A (iii) B	Performance Unchanged. Overall the in-year budget reports are produced in a timely and regular manner on actual budget performance enabling all management levels, from Government down to managers of BOs, a tool for effective monitoring throughout the year.
PI-25/ M1	Quality and timeliness of annual financial statements	D+ (i) C (ii) D (iii) D	C+ (i) B (ii) B (iii) C	Performance Improved. With a strong legal base the consolidated government statement is prepared in a timely manner meeting annual deadlines of July 15 for submission to Parliament and includes, with few exceptions, full information on revenue, expenditure and financial assets/liabilities, including a statement on accounting standards.
C (iv) External Scrutiny and Audit				
PI-26/ M1	Scope, nature and follow-up of external	D+ (i) D	D▲ (i) D	Performance Unchanged. External audit is not yet in place, however the

	audit	(ii) D (iii) C	(ii) D (iii) D	Law on the Supreme Audit Institution was adopted in 2011 indicating progress and therefore qualifies for an arrow. The rating in 2007 is overstated because there were no audit recommendations from a supreme audit, as the supreme audit did not exist.
PI-27/ M1	Legislative scrutiny of the annual budget law	C (i) C (ii) C (iii) A (iv) C	B+ (i) B (ii) A (iii) A (iv) B	Performance Improved. The legislature through the Parliamentary Committee of Majlisi Namoaydagon Majlisi Oli of RT on Economy and Finance involves itself in the budget formulation much more than in previous administrations from the start of the budget process and the formulation of macroeconomic parameters, budget negotiations and to the final submission of the budget to parliament. Parliament is given adequate time for deliberations on the budget. Current practice of changing support staff (civil servants) after elections could disrupt parliamentary procedures with a loss of institutional memory.
PI-28/ M1	Legislative scrutiny of external audit reports	D (i) D (ii) D (iii) D	D (i) D (ii) D (iii) D	Performance Unchanged. As discussed under PI-26, the Law on the Supreme Audit Institution was adopted in 2011, but no organization has yet been established. There are no external audit reports for parliament to examine.
D. DONOR PRACTICES		Score 2007 PEFA	Score 2012 PEFA	Performance changes
D-1/ M1	Predictability of Direct Budget Support	D+ (i) C (ii) D	D+ (i) C (ii) D	Performance Unchanged. The deviation of actual budget support from forecast in 2010 was close to 15% and the in-year disbursement delays were 22% - both significant and have major effects on government activities and service delivery.
D-2/ M1	Financial information provided by donors for budgeting and reporting on project and program aid	D+ (i) D (ii) C	C (i) C (ii) C	Performance Enhanced. Performance is improving, as Ministry of Finance did not have this information in the last review.
D-3/ M1	Proportion of aid that is managed by use of national procedures	D	D	Performance Unchanged. The share of foreign aid funds allocated to the Government of RT and managed according to national procedures, in four areas of activity, such as public procurement, payments/ accounting, audit and submission of reports, is less than 50 per cent. The total score is D.

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1. Introduction

1.1. Objective

The purpose of the assessment is to assess the PFM system performance of the Government of Tajikistan, using the PEFA assessment methodology, and to gauge progress in strengthening performance since the last PEFA assessment conducted in 2007. The results of the assessment will principally be used by the Government to determine whether the Public Financial Management Economic Management Modernisation Program (PFMMP) that it is currently implementing should be refined.

1.2. Process of preparing the report

In April 2012 a pre-PEFA briefing was delivered in two half-day workshops in Dushanbe, attended by Government of Tajikistan staff selected by MoF to be the PEFA Working Group. In the first workshop they were trained in the principles of the PEFA assessment. The second workshop allocated staff to responsibilities for obtaining information on the various PEFA performance indicators (PIs). In the period April – May, the PEFA Working Group worked individually on a self-assessment of performance indicators and collecting evidence. The PEFA Working Group then prepared a self-assessment report.

The PEFA Consultants, consisting of Mr Stewart Maugham (Team Leader), Mrs Anna Shkuropat and Umeda Nabieva reviewed and revised the self-assessment report over the period May – July and then circulated the self-assessment report to MoF, World Bank, IMF and other development partners – it was also circulated by development partners to the PEFA Secretariat in Washington for preliminary comments.

In September 2012 WYG International mobilized a new PEFA team, consisting of Mr Terry O'Donnell (Team Leader) and Umeda Nabieva, who found the self-assessment, along with stakeholder comments, to be of generally good quality and provided a very valuable basis for its own assessment, which began on 17th September. A preliminary draft, mainly comprising Section 3, was submitted to the Government of Tajikistan and Development Partners on 25th September, for presentation at the de-briefing workshop held on 26th September. Follow up meetings were held on September 27 and 28 to clarify issues raised in the workshop.

The assessment is the result of meetings, interviews and viewing evidence to support performance across the whole of government, including departments within the Ministry of Finance such as Departments of Budget, Treasury, State Debt, Internal Audit and Control, Tax Policy, Customs Committee, then meeting with Ministry of Education and Ministry of Health and other government agencies such as Parliament, Tax Committee, and Procurement. In addition the private sector was consulted on issues such as procurement, transparency and information.

The team greatly appreciates the work of the Ministry of Finance counterpart staff, in particular Mr Boboev Rustam Mirzoevich, Programme Coordinator, PFMP, MOF and Mr Kayumov Uliqbek, Acting Coordinator and Monitoring Expert, PFMP, MOF, in arranging meetings, obtaining and providing the documents requested and discussing these with the team, and providing a room as a base for the team's work, including the meetings. The team also much appreciates the support provided by Mr Hassan Aliev, Public Sector Specialist, The World Bank (the PEFA assessment manager) in all areas of the assessment process, particularly in coordinating stakeholder comments, provision of useful background documents, co-ordinating with Tajikistan Government counterpart staff, arranging for meetings with critical agencies and other development partners and arranging of the DFR workshop. Without all this assistance, the assessment team would not have been able to

submit a preliminary draft report on 28th September, only 11 days after commencing the formal assessment.

1.3. Scope of the Assessment

This PEFA assessment is focused on the Government of Tajikistan – at the Republican Level. It does not cover the sub-national level or provincial administrations.

The assessment is mainly backward looking, assessing PFM performance to date. Depending on the context, the assessment under an indicator may be concerned with the current status of PFM (e.g. revenue administration, PIs 13-14) or performance over the last completed fiscal year (e.g. PI-16, concerning the in-year predictability of the budget), or performance over the last three completed fiscal years (e.g. PIs 1-3, concerning expenditure and revenue performance relative to the approved budget).

2. Tajikistan Background Information

2.1. General Information

Table 1: Tajikistan, Selected Economic Indicators

	2008	2009	2010	2011
Total population (millions)	7.30	7.45	7.57	7.80
Annual population growth %	2.2	2.2	1.6	1.8
<i>National income and prices</i>				
GDP current prices (US\$ millions)	5,207.9	5,031.3	5,745.3	6,330.4
GDP per capita (US\$)	495	549	611	811
GDP current prices (Somoni millions)	17,706.9	20,628.5	24,704.7	30,069.3
GDP, annual real growth, %	7.9	3.4	6.5	7.4
CPI % change	11.8	5.0	9.8	9.3
Poverty Rate	53.5	46.7	-	-
<i>External sector (US\$ millions)</i>				
Current account balance	47,571.1	- 179,856.2	- 382,812.2	-767,119.3
% of GDP	0.9%	-3.6%	-6.8%	-11.8%
Imports of goods & non-factor services (US million)	3,272.6	2,569.6	2,656.9	3,186.4
Net international reserves (end-year) in millions of U.S. dollars	236	239	375	444
External public debt outstanding (US million)	1,371.4	1,691.3	1,942.8	2124.30
% Of GDP	26.7	35.8	34.4	32.50
Average currency exchange rate	3.4	4.1	4.3	4.75

Source: MoF, macroeconomic department and www.imf.org

*Tajikistan: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding, April 19, 2011

Table 1 indicates that a mixed looking macroeconomic picture is emerging from the adverse impact on Tajikistan of the global financial crisis. After falling by 4 percent in 2009, real GDP growth rebounded to 6.5 percent in 2010 and to 7.4 percent in 2011. Inflation reached 11.8 percent in 2008, but plummeted to 5 percent in 2009, but demand pressures remained robust and therefore increased again to 9.8 percent in 2010, remaining steady at 9.3 percent in 2011. Central Government debt rose sharply to 36 percent of GDP in 2009 and then eased slightly to 32.5 percent of GDP in 2011.

In April 2011 the President of Tajikistan, His Excellency Emomali Rahmon wrote to the International Monetary Fund (IMF) expressing his gratitude to the IMF for its continued support of economic reform assistance.

Expressed in that letter was that Tajikistan recognizes there are economic and financial risks remaining to the economy, and that work must continue to address the damage caused during the crisis of 2009. It is recognized that continued support from the international financial institutions (IFIs) and donors is critical.

He requested a waiver for the non-observance of the continuous performance criterion on non-accumulation of external payments arrears. These arrears, which were linked with two government guaranteed loans, were cleared in a relatively short period, and the most recent instalment on one of these loans was paid in advance. Tajikistan is also seeking to institute a new accounting system for guaranteed loans to prevent accumulation of new arrears.

The president also informed IMF of a request for a Debt Management Performance Assessment (DEMPA) from the World Bank. The end result is hoped will be a substantial improvement in ability to track and deliver on external obligations and a strengthening of public financial management. Secondly, Tajikistan remains committed to producing a strategic plan to reform the tax regime—with a view to broadening the tax base, increasing tax revenue, and creating an environment conducive to private sector growth.

2.2 Description of Budgetary Outcomes

Domestic revenues have increased steadily over the years as the tax and customs base improved their systems. This trend is likely to continue as the reforms continue and gather pace.

Revenue receipts exceeded the budget target, with tax collection surging by 30% from 2010, reflecting high prices for key exports and increased imports. Nevertheless, a narrow tax base and heavy dependence on import-based taxes contributed to a fragile fiscal position. Total revenue equaled 24.4% of GDP.

As mentioned further on in the PEFA report exceeding revenue budgets is not necessarily an indication of a good performance but can be merely the result of not budgeting correctly and understating the revenue streams, which does not contribute to a balance budget and good fiscal planning.

Table 2: Domestic Revenues

<i>Somoni millions</i>	Budget	Actual	Budget	Actual	Budget	Actual
	2009	2009	2010	2010	2011	2011
Domestic revenues						
Current	4,267	3,659	4,353	4,400	5,514	5,892
Capital	317	211	253	329	492	501

Government expenditure, in particular capital spending on infrastructure, rose by close to 30%, reflecting strong revenue and heavy foreign financing. Government investment surged by 41%, with increased spending focused on energy and transport infrastructure projects, including rehabilitation of the massive Roghun hydropower plant. Spending for social insurance and social protection grew by about 7%, as the state budget focused on capital outlays. Total expenditure amounted to 27.6% of GDP.

Table 3: Budgetary allocations by function (% of total expenditures)

Actual budgetary allocations by sectors (as a % of total expenditures)				
	2008	2009	2010	2011
1. Public administration	12.00%	8.90%	7.70%	8.10%
2. Defense	5.60%	4.60%	4.70%	3.70%
3. Law enforcement	6.40%	5.50%	5.20%	5.00%
4. Education	19.20%	20.00%	19.90%	14.80%
5. Health	6.80%	6.80%	7.20%	6.10%
6. Social protection	16.40%	16.80%	17.30%	15.30%
7. Communal services (incl. utilities)	7.20%	7.70%	7.60%	8.50%

8. Culture and sport	5.60%	4.20%	6.00%	3.60%
9. Heating and energy complex	9.00%	13.30%	13.90%	13.80%
10. Agriculture	3.00%	2.00%	2.00%	3.60%
11. Industry	1.40%	0.60%	1.00%	0.90%
12. Transport and communications	3.10%	2.20%	2.20%	12.40%
13. Other economic activities and services	0.70%	0.40%	0.90%	0.30%
14. Other services	3.60%	7.00%	4.40%	3.90%
<i>Total</i>	<i>100.00%</i>	<i>100.00%</i>	<i>100.00%</i>	<i>100.00%</i>

Table 4: Actual budgetary allocations by economic classifications

Actual budgetary allocations by economic classification (as % of total expenditures)					
	2007	2008	2009	2010	2011
Current expenditure	57%	60%	72%	72%	64%
- Wages and salaries	15%	15%	17%	16%	18%
- Goods and services	26%	26%	28%	28%	28%
- Interest payment	2%	1%	2%	2%	2%
- Transfers	14%	17%	25%	26%	16%
Capital expenditure	43%	39%	26%	20%	36%
- Externally financed	38%	35%	22%	18%	32%
- Domestically financed	5%	4%	3%	2%	3%

Source –MoF, budget execution report 2007-2011

Table 5: Distribution across budgets (% of total expenditure)

	2007	2008	2009	2010	2011
Republican budget	59%	58%	55%	53%	60.3%
Local budgets	30%	30%	32%	33%	28.6%
Social Protection Fund	12%	12%	13%	14%	11.1%
Total	100%	100%	100%	100%	100%

Source –MoF, Budget execution 2007-2010

Tajikistan's external debt hit \$2.1 billion at the end of the third quarter of 2011, or 32.5 percent of the country's GDP.

Tajikistan's main creditors include the Asian Development Bank¹, the Islamic Development Bank, the World Bank and the Export-Import Bank of China

The government is likely to continue external borrowing to finance infrastructure projects, mainly in energy and transport. However, the above-mentioned debt management framework requires all

¹ Some of the indicators and commentary are extracted from the ADB Outlook Reports

new government borrowings to have at least a 35% grant element and to limit borrowings to priority projects. Total public debt is projected to stay below 40% of GDP over the foreseeable future.

Foreign direct investment inflows are projected to continue rising gradually over the medium term, in line with current reform initiatives in tax administration and regulatory simplification. The bulk of investments will likely go to several large infrastructure projects, such as hydropower stations, toll roads, and supporting facilities for mining. Public and publicly guaranteed external debt is forecast to reach 37.2% of GDP at end-2012 and 37.5% of GDP 12 months later.

Table 6: External Debt (US\$ Millions)

	2005	2006	2007	2008	2009	2010	2011
External debt	894.9	866.3	1119.9	1371.4	1691.3	1942.8	2124.3
Debt/GDP (%)	38.9	31.0	30.2	26.7	35.8	34.4	32.5

Source: MoF, execution of state budget, annual report 2010; 2011- MoF, External Debt Department

The European Union, World Bank and Asian Development Bank have provided Direct Budget Support, however it needs to be a lot more systematic to gain full benefits, refer to the PEFA report findings further on in the report.

Table 7: Direct Budget Support, Planned and Actual 2007-2011

	2008		2009		2010		2011	
	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual
EU FSP Somoni				38 million		596 million		
WB DPG (USD)		10 million		20 million		25 million		10 million
ADB (USD)				40 million				20 million

Source: MoF, Treasury

2.3. Legal and Institutional Framework for PFM

Legal framework for PFM

The basic legal document on PFM is the “Law on Public Finances of the Republic of Tajikistan” (#77, December 2, 2002, with the latest amendments introduced in June 2008). The law defines three main components of the state budget: the republican budget, the budgets of state target funds and local budgets.

Further important laws with regard to public financial management include: the Law of the Republic of Tajikistan “On Treasury” (#396, June 18, 2008), the Law of the Republic of Tajikistan “On the National Bank of Tajikistan” (#383, December 14, 1996 with the latest amendments introduced in July 2007), the Law of the Republic of Tajikistan “On the State Financial Control in the Republic of Tajikistan” (#66, December 2, 2002 with the latest amendments introduced in July 2007), the Law of the Republic of Tajikistan “On State and State Guaranteed Borrowing and Debt” (# 886, December 11, 1999), the Law of the Republic of Tajikistan “On Local Bodies of State Power” (#28, May 17, 2004) and the Law of the Republic of Tajikistan “On Self-Management Bodies in Urban and Rural Settlements” (#1094, December 1, 1994). A new Tax Code and a new Customs Code came into force in early 2005 (#61 and #62, December 3, 2004 with the latest amendments introduced in June 2008), the Law of the Republic of Tajikistan “On Public Procurement of Goods, Works and Services” was adopted in 2006 (#168, March 3, 2006).

There are other significant laws relevant to Public Financial Management, many of which changed since the last PEFA in 2008:

GoT (1994) Constitution of the Republic of Tajikistan, Dushanbe
GoT (2008) Law on Treasury Dushanbe
GoT (2011) Law on Public Finance. Dushanbe
GoT (2008) Law on Right of Access to Information, Dushanbe
GoT (2009) Three-Year Action Plan of the PFM Strategy of the Republic of Tajikistan
GoT (2011) Three-Year Action Plan of the PFM Strategy of the Republic of Tajikistan
GoT (2010) Budget Performance Report 2009. Dushanbe: Ministry of Finance
GoT (2011) Budget Performance Report 2010. Dushanbe: Ministry of Finance
GoT (2012) Budget Performance Report 2011. Dushanbe: Ministry of Finance (Final Draft Only)
Law of Republic of Tajikistan On internal audit in the public sector (Ahbory Majlisi Oli of the Republic of Tajikistan, 2010, #7, article 563)
Constitutional Law of the Republic of Tajikistan On Local bodies of state power (Ahbory Majlisi Oli of the Republic of Tajikistan, 2004 #5, art. 339; 2006, # 11, art. 472; 2009, #12)
Law of the Republic of Tajikistan “On investments”, Dushanbe May 12, 2007, № 260
Tax code of the Republic of Tajikistan
The Customs Code of the Republic of Tajikistan (currently being amended for effectiveness in 2013)
The law “On banks and bank activities”
The law “On state registration of legal entities and individual entrepreneurs”
The law “On licensing of separate types of activity”
The law "On joint stock companies"
The law “On state procurement of goods, works and services”
Law of the RT on public and publicly guaranteed Borrowing and Debt, Dushanbe, December 11, 1999, № 886

Law of RT “On Internal Audit of Public Sector”

Law on State budget of the RT for 2008,

Law on State budget of the RT for 2009,

Law on state budget of the RT for 2010,

Law on state budget of the RT for 2011, 11th November 2010, #231, Dushanbe

Law on state budget of the RT for 2012, 8th November 2011, #766, Dushanbe

Law of the RT “On treasury”, №396 from 18.06.2008

Law of the Republic of Tajikistan "On Public Procurement of goods, works and services", 24 February 2006, # 184, Dushanbe

Regulation of public procurement procedure - Approved by Decree of the Ministry of Economic Development and Trade of the Republic of Tajikistan, as of January 17, Registered in the Ministry of Justice of the Republic of Tajikistan, As of February 11, 2008 #357

Government decree from 1st July 2007, # 319 “on the establishment of qualification commission in defining and award status of "qualified procuring entity”

Government decree from 2nd October 2010, # 500 “on set up of rules on the opening of tenders documents for purchase of goods, works and services in state investment projects in the Republic of Tajikistan”

Institutional Framework for PFM²

The main responsibility for PFM rests with the Ministry of Finance of the Republic of Tajikistan (MoF).

The MoF holds responsibility in the domains of development and implementation of fiscal policy, what includes strategic planning, budget preparation and execution, internal audit and accounting and reporting.

The MoF interacts directly with a large number of Budget Organizations (BO) as well as with the 17 main sub-national governments and their budgeting processes (3 oblasts, the city of Dushanbe and 13 cities and rayons of republican subordination). The role of line ministries in formulation of budgets for relevant sectors has been relatively limited. Financial departments of line ministries primarily deal with the financing of the central apparatuses of ministries only.

Other PFM duties are entrusted to:

- The Executive Office of the President of the Republic of Tajikistan, which is also responsible for the implementation of the Public Administration Reform Strategy (PARS);
- Agency of State Financial Control and Combating Corruption of the Republic of Tajikistan (ASFCCC);
- Ministry of Economic Development and Trade of the Republic of Tajikistan (MoEDT), which holds responsibilities in the domain of economic forecasting, investments, PIP and monitoring of PRS-2;
- State Committee on Investment and Management of State Property of the Republic of Tajikistan (SCIMSP);
- State Statistics Committee of the Republic of Tajikistan (SSC);
- Agency for Public Procurement of Goods, Works, Services and Organisation of Exchange Activities;
- Tax Committee under the Government of the Republic of Tajikistan (TC);

² Source: PUBLIC FINANCE MANAGEMENT STRATEGY OF THE REPUBLIC OF TAJIKISTAN FOR 2009-2018

- Customs Service under the Government of the Republic of Tajikistan (CS).

2.4 The key features of the PFM system reform program

At the time of PEFA assessment there are many reforms taking place in the PFM arena. Basically they are following the PFM Reform Strategy for 2009-2018³.

The objective is that by 2018 the budget will be stable and comprehensive covering all key components of public finance. The Treasury Single Account (TSA), which is now in operation, will capture all the resources of the republican and local budgets, including resources of special funds of BOs. In 2011 a SOE monitoring unit has been established to value and monitor fiscal risks of large SOEs on a regular basis.

One of the other aims is for the deviation between the budget formulated at the beginning of the fiscal year and the budget execution report for that year will be less significant than in the past. The Government of the Republic of Tajikistan and the Parliament of the Republic of Tajikistan will play an essential role in budget composition. The Parliament of the Republic of Tajikistan will be more actively involved in discussing budget formulation documents including draft budget statements and in-year amendments to the budget.

A process is underway to establish a full MTEF by 2018, however at present this seems to be making little headway. National strategies will be translated into sector strategies with clearly defined and costed objectives, and with monitoring frameworks in place. Reliable aggregate and sector ceilings will be set. Line ministries will present budgets in which all programs are costed on an output basis. The annual budget and the medium term expenditure framework will be integrated. Initial pilots with programme and performance budgeting are being conducted.

Another goal is that by 2018, the management of budget organisations will be responsible for the proper execution of their budgets and the results which will be achieved with their budgets. Budget organisations will have certain autonomy allowing them to reallocate funds over budget lines. The increased responsibility of budget organisations will be balanced by an effective system of internal control.

Internal audits will shift emphasis from investigations of irregular transactions to providing recommendations on improving management processes of budget organisations.

The Government of the Republic of Tajikistan aims to have an operational Finance Management Information System (FMIS), which will cover the Treasury functions across the whole country, including functions on planning and control of commitments. Additional modules for managing payroll and the administration of revenues will be provided.

The preparation of the Annual Financial Statement will be timely and allow for audit by an independent External Audit Office, in 2011 a law was passed for this to happen, which will report its audit findings to the Parliament of the Republic of Tajikistan. The aim is that Annual Statements and reports from the External Audit Office will be actively discussed in the Parliament of the Republic of Tajikistan. All budget documents will be electronically available to the public and discussed in the media.

³ The Consultant relied on the PFM Progress Reports for up to date information.

A full report on the PFM Reform progress is presented in Section 4 below.

3. Assessment of the PFM Systems, Processes and Institutions

3.1. Introduction

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

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

Method 2 (M2) is based on averaging the scores of individual dimensions of an indicator. It is prescribed for multi-dimensional indicators, where a low score on one dimension of the indicator does not necessarily undermine the impact of a high score on another dimension of the same indicator. A conversion table for 2, 3 and 4 dimensional indicators is used to calculate the overall score. The PEFA handbook (“PFM Performance Measurement Framework”, www.pefa.org) provides detailed information on the scoring methodology. Effective January 2011, a revised methodology is being used for PIs 2, 3 and 19. (Russian Language documents are also available on the website www.pefa.org)

3.2. Budget Credibility

Good practice in public financial management emphasizes the importance of the budget being credible so that planned Government policies can be achieved. Budget credibility requires actual budgetary releases to be similar to voted budgets and requires appropriate fiscal discipline to be in place. The indicators in this group assess to what extent the budget is realistic and implemented as intended.

Assessment of Performance Indicators of Budget Credibility

Summary of assessment of indicators for PIs 1-4

PI	Score 2007 PEFA	Score 2012 PEFA	Assessment
<i>PI-1: Aggregate expenditure performance (M1)</i>	B	A	<i>Performance improved.</i> The previous assessment noted conservative budgeting on revenue collections and when revenue exceeded expectations then reallocations of expenditure took place. This resulted in high fluctuations between planned and executed budgets. However, budget predictions, apart from 2009 when there was a fiscal crisis, have proved to be more accurate with deviations less than 5%
<i>PI-2: Variance in expenditure composition (M1)</i>	C	C+	<i>The 2007 assessment was according to a previous methodology and the results are not directly comparable.</i> Using the PEFA assessment methodology an analysis of expenditure composition highlights that there are significant differences between the original plan and the actual allocation of funds to sectors and this will need more attention to achieve a higher score. The contingency funds should be reallocated to those votes against which the unforeseen expenditure is recorded not as in current practice of maintaining separate accounts, which distort the expenditure by sector. However, the contingency funds are not significant.
<i>PI-3: Domestic revenue performance (M1)</i>	A	B	<i>The 2007 assessment was according to a previous methodology and the results are not directly comparable.</i> If we discard the special funds of budget organizations then the 2012 score would be A. Revenue has marginally exceeded budget in the last 2-years 2011 & 2012. Before this period forecasting was quite erratic, due to an historical tendency in former soviet controlled states to understate potential revenues.
<i>PI-4: Extent of expenditure arrears (M1)</i>	C+	D+	<i>Performance Unchanged.</i> In 2007 there appears to be a typo error in the rating and the score should have been a B. In addition, the rating of Dimension (ii) may be too high in 2007 as there is no data on the stock of arrears, only the level and balance of liabilities.

3.2.1. PI-1: Aggregate expenditure out-turn compared to original budget;

The ability to implement the budgeted expenditure is an important factor in supporting the government's ability to deliver the public services for the year as expressed in policy statements, output commitments and work plans. PI-1 reflects this by measuring the actual total expenditure compared to the *originally* budgeted total expenditure (as defined in government budget documentation and fiscal reports), but excludes two expenditure categories over which the government will have little control. Those categories are (a) debt service payments, which in principle the government cannot alter during the year while they may change due to interest and exchange rates movements, and (b) donor funded project expenditure, the management and reporting of which are typically under the donor agencies' control to a high degree.

Table 8: Fiscal Years for Assessment

Year 1 =	2009
Year 2 =	2010
Year 3 =	2011

The analysis is based on functional budgeting and execution due the methodology of budget formulation and expenditure reporting. In Tajikistan the budget is approved by function and reporting is also on this basis. Over the last two years however, there is a move to administrative classifications and in future a new Chart of Accounts will provide for this analysis.

Table 9: Analysis of Year 2009

Data for year = 2009 (Somoni)						
Functional Head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Government sector and government administration	412,403,643	376,633,386	366,516,783	10,116,603	10,116,603	2.8%
Defence	300,203,695	195,185,753	266,800,971	- 71,615,218	71,615,218	26.8%
Public order and safety	300,373,717	231,388,779	266,952,076	- 35,563,297	35,563,297	13.3%
Education	909,718,067	845,419,289	808,496,591	36,922,698	36,922,698	4.6%
Healthcare	313,099,818	287,886,912	278,262,183	9,624,729	9,624,729	3.5%
Social insurance and social protection	705,754,008	713,505,747	627,226,973	86,278,774	86,278,774	13.8%
Housing and community amenities	303,513,637	324,710,493	269,742,626	54,967,867	54,967,867	20.4%
Cultural services, recreation and religion	153,799,430	177,518,937	136,686,650	40,832,287	40,832,287	29.9%
Fuel and energy	592,987,660	562,615,113	527,007,783	35,607,330	35,607,330	6.8%
Agriculture, forestry, fisheries and hunting	111,420,772	88,771,145	99,023,332	- 10,252,187	10,252,187	10.4%
Mining, manufacturing and construction	65,775,772	24,001,360	58,457,108	- 34,455,748	34,455,748	58.9%
Transport and communications	111,144,447	94,915,213	98,777,753	- 3,862,540	3,862,540	3.9%
Other economic activities and services	25,094,933	15,210,763	22,302,699	- 7,091,936	7,091,936	31.8%
Others	460,210,401	297,494,870	409,004,233	- 111,509,363	111,509,363	27.3%
allocated expenditure	4,765,500,000	4,235,257,760	4,235,257,760	-	548,700,577	
contingency	182,920,000	351,039,855				
total expenditure	4,948,420,000	4,586,297,615				
overall (PI-1) variance						7.3%
composition (PI-2) variance						13.0%
contingency share of budget						7.1%

Source: Financial Statements produced by MoF

Table 10: Analysis of Year 2010

Data for year = 2010 (Somoni)						
Functional Head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Government sector and government administration	365,790,772	384,325,380	359,123,461	25,201,919	25,201,919	0.070176
Defence	266,142,800	232,364,187	261,291,784	- 28,927,597	28,927,597	0.11071
Public order and safety	275,208,998	257,566,533	270,192,731	- 12,626,198	12,626,198	0.04673
Education	976,369,583	989,951,062	958,573,180	31,377,882	31,377,882	0.032734
Healthcare	367,467,015	354,926,721	360,769,151	- 5,842,430	5,842,430	0.016194
Social insurance and social protection	781,406,811	860,224,348	767,164,017	93,060,331	93,060,331	0.121304
Housing and community amenities	392,840,702	377,357,841	385,680,348	- 8,322,507	8,322,507	0.021579
Cultural services, recreation and religion	197,357,092	297,339,678	193,759,841	103,579,837	103,579,837	0.534578
Fuel and energy	701,053,540	691,929,793	688,275,355	3,654,438	3,654,438	0.00531
Agriculture, forestry, fisheries and hunting	106,925,500	92,587,503	104,976,556	- 12,389,053	12,389,053	0.118017
Mining, manufacturing and construction	59,741,270	49,340,165	58,652,359	- 9,312,194	9,312,194	0.158769
Transport and communications	101,111,173	109,605,937	99,268,208	10,337,729	10,337,729	0.104139
Other economic activities and services	50,297,512	44,791,323	49,380,733	- 4,589,410	4,589,410	0.092939
Others	413,334,664	220,598,017	405,800,764	- 185,202,747	185,202,747	0.456388
allocated expenditure	5,055,047,432	4,962,908,488	4,962,908,488	-	534,424,274	
contingency	283,929,000	484,251,300				
total expenditure	5,338,976,432	5,447,159,788				
overall (PI-1) variance						2.0%
composition (PI-2) variance						10.8%
contingency share of budget						9.1%

Source: Financial Statements produced by MoF

Table 11: Analysis of Year 2011

Data for year = 2011 (Somoni)						
Functional Head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Government sector and government administration	593,020,952	691,837,414	586,176,074	105,661,340	105,661,340	0.180255
Defence	333,961,165	328,849,532	330,106,455	- 1,256,923	1,256,923	0.003808
Public order and safety	383,729,107	439,999,976	379,299,956	60,700,020	60,700,020	0.160032
Education	1,427,966,892	1,443,139,150	1,411,484,743	31,654,407	31,654,407	0.022426
Healthcare	637,876,224	563,993,902	630,513,609	- 66,519,707	66,519,707	0.105501
Social insurance and social protection	1,075,090,108	1,129,748,531	1,062,681,000	67,067,531	67,067,531	0.063112
Housing and community amenities	627,862,507	686,788,097	620,615,474	66,172,623	66,172,623	0.106624
Cultural services, recreation and religion	280,657,551	376,212,178	277,418,092	98,794,086	98,794,086	0.35612
Fuel and energy	1,219,659,621	1,138,836,717	1,205,581,836	- 66,745,119	66,745,119	0.055363
Agriculture, forestry, fisheries and hunting	306,364,891	300,299,524	302,828,708	- 2,529,184	2,529,184	0.008352
Mining, manufacturing and construction	78,763,279	82,481,693	77,854,163	4,627,530	4,627,530	0.059438
Transport and communications	1,015,797,753	1,045,846,556	1,004,073,020	41,773,536	41,773,536	0.041604
Other economic activities and services	26,027,035	30,291,921	25,726,621	4,565,300	4,565,300	0.177454
Others	587,094,173	236,352,264	580,317,704	- 343,965,440	343,965,440	0.592719
allocated expenditure	8,593,871,258	8,494,677,455	8,494,677,455	-	962,032,745	
contingency	143,122,265	136,693,794				
total expenditure	8,736,993,523	8,631,371,249				
overall (PI-1) variance						1.2%
composition (PI-2) variance						11.3%
contingency share of budget						1.6%

Source: Financial Statements produced by MoF

Table 12: Results Matrix

year	for PI-1 total exp. deviation	for PI-2 (i) composition variance	for PI-2 (ii) contingency share
2009	7.3%	13.0%	
2010	2.0%	10.8%	5.9%
2011	1.2%	11.3%	

Source: Calculations by PEFA Consultants

In the last 3-years the budget has deviated by more than 5% of the original budget but less than 5% in two of the years (2010 and 2011). In 2009 the financial crisis is cited as the reason for a deviation of more than 5% from the original budget. The resultant score is then A for less than 5% deviation.

The Financial Statements for 2011 have not been circulated widely as yet, however the basis for the PEFA calculations is the set of Financial Statements signed by the Deputy Minister of Finance, Head of Treasury and Head of Budget Department. The assessment team have therefore accepted this as a valid set of Financial Statements.

None of the financial Statements are audited, as there is no external audit body or person appointed yet (Auditor General or Supreme Audit). Refer to PI 26, PI 27 and PI 28 for further discussion on this point.

PI	Score 2007 PEFA	Score 2012 PEFA	Assessment
PI-1: Aggregate expenditure performance	B	A	<i>Performance improved.</i> The previous assessment noted conservative budgeting on revenue collections and when revenue exceeded expectations then reallocations of expenditure took place. This resulted in high fluctuations between planned and executed budgets. However, budget predictions, apart from 2009 when there was a fiscal crisis, have proved to be more accurate with deviations less than 5%

3.2.2. PI-2: Expenditure composition variance and average contingency

Where the composition of expenditure varies considerably from the original budget, the budget will not be a useful statement of policy intent. Also, there may be questions about both the rationale and the procedures for re-allocation of expenditures during budget execution.

The methodology for assessment is different from that used in the 2007 assessment and therefore cannot be compared. Where the composition of expenditure varies considerably from the original budget, the budget will not be a useful statement of policy intent. Measurement against this indicator requires an empirical assessment of expenditure out-turns against the original budget at a sub-aggregate level. As budgets are usually adopted and managed on an administrative (ministry/department/agency) basis, this is the preferred basis for assessment, but a functional or program basis is acceptable, provided that the same basis is used for both appropriation and reporting execution. At the administrative level, variance is to be calculated for the main budgetary heads (votes) of ministries, departments and agencies, which are included in the approved budget. If a functional classification is used, variance should be based on the GFS/COFOG ten main functions. If a program basis is used, they should be high-level “main” programs.

Dimension (i) Variance in expenditure composition, excluding contingency items

The ‘composition of expenditure’ refers to the allocation of total expenditure between expenditure heads. Although the preferred analysis would be based on administrative units, as mentioned above, this classification was not in use for the whole of the period 2009-2011 and the analysis has therefore been based on GFS/COFOG functions.

In addition to excluding debt service and donor funded project expenditure (as in PI-1), contingency items are not to be included in the calculation for PI-2 dimension (i).

Items in the budget that are effectively contingency votes are:

45: Fund of unforeseen expenditure

46: Reserve fund of the President

48: Reserve fund of local government executors.

These funds are classified as contingency funds for the analysis as the allocation is made during the budget appropriation by parliament but special orders are required to confirm the expenditure. For example “President Order No AP 1522 on 12 Feb 2011” for 60,546 Somoni from the Presidential fund of 25,000,000 Somoni and “Order of Government of Tajikistan No 46 on May 5, 2011” for 1,000,000 Somoni from the Unforeseen expenditure account.

Expenditures from these contingency funds are not re-allocated to administration or functional expenditures but are merely debited directly to the fund.

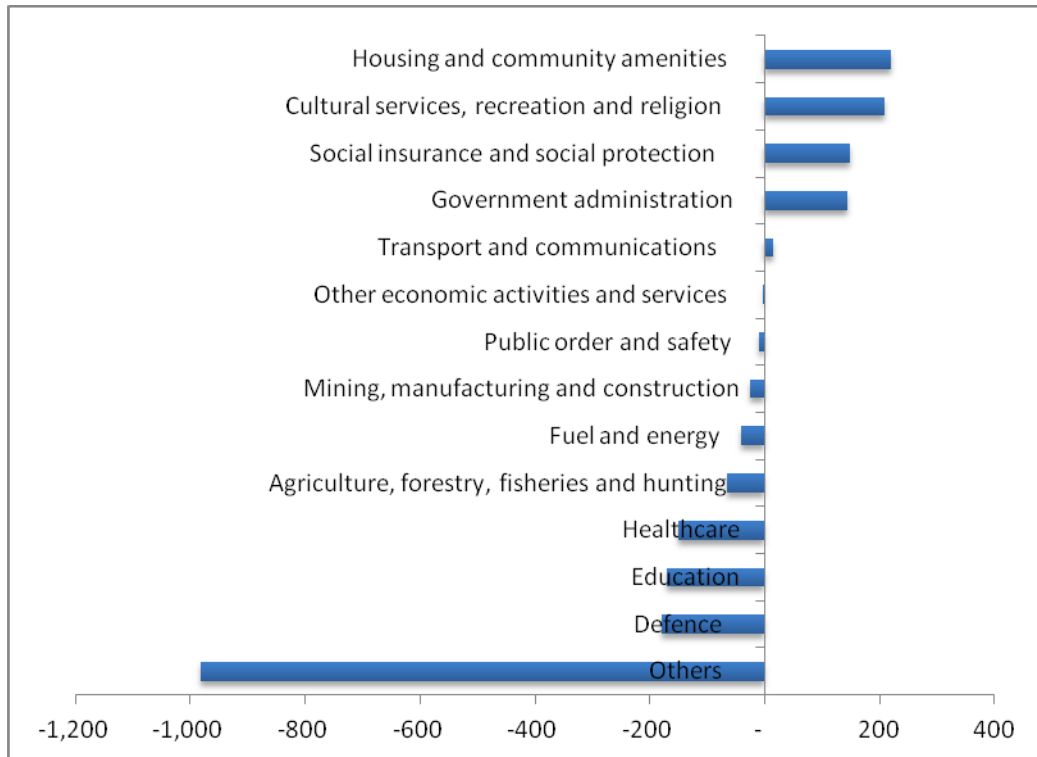
From the Table 13: Results Matrix above the composition variance is:

- 2009 13.0%
- 2010 10.8%
- 2011 11.3%

This means that PI 2 (i) will be graded C as the variance in expenditure composition exceeded 15% in no more than one of the last three years.

A score of C implies that there are significant differences between the original plan and the actual allocation of funds to sectors. An analysis of the ‘gainers’ and ‘losers’ from these changes to the plan adds some understanding to how the variance arises. Figure 1 below shows the total differences between budget and actual allocation of expenditure to sectors in the period 2008 to 2011.

Over this period the main gainers were housing, cultural services, social protection and government administration, whereas healthcare, education and defence received less than originally budgeted.

Figure 1: Total differences between budget and actual allocation to sectors, 2008-2011

Dimension (ii) The average amount of expenditure actually charged to the contingency vote over the last three years.

The contingency items are:

- 45: Fund of unforeseen expenditure
- 46: Reserve fund of the President
- 48: Reserve fund of local government executors

The reserve funds of Local Government executors are directly related to the revenue generated at the sub-national level (SNL) and is not part of the republican budgeting process. The expenditures under lines 45 and 46 are:

Table 13: Contingency Funds (Somoni)

	2009 Budget	2009 Actual	2010 Budget	2010 Actual	2011 Budget	2011 Actual
Fund of unforeseen expenditure	42,106,103	36,953,203	88,458,239	88,458,239	119,111,265	113,711,495
Reserve fund of the President	7,891,500	7,831,500	13,910,133	12,281,673	24,011,000	22,982,299

Source: Financial Statements MoF

Refer to “Table 13: Results Matrix” above to see the average actual expenditure charged to the contingency vote was on average 5.9% that is more than 3% but less than 6% of the original budget and therefore will score a B.

PI	Score 2007 PEFA	Score 2012 PEFA	Assessment
<i>PI-2:</i> Variance in expenditure composition	C	C+	The 2007 assessment was according to a previous methodology and the results are not directly comparable. Using the PEFA assessment methodology an analysis of expenditure composition highlights that there are significant differences between the original plan and the actual allocation of funds to sectors and this will need more attention to achieve a higher score. The contingency funds should be reallocated to those votes against which the unforeseen expenditure is recorded not as in current practice of maintaining separate accounts, which distort the expenditure by sector. However, the contingency funds are not significant.
<i>Dimension (i)</i>		C	The variance in expenditure composition over the last 3-years was on average 11.8% therefore it qualifies for a C rating assessed as has not exceeded 15% in no more than one of the last three years.
<i>Dimension (ii)</i>		B	The average actual expenditure charged to the contingency vote being the Reserve Fund of the President and the fund for unforeseen expenditure was on average 5.9% over the last 3-years which is more than 3% but less than 6% of the original budget and therefore will score a B.

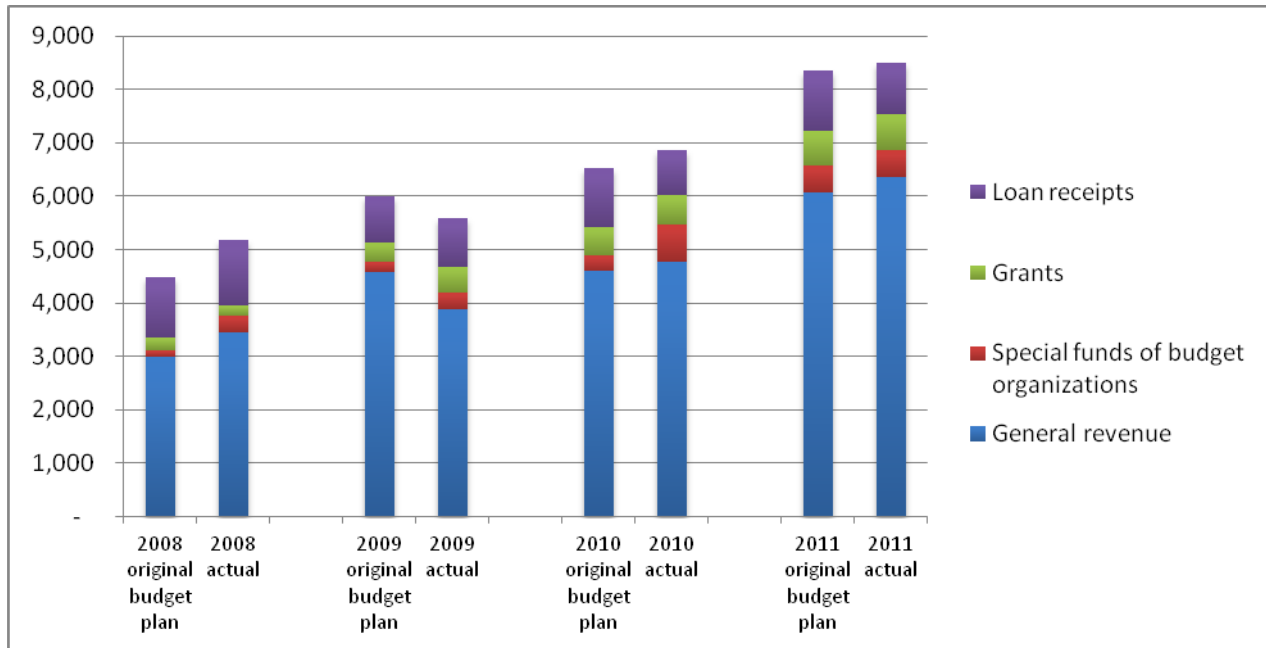
3.2.3. PI-3: Aggregate revenue out-turn compared to original approved budget

Accurate forecasting of domestic revenue is a critical for determining budget performance, since expenditure allocations are based on that forecast. The main thrust of PFM reforms is generally to strengthen forecasting capacity and to promote the development of institutional forecasting systems that allow objective forecasts based on the best available data and methodology.

A table of all state revenue, including grants and loans, is shown in Annex 2. The graphical depiction in Figure 2 is taken from this table.

Indicator PI-3 focuses on the revenue that is directly controllable by the state. As with indicators PI-1 and PI-2, it excludes revenue from donor grants and loans for development projects. The revenue scored in PI-3 is domestic revenue: taxes, non-tax revenue, and special funds revenue of budget organizations, as shown in

Table 14.

Figure 2: Revenue including grants and loan drawdowns 2008-2011

Note: The scoring method for this indicator has changed since its original version. When the 2007 PEFA was carried out, a high score was given for PI-3 if actual revenue exceeded budget. Tajikistan scored an A because its revenue budgets were usually underestimated. The current version of the PEFA manual (2011) now recognizes that, as with expenditure, a high score should only be received if actual revenue is close to the budgeted figure. On this new basis, a reworking of the 2007 Tajikistan score for PI-3 would receive a D, not an A.

Table 14: Total domestic revenue, 2008-2011

Somoni Million	2008		2009		2010		2011	
	Original budget	Actual	Original budget	Actual	Original budget	Actual	Original budget	Actual
Taxes	2,811	3,298	4,268	3,659	4,353	4,444	5,585	5,849
Non-tax revenue	171	149	317	211	253	329	488	504
Special funds of budget organizations	130	323	183	318	284	696	504	504
Total	3,112	3,770	4,768	4,188	4,890	5,469	6,577	6,857
Actual/budget		121.1 %		87.8%		111.8 %		104.3%

Source: Ministry of Finance, budget department.

On the basis of the above figures, the score of PI-3 for 2009 to 2011 is **B**: Actual domestic revenue was between 94% and 112% of budgeted domestic revenue in at least two of the last three years. This is a significant improvement over the result in the 2007 PEFA if the 2007 result was reworked.

Note: The part of domestic revenue with the greatest uncertainty is special funds of budget organizations. If the calculation were repeated for just the sum of tax and non tax revenues, the score would be **A**, as seen below: Actual domestic revenue was between 97% and 106% of budgeted domestic revenue in at least two of the last three years.

Table 15: Revenue Analysis without special funds

Somoni Million	2008		2009		2010		2011	
	Original budget	Actual	Original budget	Actual	Original budget	Actual	Original budget	Actual
Taxes	2,811	3,298	4,268	3,659	4,353	4,444	5,585	5,849
Non-tax revenue	171	149	317	211	253	329	488	504
Total	2,982	3,447	4,585	3,870	4,606	4,773	6,073	6,353
Actual/budget		115.6%		84.4%		103.6%		104.6%

Source: Table 7

PI	Score 2007 PEFA	Score 2012 PEFA	Assessment
PI-3: Domestic revenue performance	A	B	The 2007 assessment was according to a previous methodology and the results are not directly comparable. If we discard the special funds of budget organizations then the 2012 score would be A. Revenue has marginally exceeded budget in the last 2-years 2011 & 2012. Before this period forecasting was quite erratic, due to an historical tendency in former soviet controlled states to understate potential revenues.

3.2.4. PI-4: Stock and monitoring of expenditure payment arrears

Expenditure payment arrears are expenditure obligations that have been incurred by government, and for which payment is overdue; and can indicate problems such as inadequate commitment controls, poor cash rationing, inadequate budgeting for contracts, or under-budgeting of specific items.

Dimension (i): Stock of expenditure payment arrears

The Government of Tajikistan has no definition of the term arrears, but records unpaid expenditure (liabilities) of all budget organisations, which are consolidated by Treasury at the year-end. These are summarised in

Table 16 below. The figures include all types of liabilities including wages, utilities and capital expenditures.

Table 16: Outstanding liabilities at the end of each year

(Somoni million)

Year	2008	2009	2010	2011
Total expenditure liabilities (reported by Treasury)	82.4	78.3	80.5	97.9
Total actual primary expenditure (from PI-1)	3,457	4,602	5,485	8,256
% of total actual primary expenditure	2.38%	1.70%	1.47%	1.19%

Source: Ministry of Finance and Treasury

These figures show that recorded expenditure liabilities are low (below 2% of primary expenditure for the last three years).

The main source of uncertainty over the figures is whether any unpaid liabilities exist which have not been recorded. The PEFA report of 2007 reported that commitment control was weak and that

arrears in wages and other statutory expenditures on a quarter-by-quarter basis can be significant. However, in 2012 interviews with Head of MoF Budget Department and Head of Accounting and Audit Department indicate that arrears in wages and other expenditures has improved to the extent that these type of arrears are no longer significant.

Since total liabilities will by definition be higher than total arrears, on the basis of the information provided, that in each of the last 3-years the ratio of debt to total primary expenditure is less than 2%, the score for dimension (i) is **A** (refer table 10 above).

Dimension (ii): Availability of data for monitoring the stock of expenditure payment arrears

Treasury consolidates the figures for outstanding expenditure liabilities at the end of every year as part of its regular operations, but there is no age profile for these liabilities. There may possibly be missing data from some budget organisations, but this has not been quantified. On the basis of this information, a score of D has been awarded for this dimension.

A meeting with Deputy Head of Treasury, which covered a comprehensive overview of the system and records, leads the assessment team to the inevitable conclusion that there is no system to age the liabilities and determine the extent of arrears. In the absence of a Commitment Control System the current accounting system will not produce the information required. A computerized FMIS and a Business Process Reengineering would help the Treasury conduct deeper analysis of government financial information.

PI	Score 2007 PEFA	Score 2012 PEFA	Assessment
<i>PI-4: Extent of expenditure arrears</i>	C	D+	In 2007 there appears to be a typo error in the rating and the score should have been a B. In addition, the rating of Dimension (ii) may be too high in 2007 as there is no data on the stock of arrears, only the level and balance of liabilities.
<i>Dimension (i)</i>	A	A	Since total liabilities will by definition be higher than total arrears, on the basis of the information provided, that in each of the last 3-years the ratio of liabilities to total primary expenditure is less than 2%, then arrears must be less than 2%. Then the score for dimension (i) is A .
<i>Dimension (ii)</i>	C+	D	The systems at year end appear to be robust and liabilities are determined to be low, however there is no age profile of data and no data on arrears, therefore the score must be rated D.

3.3. Comprehensiveness and transparency

The indicators in the Comprehensiveness and Transparency dimension of PFM assess to what extent the budget and fiscal risk oversight are comprehensive, as well as to what extent fiscal and budget information is accessible to the public. The matrix below summarises the assessment of indicators under this dimension.

Assessment of Performance Indicators for Comprehensiveness and Transparency

Summary of assessment of indicators for PIs 5-10

PI	Score 2007 PEFA	Score 2012 PEFA	Assessment
PI-5: Budget classification	D	B	In 2007 only functional and economic classifications were in use for budget preparation and execution. Now the classifications have been expanded to include Administrative and Program classifications, however they are not operating at full strength yet.
PI-6: Budget documentation	A	A	The recent budget documentation submitted to parliament fulfills 7-9 of the 9 information benchmarks and therefore the score is assessed as A.
PI-7 (M1): Extent of un-reported government operations	C+	B+	The financial statement and system has improved over the period 2008 -2012 such that extra budgetary expenditure is low and the system for recording development partner loans, grants and state debt has improved.
PI-8 (M2) Transparency of inter-governmental relations	B	B+	<i>Performance improved.</i> Since 2007 there were new developments and initiatives introduced in general budget formulation and reporting processes which affected transparency and rules of the horizontal allocation of transfers among SN governments and the timelines of reliable information to SN governments.
PI-9 (M1): Oversight of aggregate fiscal risk	C	C+	The assessment of aggregate risk at the significant level of major AGA and PE is now monitored by an agency that was not fully operational during the PEFA of 2007. Whilst the monitoring of the budget execution system at SNL is strong there is no system for assessing aggregate risk in a consolidated fashion.
PI-10: Public access to fiscal information	D	C	The assessment is based on an improved information system through websites and to say that there is no information would be harsh. Even in the 2 areas where the team has assessed a positive answer there are shortcomings. However, it is recognized that the government has made an initial start to appointment an external auditor and when this appointment is made then improvements will be seen, therefore this ranking qualified for an arrow indicating on-going improvements.

3.3.1. PI-5: Classification of the budget

A comprehensive government classification system and chart of accounts allows the preparation and execution of budget to be based on the following heads: administrative unit, economic item, functional and program.

At the time of the 2007 PEFA the functional and economic budget classifications were in use and have been continued. The administration classification has since been added in 2010 for central line ministries and 2011 across the whole of government.

The functional classification used is broadly in accordance with the main functions listed in Government Financial Statistics (GFS) and Classification of the Functions of Government (COFOG) continuing to be the main basis of the budget classification, and the basis on which the budget is legally approved. The Public Investment Program (PIP) was integrated into the functional classification from 2007.

The budget economic classification uses a different numbering system from the chart of accounts used by Treasury, but this does not prevent reporting actual against budget items by economic classification. There are differences between the charts of accounts used at republican and local level but these will disappear when the new Unified Chart of accounts is implemented, which is planned for 2013. However, the distinction between the budget economic classification and the chart of accounts is still likely to continue, as the opportunity to use a single numbering system does not appear to have yet been taken.

The administrative classification was introduced into the Republican Budget from 2010 and into the administrative classification at local level was approved in May 2011 and used in Local Budget from 2012. Treasury is also able to report actual against budget using the administrative classification. The main problem with the use of the administrative classification is in the practical delegation of budget management authority. Although the classification shows a hierarchy of main budget organisations and subsidiary budget organisations, MoF deals directly with nearly all subsidiary budget organisations, both when assigning the original approved budget to administrative units and when making revisions to these allocations by functional classification. However, this is a matter for discussion under PI-16. As far as indicator PI-5 is concerned, there is now a comprehensive administrative classification, which is used to record the formulation and execution of the budget.

Descriptions:

Functional classification: The 10 main COGOG headings are included within the classification.

Economic classification: The economic classification/chart of accounts is now capable of producing reports consistent with GFS standards.

Administrative classification: The classification of administrative budget units exists, though the hierarchy of authority implied by the classification has only been used in 2011.

Program classification: Program budgeting is not yet operating in Tajikistan, outside perhaps of the pilot ministries to some extent, and therefore the program classification is not relevant to the assessment of PI-5.

Funding classification: Treasury report this has been operating since 2011.

This is all using GFS/COFOG standards that can produce consistent documentation according to those standards.

If all of the above classifications were working then this assessment would be A, however as the administrative, program and funding classifications are only just being used and the program classification has yet to be implemented then the overall score will be **B**.

PI	Score 2007 PEFA	Score 2012 PEFA	Assessment
PI-5: Budget classification	D	B	In 2007 only functional and economic classifications were in use for budget preparation. Now the classifications have been expanded to include Administrative, Program and Funding classifications, however they are not operating at full strength yet.

3.3.2. PI-6: Comprehensiveness of information included in budget

Annual budget documentation as submitted to the legislature for scrutiny and approval should allow a complete picture of central government fiscal forecasts, budget proposals and out-turn of previous years. The PEFA Performance Measurement Framework sets out nine pieces of information and/or documentation that governments should be submitting to the legislature.

Documentation of the annual budget, submitted by the Government to the Parliament for scrutiny and approval, contains complete information on budget projections, drafts of the budget and budget performance results for previous years. In addition to information on income and expenditures, recent annual budget documentation fulfils 8 out of the 9 information benchmarks, listed in the PEFA PFM Performance Measurement Framework document. Thus, this indicator is scored as A.

The Table 11 below shows the elements of budget information which should be submitted to the legislature, in addition to the detailed information on revenues and expenditures, in order to be considered complete, and compares with the information actually submitted in Tajikistan.

Table 11: Information Provided in the Budget Documentation

No.	Budget documentation benchmarks	Availability
1.	<i>Macro-economic assumptions</i> , incl. at least estimates of aggregate growth, inflation and exchange rate	YES
2.	<i>Fiscal surplus or deficit</i> is defined according to GFS or another internationally recognised standard	YES
3.	<i>Deficit financing</i> , describing anticipated composition	YES
4.	<i>Debt stock</i> , incl. details at least for the beginning of the current year	YES
5.	<i>Financial assets</i> , incl. details at least for the beginning of the current year	YES
6.	<i>Prior year's Budget out-turn</i> , presented in the same format as the proposed Budget	YES
7.	<i>Current year's Budget</i> (revised budget or estimated out-turn), presented in the same format as the proposed Budget	YES

No.	Budget documentation benchmarks	Availability
8.	<i>Summarised Budget data for both revenue and expenditure according to the main heads of the classification used, incl. data for current and previous year</i>	YES
9.	<i>Explanation of Budget implications of new policy initiatives, with estimates of the budgetary impact of all major revenue policy changes and/or some major changes to expenditure programs</i>	YES

PI	Score 2007 PEFA	Score 2012 PEFA	Assessment
PI-6: Budget documentation	A	A	The recent budget documentation submitted to parliament fulfills 7-9 of the 9 information benchmarks and therefore the score is assessed as A.

3.3.3. PI-7: Extent of unreported government operations

Annual budget estimates, in-year execution reports, year-end financial statements and other fiscal reports for the public, should cover all budgetary and extra-budgetary activities of central government to allow a complete picture of central government revenue, expenditures across all categories, and financing. The indicator covers extra-budgetary activities of the government on the one hand, and expenditure information on donor funded projects on the other hand as the main categories of potentially unreported government operations.

Dimension (i): The level of extra-budgetary expenditure (other than donor funded projects), which is unreported i.e., not included in fiscal reports

Almost all state organizations, departments and agencies are engaged in commercial activities through the provision of paid services. The total expenditures of the State budget include, among other things, the category ‘special funds of budgetary organizations’, which totalled 464.4 million Somoni or 6.9% from the State budget in 2010. Traditionally, the Ministry of the Interior, customs, institutions of higher education, and the Ministry of Foreign Affairs are the main sources of these special funds (both on the expenditure and revenue sides).

The following government departments and agencies at the central and local levels are major sources of revenues and expenditures of the special funds through the provision of services: higher education institutions, Ministry of Foreign Affairs, the Ministry of Education, Ministry of Culture, the State Committee for Television and Radio Broadcasting, Ministry of Justice, Ministry of Agriculture, the Committee on the Protection of the Environment, housing and communal services, Ministry of Transport and Communications, Ministry of Finance, the Academy of Sciences, secondary professional institutions, Ministry of Health, as well as educational institutions at the level of local authorities.

Since 2009, the budget line items related to special funds are shown as part of the state budget, although special funds of the local budget haven’t been shown in the state budget yet. With regard to reporting on budget execution, the whole level of extra-budgetary expenditures is shown as special funds. Parliament approves the special funds in lump sum, but then disbursements have to be approved one by one and there is a reconciliation and recording of this.

If special funds are now shown in the budget and in the budget execution, then they are no longer 'extra-budgetary', except to the extent that no analysis is available at the time of budgeting.

The IMF made an appropriate comment:

"In Tajikistan, a budget is conceived of as a source of funds whereas the PEFA concept of a budget is what is covered by the parliamentary appropriation system. On the basis that the budgets of special funds are approved by parliament along with the regular budgets, it seems that they are covered by the parliamentary appropriation system. However, the special funds of local budget organizations are outside the parliamentary appropriation system and are not included in the fiscal reports, therefore they might constitute less than 1% of total expenditure, which would make the score for PI-7(i) A instead of B"

Table 17: Share of the special funds of budget organizations in total government revenues without grants and loans, 2008-2011, thousands Somoni

Year/items		Total	Tax revenue	Non-tax revenue	Of which 'special funds'	% of special funds out of total
2008	Plan	3387.3	2874.5	512.8	336.8	11.0%
	Actual	3769.6	3298.2	471.4	322.9	9.4%
2009	Plan	4371.8	3693.0	678.8	475.3	12.2%
	Actual	4187.4	3659.0	528.4	317.6	8.2%
2010	Plan	5480.2	4400.2	1080.0	815.2	17.5%
	Actual	5469.0	4443.8	1025.2	696.2	14.6%
2011	Plan	6576.7	5584.5	992.2	503.7	8.0%
	Actual	6856.2	5848.9	1007.3	503.7	7.7%

Source: Data of the MoF RT

Unofficial Fees: Concerns have been raised in previous donor reports and in the 2007 PEFA concerning unofficial charges levied in the Education and Health sectors. No direct evidence of this practice has been uncovered; but there is anecdotal evidence from various sources about such fees.

The extent of these revenues are likely to be low according to Public Expenditure Tracking Survey (PETS) World Bank 2008. Revenues raised at the Sub-National Level (SNL) are subject to a sharing formula with the Republican level. The Republican budget is directed at recurrent costs and donor funds are primarily used to fund the Public Investment program covering capital and investment costs in the health system. The extra budgetary funds – fees for service and the President special fund allocations – are focused on service delivery.

The majority of expenditure at the SNL is on salaries and wages and in kind contributions are usually food, drugs and medical supplies (bandages and such like).

In the same report it was stated that at the SNL in the Health Sector a survey of 75% of facilities indicated that auditing was frequent and mostly carried out mostly by the State Financial Control Committee. With an acceptable level of auditing one would expect any significant activity in unofficial fees would be reported.

Dimension (ii): Income/expenditure information on donor-funded projects which is included in fiscal reports

Since 2007, grants and loans for investment projects and the Chinese government loan are included in the state budget. According to data from the Ministry of Finance, financial statements contain information on revenues and expenditures related to all projects financed by loans and grants. This excludes Grants in kind.

Table 18: Development Assistance: Total amount for PIP, 2008 -2010, USD Millions

	2008	2009	2010
Loans	350.1	243.5	179.4
Grants	39.7	48.1	78.4
Contribution of GRT*	17.9	14.3	27.6
Total	407.7	305.9	285.4

*with contribution of JSC “Barqi Tojik “

Source: MoF RT

In the PEFA assessment in 2008 the aid coordination system was in transition from an Aid-Coordination Unit to State Committee on Investment and Management of State Property and it was unclear how the improvements would be implemented. This is the main difference between the two assessments and the fact that now the information is available.

PI (M1)	Score 2007 PEFA	Score 2012 PEFA	Assessment
PI-7	C	B+	The financial statement and system has improved over the period 2008 -2012 such that extra budgetary expenditure is low and the system for recording development partner loans, grants and state debt has improved.
(i)	B	B	As there is no information on special funds of the local budget the score for this dimension is estimated as B (same as 2007 PEFA) – i.e. the level of extra budgetary expenditure (other than donor funded projects) constitutes 1-5% of total expenditure.
(ii)	C	A	The financial statements include loans, grant and state debt to China and therefore complete income/expenditure information of donor-funded projects is included in fiscal reports, except inputs provided in-kind.

3.3.4. PI-8: Transparency of Inter-Governmental Fiscal Relations

This indicator reflects the fact that sub-national governments play an important role in service delivery, and that they are important recipients and users of budgetary funds. The indicator is assessed based on three dimensions.

The MOF directly interacts with 17 sub-national budgets (Dushanbe, three oblasts, and 13 rayons of republican subordination). Governments of these SN entities in turn interact in the budget preparation and execution of the SN entities subordinated to them.

Relevant legal acts are the 2011 Law on State Finance, and the 2004 Constitutional Law on Local Bodies of State Power, (including amendments made in 2006 and 2009) which contains articles regarding local public finance procedures and rules. In accordance with the 2011 Law on State Finance (article 23) local taxes are fully credited to local budgets. Nationwide distribution of taxes

between the Republican and local budgets is the responsibility of the Government of the Republic of Tajikistan and is approved annually by the law of the Republic of Tajikistan on State budget for the next fiscal year.

Dimension (i): Transparent and rules based systems in the horizontal allocation among SN governments of unconditional and conditional transfers from central government (both budgeted and actual allocations)

Since 2007 there were some improvements introduced into the budget formulation and reporting processes, which also affected the relevant improvements in connection to overall system of resource allocations between levels of government, and for the horizontal allocation among local governments. Thus, there is a set of rules and practices in Tajikistan which is based on bottom - up and top - down procedures, where top-down procedures are based on the per/capita planning and are in line with the sector strategies, and bottom- up procedures are revenue based. Such improvements are made within overall MTEF/budgeting process, which is stated now also in the MTEF set of instructions issued by the MoF on the early stage for the next 3 years budget preparation on a rolling basis.

In accordance with the Article 41 (Law on State Finance, 2011) sectorial budget priorities and strategic sectorial plans are taking into account for the formulation of local budgets drafts, as well as minimum requirements to meet the standards of social budget guarantees. Local government authorities, based on the methodological instructions issued by the Ministry of Finance, formulate local budgets that are based on legal requirements.

Responsibility for service provision (central, local, and joint) is set out in the Law on State Finance (2011), article 18 (with substantial responsibilities allocated to local levels). Furthermore, article 23 of the law specifies the principles of IGFR; and article 24 specifies what forms of financial assistance can be provided from the central to local budgets. The key principle is that the central government seeks to guarantee a *minimum level* of budget security to local governments and to ensure a financing of minimal state social standards in all localities. According to the MoF and other interlocutors, in highly subsidized regions, subventions will only be sufficient to cover protected expenditure items – mainly salaries and utility payments – and will not be sufficient to cover items such as school textbooks or maintenance.

Funding allocations (including the share of taxes to be retained in each oblast as own revenue) are decided annually during budget negotiations between the oblast chairmen (or rayon chairmen in the case of the RRS) and the MoF. SN governments (as well as other budget users) can request additional funding from the MoF as well as from the presidential reserve fund during the year. The allocation of these additional presidential funds appears to be largely on an *ad hoc* basis.

There are per capita based system of allocations in the social sectors (health, education, labour and social protection) has been introduced in 2011 for piloted rayons.⁴ Furthermore, in the context of the MTEF strategy, (which was approved by Parliament in June 2011 under The Public Finance Law (PFL), incorporating MTEF), efforts are underway to return to a greater level of centralization of responsibilities and management of funding (see also PI 12). Education has been selected as the pilot sector for these efforts (which are currently at very initial stages).

⁴ Per capita allocations change certain incentives for budget users, and they may lead to greater equalization of expenditures across localities.

SN governments have three sources of income: own revenues – based on revenue-sharing arrangements specified in the annual budget law; subventions from the republican budget to meet minimum funding levels in regions when there is not sufficient own revenue; and subsidies which are provided to finance specific spheres (housing complex; culture).⁵ In aggregate terms, more than two-thirds of local revenues are own revenues retained at local levels (see table 12), and this is a stable figure for the years since 2007.⁶ The table 12 also shows that the actual out-turns indicators for subventions and additional funds from republican budget are matching 100% to the planned ones. The level of subventions is calculated based on a funding gap between expenditure needs and own revenue capacity.

Table 19: Local budget revenue 2007 – 2011 (Somoni Millions)

	2007				2008			
	Plan	Actual	% Plan/ Actual	% Local Revenues	Plan	Actual	% Plan/ Actual	% Local Revenues
Own revenues	585.5	654.4	112.0	71.7	815.6	947.5	116.0	75.6
Balance of funds from the previous year	33.7	33.0	98.0	4.1	40.5	38.7	96	3.8
Targeted funds (subvention)	156.7	156.7	100	19.2	181.6	181.6	100	16.8
Additional funds from republican budget	35.5	35.5	100	4.4	35.1	35.1	100	3.2
Loans	0	0	0		0	0	-	0
Maintaining capital city function of Dushanbe	5.0	5.0	100.0	0.6	6.0	6.0	100	0.6
Total local revenues	816.5	885.0	108.0	100.0	1078.9	1208.9	112.0	100.0

	2009				2010			
	Plan	Actual	% Plan/ actual	% Local revenues	Plan	Actual	% Plan/ actual	% local revenues
Own revenues	1119.5	1236.1	110.0	72.4	1406.0	1557.9	111	76,6
Balance of funds from the previous year	154.5	155.3	101	9.9	106.9	106.9	100	5,8
Targeted funds (subvention)	261.8	261.8	100	16.9	292.4	287.2	98	15.9
Additional funds from republican budget	3.8	3.8	100	0.3	23.6	23.6	100	1.3
Loans	0	0	0		0	0	-	0
Maintaining capital city function of Dushanbe	7.0	7.0	100	0.5	7.0	7.0	100	0.4
Total local revenues	1546.7	1667.1	108.0	100	1835.9	1961.9	107	100

	2011			
	Plan	Actual	%	% Local

⁵ In addition, the following functions at local levels are financed directly from the republican budget: law enforcement; land use committees; financial departments of local government; and courts.

⁶ The description here includes the allocation of revenue shares, as this is part of the resource transfer package between central and local governments.

			Plan/ Actual	Revenues
Own revenues	1763.9	1876.6	106.0	74.8
Balance of funds from the previous year a	197.9	197.9	100	8.4
Targeted funds (subvention)	341.7	341.7	100	14.5
Additional funds from republican budget	45.3	45.3	100	1.9
Loans	0	0	0	
Maintaining capital city function of Dushanbe	10	10	100	0.4
Total local revenues	2358.9	2439.2	103	100

Source: MoF

(ii) *Timeliness of reliable information to SN governments on their allocations from central government for the coming year.*

After 2007 the Budget Calendar was adjusted accordingly to improve the overall budget formulation process and to make it more predictable and efficient. In accordance with improved MoF budget instructions (posted on the MoF website), which are based on introduced MTEF (3 years forward looking budget) process integrated with the annual budget planning, the local organs of State power initially receive instruction on formation of their draft budgets (in the middle of February). Thus in accordance with the MTEF instructions for 2011- 2013, MoF is communicating the budget ceiling before March 15 and the draft of the MTEF is presented to the Government Committee of Majlisi Namoaydagon Majlisi Oli of RT on Economy and Finance before June 1. Some changes may still occur during the government and parliament's review of the budget. The main outcome of budget negotiations is top-down cuts to budget proposals that have been collected bottom-up. These top-down allocations are in turn cascaded down, as higher levels distribute the reduced totals among sub-ordinated localities and budget organizations.

In recent years, budgets have been adopted well in time before the beginning of the new fiscal year. By the time that the allocations from central government are firmly known, the main local budget planning process has already taken place. Actual revenues that have substantially exceeded planned revenues in some of the past years, and additional allocations from the centre to local levels during budget execution add some degree of reliability; in particular with regard to the effective allocation and use of funds.

Local Treasury collect consolidated information on expenditure by sector. Quarterly and annual performance reports cover local expenses of a sectorial level, consistent with the financial statements of the Central Government. However, the local Treasury do not track or report information on the funds received by the individual budget organizations such as schools or health clinics.

Dimension (iii): Extent to which consolidated fiscal data (at least on revenue and expenditure) is collected and reported for general government according to sectorial categories.

Local treasuries collect and report consolidated information about sectorial spending. Quarterly and annual budget execution reports cover local level sector spending, consistent with central government fiscal reporting. However, local treasuries do not track or report on detailed

information of funds received by individual budget organizations such as schools or health clinics. (See also PI-23).

Table 20: Local Budget Revenues and Expenditures (Somoni millions)

Year		Plan	Actual	%
2007	Total revenues	816.5	885.0	108.0
	Total expenditures	816.5	823.6	100.8
2008	Total revenues	1078.9	1208.9	112.0
	Total expenditures	1078.9	1042.6	97.0
2009	Total revenues	1546.7	1667.1	108.0
	Total expenditures	1546.2	1461.6	94.0
2010	Total revenues	1835.9	1961.9	107.0
	Total expenditures	1835.9	1757.6	96.0
2011	Total revenues	2358.9	2439.2	103.0
	Total expenditures	2358.9	2253.1	96.0

Source: MoF, Department of local budgets

Transfers to subnational governments are strictly controlled through the process of limiting the quarterly cash flow, and budget estimates will not be exceeded without the approval of the Government to increase the “subsidies” or the approval of local authorities in respect of its income.

Local authorities will automatically receive a share of income in addition to government subsidies and can make additional revenue costs, which are collected in excess of the pledged budget. There is also a provision that allows local authorities to overspend around 3% in the case of insufficient financial resources.

The structure of the fiscal relationship between local governments and the Ministry of Finance leaves only a limited impact of central ministries on strategy, policy and regulation of service delivery. Central ministries for health, education and social protection have the roles of setting general sector policy such as wage grids or curricula, but have very little role in budget preparation, execution or oversight at the local level as there is no formal budget negotiation or accountability between local governments and line ministries. Substantial intergovernmental fiscal relations reform is therefore critical to improving the policy and regulation roles of line ministries.

Central government fiscal reporting of public spending by local authorities and is consolidated into annual reports within 6 months of the end of the fiscal year as reported by treasury.

PI (M1)	Score 2007 PEFA	Score 2012 PEFA	Assessment
PI-8	B	B+	<i>Performance improved.</i> Since 2007 there were new developments and initiatives introduced in general budget formulation and reporting processes which affected transparency and rules of the horizontal allocation of transfers among SN governments and the timelines of reliable information to SN governments.
(i)	c	b	There are a set of rules and practices in Tajikistan which is based on bottom - up and top - down procedures, where top-down procedures are based on the per/capita planning and are in line with the sector strategies, and bottom- up procedures are revenue based. Such improvements are made within overall

PI (M1)	Score 2007 PEFA	Score 2012 PEFA	Assessment
			MTEF/budgeting process and are backed by Article 41 (Law on State Finance, 2011) on the inclusion of sectorial budget priorities and strategic sectorial plans in formulating local budgets drafts, as well as minimum requirements to meet the standards of social budget guarantees. At present it is estimated that at least 50% of the transfers adhere to these allocation rules. There are additional presidential funds allocated on an Ad Hoc basis, but these are not significant.
(ii)	c	b	Since 2007 budgets have been adopted well in time before the beginning of the new fiscal year. By the time that the allocations from central government are firmly known, the main local budget planning process has already taken place. Even if allocations from the central budget are not forthcoming the majority of expenditure at SN level has been covered through local revenues.
(iii)	a	a	Fiscal information from sector and SN level are consistent with central government fiscal reporting of SN government expenditure and is consolidated into annual reports within 6 months of the end of the fiscal year.

3.3.5. PI-9: Oversight of aggregate fiscal risk from other public sector entities

Fiscal risks may emanate from autonomous government agencies (AGAs), sub-national governments (SNs) and Public Enterprises (PE). Central government should require and receive quarterly financial statements and audited year-end statements from AGAs and PEs, and monitor performance against financial targets.

The government has created a SOE monitoring department for the monitoring and evaluation of autonomous government agencies (AGAs) and Public Enterprises (PE).

There are 650 government enterprises (AGSs and PEs) registered in the Tax Committee Department⁷, however the monitoring unit only monitors those enterprises that have a capital in excess of 100,000 Somoni. The number of enterprises in with capital in excess of 100,000 Somoni is 16 and this is the focus of the unit:

1. State unitary enterprise “Tajik Aluminum Company”
2. State unitary enterprise “Aluminsokhtmon”
3. Open Joint Stock Holding Company “Barqi Tojik” (Electricity)
4. State Unitary Enterprise “Tojik air navigation”
5. Open joint Stock Company “Tojik Air”
6. Open Joint Stock Company “Furudgohi bainalmillalii Dushanbe” (“Dushanbe International Airport”)
7. Open Joint Stock Company “Furudgohi bainalmillalii Kurghonteppa” (“Kurgan-tube International Airport”)

⁷ The European Union disputed this figure stating that there is no official listing of SOE/AGA/PE, however this information was provided by the Head of the SOE Monitoring Unit – presumably this figure could be substantiated by the Tax Committee registration database, but time did not allow for the Consultant's to check this figure.

8. Open Joint Stock Company “Furudgohi bainalmillalii Kulob” (“Kulyab International Airport”)
9. Open Joint Stock Company “Furudgohi bainalmillalii Khujand” (“Khujand International Airport”)
10. Open Joint Stock Company “Tojiktelecom”
11. State Unitary Enterprise “Rohi ohani Tojikiston” (“Tajikistan Railway”)
12. Public Saving Bank “Amonatbank”
13. Open Joint Stock Company “Tojikkement”
14. State Enterprise “Vostokredmet” (“Orient rare metals”)
15. State Unitary Enterprise “Naftugas & angisht” (“Oil, gas & coal”)
16. Open Joint Stock company “Tojiktransgas”

Dimension (i): Extent of central government monitoring of AGAs and PEs

The unit produces reports, under Decree of the Government in 2008, on a quarterly basis covering economic and financial analysis. The report is first sent to Government (Cabinet) and then to parliament. The report structure was created with the help of IMF and EU using the following indicators (IMF FI12):

The report contains 40 Key Performance Indicators; refer Table 14.

Table 21: Financial Ratios used for SOEs

#	Name of indicator	Type of Indicator
1	Revenue from all activities	Turnover
2	Including: from main activities	Turnover
3	Expenditure from all activities	Expenditure
4	Including: from main activities	Expenditure
5	Profit and loss	Profit
6	Profit on revenue ratio	Profit
7	Tax on profit	Profit
8	Number of employees	HR Ratios
9	Salary expenses	HR Ratios
10	Average salary per employee	HR Ratios
11	Profit per employee	HR Ratios
12	Equity capital	Solvency
13	Working capital	Liquidity
14	Including: accounts receivables	Liquidity
15	Total liability	Liquidity
16	Including: long-term liabilities	Liquidity
17	Short-term liabilities	Liquidity
18	Including: salary	Liquidity
19	Social protection fund	Liability
20	Budget	Liability
21	Current ratio	Liquidity
22	Quick ratio	Liquidity
23	Working capital turnover	Liquidity
24	Ratio of accounts receivables to accounts payables	Liquidity

25	Margin (net revenue to service)	Profitability
26	Net profit from activities	Profitability
27	Profit from current assets	Profitability
28	Net Profit from current assets	Profitability
29	Maturity of receivables	Solvency
30	Current assets to profit from all activities	Solvency
31	Working capital turnover ratio	Solvency
32	Accounts payable to profit from activities	Solvency
33	Current liabilities to own funds	Solvency
34	Total liabilities to own fund	Solvency
35	Assets to own fund	Solvency
36	Current liabilities to material assets	Solvency
37	Total revenue to profit from all activities	Solvency
38	Total revenue to current liability	Solvency
39	Total revenue to net profit	Solvency
40	Coefficient likelihood of bankruptcy	Solvency

Source: SOE Monitoring Department in Ministry of Finance

External audit is conducted for each SOE is completed by one of the 56 audit entities certified by government. The Boards of the various autonomous government agencies (AGAs) and Public Enterprises (PE) appoint the auditors.

Of the remaining 634 AGAs and PEs the Line Ministries receive regular financial reports from those under their control. The MOF Department on State Debt and State Financial Assets receive quarterly and annual reports from each SOE. The State Property Committee controls the ongoing “privatization” process.

The Tax Committee maintains a tax registry that includes SOEs.

The State Financial Control Committee (SFCC) audits every two years the accounts of each SOE.

In 2007 there was no government organization undertaking a consolidated exercise to establish the overall financial risk with which the government may be faced. So the SOE monitoring department has addressed this situation.

There is only one AGA (Public Saving Bank “Amonatbank”) which has a contingent liability and this is monitored quarterly by SOE monitoring department

Dimension (ii): Extent of central government monitoring of SN governments’ fiscal position

The MoF directly interacts with 17 sub-national budgets (Dushanbe, three oblasts, and 13 rayons of republican subordination). Governments of these SN entities in turn interact in the budget preparation and execution of the SN entities subordinated to them.

Relevant legal acts are the 2011 Law on State Finance, and the 2004 Law on Local Bodies of State Power, which contains articles regarding local public finance procedures and rules. In accordance with the 2011 Law on State Finance (article 23) local taxes are fully credited to local budgets. Nationwide distribution of taxes between the Republican and local budgets is the responsibility of

the Government of the Republic of Tajikistan and is approved annually by the law of the Republic of Tajikistan on State budget for the next fiscal year

Quarterly and annual budget execution reports cover local level sector spending, consistent with central government fiscal reporting.

The structure of the fiscal relationship between local governments and the Ministry of Finance leaves only a limited impact of central ministries on strategy, policy and regulation of service delivery (refer PI-8).

In the reporting lines to central government the SNL has to report against “loans”. Therefore it is assumed that the SNL can adopt liabilities. However, in all the reports reviewed for these there are no entries of SNL level loans.

PI (M1)	Score 2007 PEFA	Score 2012 PEFA	Assessment
PI-9	C	C+	The assessment of aggregate risk at the significant level of major AGA and PE is now monitored by an agency that was not fully operational during the PEFA of 2007. Whilst the monitoring of the budget execution system at SNL is strong there is no system for assessing aggregate risk in a consolidated fashion.
(i)	C	A	All major AGAs/PEs submit fiscal reports to central government, through the SOE monitoring department, on a quarterly basis. In addition, annual audited accounts are submitted and central government through the SOE monitoring department consolidates fiscal risk issues into a report at least annually, therefore this dimension is rated A.
(ii)	C	C	As in the PEFA assessment of 2007 it is found that monitoring of the budget execution process is strong. Reports are received monthly for SNL financial activities but there is no consolidated overview of potential financial risk. Therefore a ranking of C is assessed.

3.3.6. PI-10: Public access to key fiscal information

Accountability to citizens has become an increasingly important issue in recent thinking about PFM reforms. Accessibility of information is a key precondition for accountability. The PEFA methodology defines six elements of documentation which should be publicly accessible.

As stated in the 2007 PEFA the 2002 Law on State Finances mentions “publicity (openness) of budgets” as one of the principles of Tajikistan’s budget system (article 8). According to the constitution, article 25, government organs are under obligation to provide documents to individuals whose interests or rights are affected. Tajikistan furthermore has a Law on Information (2002) and a Law on State Secrets (2003).

Websites for key ministries have been enhanced and the PEFA assessment found a great deal on these websites.

Table 15 summarises the availability of the six elements of information stipulated under the PEFA methodology that contribute to Public access.

Table 15: Fiscal information available to the public

Elements of information for public access	Availability	Assessment
Annual budget documentation when submitted to the legislature	NO	Fiscal information is available only after approval by the legislator.
In-year budget execution reports within one month of their completion	YES	Quarterly budget execution reports are published in the government newspaper “Giumhuriyat”; and in a magazine, “Moliya”; however, these are only selected reports and not a whole of government consolidated report.
Year-end financial statements within 6 months of completed audit	NO	Year-end financial statements are not available during this time frame and also there is no audit.
External audit reports within 6 months of completed audit	NO	The State Financial Control Committee provides an overview of the financial statements, however, there is no external audit. A law was passed in 2011 to create an independent supreme audit division, however no appointments or budget allocations have been made at this stage.
Contract awards (app. USD 100,000 equivalent) published at least quarterly	YES	Information is available to the public on procurement over this value, however as the Chamber of commerce has mentioned to the team there is little in the way of contract details, deliverables and evaluation outcomes.
Resources available to primary service unit at least annually	NO	There is no reporting to the public in this area.

PI	Score 2007 PEFA	Score 2012 PEFA	Assessment
PI-10	D	C	The assessment is based on an improved information system through websites and to say that there is no information would be harsh. Even in the 2 areas where the team has assessed a positive answer there are shortcomings. However, it is recognized that the government has made an initial start to appointment an external auditor and when this appointment is made then improvements will be seen.

3.4. Policy based budgeting

The indicators in this group assess to what extent the central budget is prepared with due regard to government policy. The table below summarises the assessment.

Assessment of Performance Indicators for Policy Based Budgeting

Summary of assessment of indicators for PIs 11-12

PI	Score 2007 PEFA	Score 2012 PEFA	Assessment
PI-11: Orderliness and participation in the annual budget process	B	B+	Whilst there has been some delays experienced in the last 3-years the Budget has always been approved by the legislators before the start of the year. It is therefore concluded that the system is robust With clear participation at all levels of government.
PI-12: Multi-year perspective in fiscal planning, expenditure policy and budgeting	D+	D+	The new Law on State finance was adopted in 2011, which incorporated three-year forward-looking budget. Three year forward budget planning was introduced in social sectors. The debt strategy for 2009 – 2011 was adopted in 2008, in the last five years the debt sustainability analysis reports were written annually and have being posted on the MoF website.

3.4.1 PI-11: Orderliness and participation in the annual budget process

Full participation requires an integrated top-down and bottom-up budgeting process, involving all parties in an orderly and timely manner, in accordance with a pre-determined budget formulation calendar.

Dimension (i): Existence of and adherence to a fixed budget calendar

A fixed budget calendar is circulated every year refer Table 16

Table 22: Budget Calendar

Activities	Date of completion	Responsible state ministry
Budget Calendar Decree	December 31	Minister of Finance
Budget Instruction Stage 1 (MTEF)	February 1	Ministry of Finance
Identification of macroeconomic indicators	March 1	Ministry of Economic Development and Trade of the Republic of Tajikistan
Forecasting public revenues over the medium term	March 1	Responsible ministries and departments
Mid-term investment plan	March 1	Ministry of economic development and trade of the Republic of Tajikistan
Baseline budget for capital expenditure	March 15	Ministry of Finance
Prognosis of state expenditure in mid term period	March 15	Responsible ministries and departments
Identification of budget priorities of Government of Tajikistan	April 1	Ministries and departments coordinated by Ministry of Finance
Identification of budget ceilings by sectors	May 1	Ministry of Finance
Submission of budget draft MTEF to Committee of Majlisi	May 1	Ministry of Finance

Namoaydagon Majlisi Oli of RT on Economy and Finance		
Identification of budget ceiling for main administrative budget allocation	June 1	Ministry of Finance
Allocation of expenditure ceilings main administrative budget allocation	June 5	Ministry of Finance
Budget instruction, stage 2 Annual Budget	June 5	Ministry of Finance
Budget Submissions	July 25	Ministries and departments coordinated by Ministry of Finance
Internal Budget Hearings	August to September	Ministry of Finance
State Budget Submitted to Cabinet	September 20	Ministry of Finance
Budget Submitted to Parliament	November 1	Ministry of Finance

Source: Ministry of Finance, Budget Department

Two key mileposts as a consequence of Budget Instruction Step 2 is that the budget preparation calendar is permanently fixed for stage 2 in the 2002 Law on State Finance: submission to the Government (Cabinet), Sept. 20; and submission to parliament: by Nov 1.

Delays in the calendar never take place according to the budget department. Simply that any delays from the line ministries will result in the budget department of the Ministry of Finance creating the budget based on last years expenditure and the late ministry will have no say in its own budget.

There is anecdotal evidence that based on this schedule, some line ministries have insufficient time for preparation of detailed estimates, and many of them are unable to make their estimates on time and therefore lose their ability to create their own budgets.

There are 4 distinct stages to the budgeting process:

1. Stage 1: The organisation of the budget, including priorities and mechanisms in the budget plan
2. Stage 2: Macroeconomic analysis, setting ceilings and consolidating the revenues and expenditures
3. Stage 3: All ministries participate in negotiations
4. Stage 4: Final Preparation

Dimension (ii): Clarity/comprehensiveness of and political involvement in the guidance on the preparation of budget submissions (budget circular or equivalent)

Political involvement begins at an early stage with the parliamentary Budget Commission being involved at the start with the budget calendar and then with the macroeconomic assessment.

In the forth stage of budget preparation, before final submission to the Parliamentary Budget Commission, all stake holders are invited to participate in budget discussions, such as media, every ministry, trade unions and SNL governments.

The President and his representatives are involved at all stages of the budget preparation.

Dimension (iii): Timely budget approval by the legislature or similarly mandated body (within the last three years)

Over the past three years Parliament approved the budget before the beginning of the fiscal year.

PI (M2)	Score 2007 PEFA	Score 2012 PEFA	Assessment
PI-11	B	B+	Whilst there has been some delays experienced in the last 3-years the Budget has always been approved by the legislators before the start of the year. It is therefore concluded that the system is robust With clear participation at all levels of government.
(i)	B	B	A clear annual budget calendar exists and the calendar allows MDAs five weeks from receipt of the budget circular for them to meaningfully complete their detailed estimates on time. Dimension (i) therefore is rated a B.
(ii)	D	B	A comprehensive and clear budget circular is issued to MDAs, which reflects ceilings approved by Cabinet (or equivalent). This approval takes place after the circular distribution to MDAs, but before MDAs have completed their submission.
(iii)	A	A	The legislature has, during the last three years, approved the budget before the start of the fiscal year and therefore scores A.

3.4.2. PI-12: Multi-year perspective in fiscal planning, expenditure policy and budgeting

Expenditure policy decisions have multi-year implications, and must be aligned with the availability of resources in the medium-term perspective. Therefore, multi-year fiscal forecasts of revenue, medium term expenditure aggregates for mandatory expenditure and potential deficit financing (including reviews of debt sustainability involving both external and domestic debt) must be the foundation for policy changes.

The first presidential decree on the MTEF was signed in 2006. In 2011 the new Law on State Finances was issued which mainly incorporated the MTEF. The first MTEF was adopted for 2008 - 2010, but was suspended because of the global financial crisis. MTEFs were adopted for 2011-2013, 2012-2014, with the support of donor projects. In 2012 MoF was able to prepare the MTEF for 2013-2015 on its own.

The MTEF regulation approved in June 2010 states that in accordance with article 34 of the Law of the Republic of Tajikistan “on State Public Finance of the Republic of Tajikistan” (2011), and for effective use of the state finance resources under the purposeful state sectorial programs for medium term, the Government of the Republic of Tajikistan regulates an approval of MTEF for three years and sends it for information to Majlisi namoyandagon Majlisi Oliy Republic of Tajikistan, as well as to Ministries, enterprises and organizations to implement the functioning sectorial program and to send the draft of regulation and order of the Government of the Republic of Tajikistan on new sectorial programs on medium term to implement within the indicators of MTEF. The MTEF document also states that the Ministry of Finance of the Republic of Tajikistan together with corresponding ministries and enterprises has to prepare the draft of State budget of the Republic of Tajikistan for the next year according to indicators of MTEF and on the set deadline to send the

draft of the Law of the Republic of Tajikistan on State budget of the Republic of Tajikistan for the next year for review of the Government of the Republic of Tajikistan.

The 2010-12 budget preparation process was not implemented as originally planned by the government and was strongly influenced by the financial crisis and the need to revise the 2009 budget at the same time. Planned budget reform had a low priority this year and as a consequence the results of budget reform were generally disappointing. Nevertheless, some important achievements have been made.⁸

For the period of 2011-2013, in line with the Request of the Government of the Republic of Tajikistan from December 30, 2009, under # 133-f and the Decision of the Permanent Budget Commission under the Government of the Republic of Tajikistan, the Medium Term Expenditure Framework for 2011 is set for “Education”, “Health”, “Social Protection”, “Agriculture”, “Energy”, “Transport and Communication”, “Land Works”, “Water Economy” and “Culture” sectors.

It appears the line ministries are weak in the application of MTEF, budget planning, and implementation. The fundamental idea of MTEF, that line ministries submit their budget plans (short and medium term) to be respectfully considered by MoF budget department including hearings and recordings of these hearings, although clearly stated in the budget calendar is not working as it should. Line ministries are lacking in capacity of PFM to the extent that they present budget plans that underestimate the cost of services that are legally binding to be delivered. It appears that this problem is so grave that it needs urgent addressing under the roll out of MTEF.

Dimension (i): Preparation of multi –year fiscal forecasts and functional allocations

An initial attempt to introduce an MTBF was made in 2003. Since 2008 a renewed effort at developing and introducing an MTEF, which entailed a range of major changes to the budgeting process, was resulted in introducing a new Law of State Finance (2010), which incorporates MTEF and in practical introduction of MTEF in major sectors. As a result, Ministry of Finance each year develops new Budget instructions, based on three-year budget planning integrated with the annual Budget law. These new regulative documents are facilitating the whole budget formulation process now and relative budget Calendar is taking into account a comprehensive process of early discussion of main budget parameters in connection to the National and sector strategic priorities and programmes. In accordance with the new Budget Calendar the MTEF ceilings should be sent to the Budget Commission of the Government before 1 June.

Forward estimates of fiscal aggregates are undertaken in practice and for three years on a rolling annual basis. They are classified on the functional basis. There are links between multi-year estimates and the subsequent setting of annual budget ceilings based on the major strategic country documents such as NDS, PRS and Sectorial Strategies.

Macro-economic projections are developed by the MOEDT. The MoF prepares forecasts of revenues initially in February/March, which are subsequently updated several times. These forecasts include a three-year perspective, which is being produced on a rolling basis. The MoF also prepares expenditure estimates in total and by main functions. However, experts working in this area commented that there are still some practical difficulties to integrate all sectorial strategic budgets with the state budget.

⁸ In accordance with the report on EU financed MTEF project for the MoF and line ministries in social sectors, October 2011.

In spite of the implementation of the multi year donor support project in the area of macroeconomic modelling and forecast, forecasting systems of MOEDT and MoF still target different objectives. MOEDT with the help of the EU funded project developed 3 macroeconomic models comprised of a interconnected modelling complex which was used for official macroeconomic forecasts in 2011 and 2012 in the MOEDT, but MoF is still using its own more conservative forecasts, which are included in the latest MTEF and the Budget planning documents.

Forecasts of fiscal aggregates were being prepared. The introduction of BSPs has provided a medium term perspective in functional allocations, which was not present in 2007. But this is not enough to increase the score from C, as the linkages between multi year forecasts and subsequent setting of annual budget ceilings have not been fully developed and introduced into practice. Thus, financial projections for several years and appropriations by functional categories are assigned with the score of C, as forecasts of financial performance by major categories of economic and functional classifications are included into the State Budget and 3 years MTEF on annual basis.

Dimension (ii): Scope and frequency of debt sustainability analysis

Debt emerged as a major policy challenge in Tajikistan in the course of the 1990s. Existing debt is mainly external. The main responsibility for debt management rests with the Government Debt and Government Financial Assets Department in the Ministry of Finance.

In 2008 the new Medium Term Strategy for the Management of Government Debt for 2009-2011 (covering both external and internal debt) was developed by the Ministry of Finance and was aimed at the improvement of government debt sustainability management by means of decreasing the risks, challenged by the external and internal factors. Sustainability analysis of the external and internal debt was held on an annual basis in the last several years. In the last five years debt status reports are prepared annually and are posted on the MoF website. The most recent report (number 7) for external users is posted on the MoF website is for 2010 situation. Government of Tajikistan also cooperates on a constant basis on the issue of debt sustainability with the IMF. IMF country reports contain debt sustainability analysis each year (for example see IMF Country Report No. 11/130, June 2011, page 15). The conclusions are based on the regular meetings with the experts from the specialized departments of the MoF and NBT. Ceiling by sector & Main administrative Budget Allocations MABA defined by MoF by concern to Economic Forecast – Current and Capital / Investments

The main department of public debt within the ministry of Finance using the “Debt Pro Analyst” software carries out sustainability analysis of external debt. In accordance with the strategy for public debt management, thresholds are set for indicators of external debt. Analysis of external debt sustainability includes the following indicators for maximum thresholds: ratio of debt to GDP should not exceed 40%; debt servicing in relation to income should not exceed 25%; net present value (NPV) of debt to GDP ratio should not exceed 30%.

Dimension (iii): Existence of sector strategies with multi-year costing of recurrent & investment expenditure

The 2006 budget circular asked ministries to submit sector strategies; and in the 2007 budget circular, this is reinforced by demanding that budget organizations must link their priorities to those set out in the National Development Strategy, and to provide costing estimates, including estimates for investment projects.

However, the process of developing sector strategies is still in its infancy. Some ministries are moving ahead and are receiving external support. The only sector for which a detailed and costed sector strategy exists at the moment is education. Education accounts for about 20% of primary expenditure.

For the PRSP2, strategies have been developed for the other main sectors (health, social protection, agriculture, public administration, energy, etc.), but these are not substantively and realistically costed yet. In general, the process of developing sector strategies will take time and will require substantial support for capacity development to sector ministries – especially as these have played limited roles in Tajikistan’s system of government to date.

The process of designing meaningful sector strategies will in principle require a clearer structure of sectorial responsibilities. For example, in the education sector, many republican level educational institutions (PTUs – Professional Technical Schools) have been under the responsibility of the Ministry of Labour rather than of Education. In the re-organization of government that was undertaken in December 2006, some but not all of these issues of fragmented responsibilities have been addressed.

If compared to the state of 2007, the budget instruction and MTEF documents state the clear methodology how to implement in practice the new introduced system of MTEF/budget formulation. The Medium- Term Strategy covers the current and major expenses directed to state funding of identified sectors through the major sectorial ministries on the basis of medium- term budgetary request and the detail explanation of sectorial medium- term goals, sectorial expenditure policy, priority programmes and foreseeing of sectorial expenses in accordance with functional grouping of budget for the 3 year period. In order to simplify the process of preparation of MTEF the Ministry of Finance of the Republic of Tajikistan established the Inter- Sectorial Working Group for relevant sectorial ministries to develop the Mid- Term Expenditure Framework, starting from February 01, 2010 prepared the “Guidance on preparation of the Mid- Term Expenditure Framework for the period of 2011- 2013 and the Draft of the State Budget for the period of 2011” and presented these documents to the relevant ministries.

The MTEF document includes the description of MTEF objectives, the structure of MTEF for the period of 2010- 2013, medium-term priority directions of MTEF, description of the trends and projections of main macroeconomic indicators and government revenues, description of major policy and budget expenditure parameters for medium-term period (including parameters for government debt service), estimates of expenditures in social and economic sectors and detailed calculation of maximum level of State Budget expenditures based on the sectorial costed strategies for 3 years, as well as indicators of the expenditures of Foreign Investments and the contribution of the Republic of Tajikistan within the framework of implementation of joint investment projects with International Financial Organizations for the period of three years.

As of today at least three social sectors are preparing their MTEF forward looking budget plans on the instructions issued by the support unit of MTEF, which present an essential part of the overall State Budget. For example, in 2009 actual expenditures for 3 sectors (education, health and social protection) were representing 44% of primary expenditure, in 2010 – 44%, in 2011 – 38%. At the same time PEFA team interviews with the two sectors and PFM experts reports are stating some inconsistency of sectoral strategies with finalized and approved aggregate fiscal plans by the MoF.

Dimension (iv): Linkages between investment budgets and forward expenditure estimates

Since implementation of the new approach of MTEF in Tajikistan and linking it with the annual budget, planning process attempts have been made to link capital investments and forward expenditures on the basis of related sector strategies. Estimates of operating costs related to capital investments are prepared with regard to sector allocations. However, the PEFA interviews showed that even in those sectors where these programs were prepared with the help of donors (like in the framework of EU financed project on MTEF for MoF and social sectors), there was no clear understanding of how these forward estimates should be incorporated into the budget, as investment programmes are still prepared separately. For other sectors, where consultants were not involved in training, the process was even unclear.

Although the intention is that steps are being undertaken to link investment and recurrent budgeting (based on annual updates of the PIP, budget circular demands, etc.), in the current system of budget preparation the two still remain rather separate. Estimates of future recurrent costs are still not part of the process of planning and selecting investment projects at the moment, even though the Budget Department are adamant that this is the case. The domestically financed and the externally financed investment plans are still not linked.

PI (M2)	Score 2007 PEFA	Score 2012 PEFA	Assessment
PI-12	D+	D+	Performance Unchanged. The new Law on State finance was adopted in 2011, which incorporated three-year forward-looking budget. Three year forward budget planning was introduced in social sectors. The debt strategy for 2009 – 2011 was adopted in 2008, in the last five years the debt sustainability analysis reports were written annually and have being posted on the MoF website.
(i)	c	c	Forecasts of fiscal aggregates (on the basis of economic and functional classifications) are prepared and included in the State Budget and three-year MTEF on a rolling annual basis.
(ii)	c	b	DSA for external and domestic debt is undertaken at least once during the last three years.
(iii)	d	d	Sector strategies may have been attempted for some sectors, but none of them have substantially complete costing of investments and recurrent expenditure
(iv)	d	d	Budgeting for investment and recurrent expenditure are in practice separate processes with no recurrent cost estimates being shared, even though the Budget Department of the MoF are adamant that the linkage is there, the assessment team did not find adequate evidence that indeed the two systems are interlinked.

3.5. Predictability and control in budget execution

This set of indicators reviews the predictability of funds for budget execution and the internal controls and measures in place to ensure that the budget is executed in an accountable manner. The set is divided into three sub-components: Revenue administration, budget execution and cash/debt management, and internal control systems.

3.5.1. Revenue Administration (PIs 13-15)

Summary of assessment of indicators for PIs 13-15

PI	Score 2007 PEFA	Score 2012 PEFA	Assessment
PI-13: Transparency (M2)	C	B	There is a marked change in performance over 2007 PEFA. The legislation has been tightened and simplified. There is still some development to be done, but that will come in 2013. There is an active awareness campaign to keep taxpayers informed in both city and rural areas, reaction from the private sector consultation is reasonable. Finally the appeal process is working with a good number of appeals being considered, however it does lack independence. There is no data on successful/unsuccessful claims.
PI-14: Controls (M2)	D	C	There is evidence of improvement, but the systems need more attention. The database is now in place but it needs linking to other systems to ensure its capture all potential taxpayers. The penalties and fees system needs a re-think to ensure that there is incentives for taxpayers to pay their tax rather than stalling and the program of tax audits needs to be bedded in with risk assessment criteria.
PI-15: Collection and Accounting (M1)	NR	D+	The practice of publically and periodically issuing the names of taxpayers with arrears in excess of 500,000 Somoni is evidence that arrears are actively pursued. However, the aggregate assessment of arrears needs improvement. The new practice of all tax collection been paid directly into the Single Treasury Account is a significant improvement since 2007. Complete reconciliation of tax assessments, collections, arrears and transfers to Treasury does not take place annually although there are records for collections and reconciliation of the collections to Treasury there is little interaction on consultation with Treasury of the status of arrears.

3.5.1.1. PI-13: Transparency of taxpayer obligations and liabilities

Effective assessment of tax liability is dependent on the direct involvement and co-operation of the taxpayers from the individual and corporate private sector. Their contribution to ensuring overall compliance with tax policy is encouraged and facilitated by a high degree transparency of tax liabilities, including clarity of legislation and administrative procedures, access to information in this regard, and the ability to contest administrative rulings on tax liability.

Taxes in the Republic of Tajikistan consist of state taxes and local taxes, as described in Article 6 of the Tax Code:

- State taxes are: (1) income tax on individuals; (2) tax on profits of legal persons; (3) value Added Tax; (4) excise; (5) social security tax; (6) land tax; (7) taxes on subsoil; (8) tax on road users; (9) tax payable under the simplified system; (10) single tax for producers of agricultural products; (11) customs duties and other customs fees; (12) state tax; (13) sales tax; (14) minimum tax on income; (15) tax on products for processing; (16) royalty on water; (17) other mandatory payments republic-wide.
- Local taxes are: (1) tax on real estate; (2) tax on owners of vehicles; (3) tax on retail sales; (4) other local mandatory payments.

The Tax Committee and the Customs Committee collects revenues, while the tax policy department in Ministry of Finance controls the regulatory framework.

Employees: Tax committee: As of January 2012, the total number of number of full-time employees of tax authorities amounts to 1760 people (support staff – 225), including 160 central department officers. *Customs Committee:* 64 offices with 1,166 staff, including 158 in the central department. The tax authorities generally regard staff numbers as sufficient.

Dimension (i): Clarity and comprehensiveness of tax liabilities

The current Tax Code of the Republic of Tajikistan was adopted by the Resolution of Majlisi Namoyandagon Majlisi Oli of the Republic of Tajikistan on November 3, 2004 № 1207. Since then, 14 changes and additions have been made to the Code. The Tax and Customs Codes are generally clear, and set out the rights and obligations of taxpayers. There is a revised law on tax to take effect on January 1, 2013 before parliament, indeed it is holding up the passing of the 2013 budget because until it is passed the forecast revenue steams and resulting expenditure budget cannot be finalized.

In 2007 the implementation of the codes in practice was less certain. However, since then the tax codes have been simplified, although there are still 21 types of taxation. The PEFA of 2007 identified lack of clarity for SMEs, however, that was simplified to 4% of total revenue in 2008. As mentioned the new law has been drafted and is before the legislators now which classify SME's along with production companies who will have a tax regime of 5% for production companies and all others 6% tax on revenues – this will take effect on January 1, 2013. The Tax Committee assured the assessment team that full consultation have taken place with the public.

The 2007 PEFA also commented that there was no estimation of exemptions. However, the Tax Committee has completed a cost/benefit analysis on the new law with an estimated reduction in revenue of Somoni 18,543,000.

There are 4 economic zones, and companies setting up there for export are allocated a tax code giving exemptions – with no time period. There is no calculation of the cost of these exemptions, as all goods produced in these areas will be exported it is felt there is no need.

Local tax departments at the SNL hold public meetings every quarter to explain the tax codes to rural sector. There is also advertising on radio, TV, newspapers and also a tax magazine are distributed.

There is only one discretionary tax collection activity and that is delegated to the police who collect taxes on motor vehicles.

As mentioned a new draft tax code will be introduced from 1 January 2013 and was approved in law in September 2012. The MOF tax policy department reports that in this code special attention is paid to clarity and accessibility of obligations of taxpayers and of the state. The Tax Committee had Technical assistance in preparing this new policy.

The Customs Code will also change, in line with Tajikistan's wish to join the World Trade Organization.

The Chamber of Commerce believes its members to be clear and informed on the tax regime.

However, what are less clear are the taxpayer's rights and obligations on payment of advance taxes. Advance tax payments is an accepted modality in developed countries, normally referred to as "Provisional Tax" which is reconciled at the end of each financial year and applied against annual assessments, but there does not seem to be a regulation governing such advances in Tajikistan, merely anecdotal approaches by tax officers to entice taxpayers to pay in advance.

Dimension (ii): Taxpayers' access to information on tax liabilities and administrative procedures

There are tax service areas in tax administration offices. Also, based on the Resolutions of the Government of Republic of Tajikistan dated 3 December 2008 #486 and 1 April 1 2011 #166, the Tax Committee maintains a web site (www.andoz.tj) as well as an e-mail portal «mail.andoz». Legislative acts, guidance materials, orders and directives of the Tax Committee, the data from the Unified State Register of taxpayers and other regulations are placed on this web site. In addition, all instructions and standard materials are published in the magazine "Bodju khirodj." The Public Relations Department of the Protocol passes all the necessary information through the media.

Similarly, the Customs Committee maintains a website (www.customs.tj) and publishes a regular magazine "Customs". An interactive program on the website enables calculation of duties.

The Tax Committee, on a regular basis, conducts press conferences, meetings, and round tables, in central and rural areas, with representatives of business associations regarding the provisions of tax legislation. Similarly, the Customs Committee has a consultative board which meets representatives of business associations.

One of the amendments to the Tax Code (Law no. 193, July 28, 2006 "On the introduction of changes and amendments to the Tax Code of the Republic of Tajikistan") strengthened the rights of taxpayers to demand information from the tax authorities with regard to any questions related to taxation and other obligatory payments to the budget.

Whilst it has been reported in some areas that taxpayers have an access to some information on tax liabilities and administrative procedures, however, this information is not that useful as it is available only with regard to some taxes, and it is not that comprehensive and regularly updated. However, an interview with the Tajikistan Chamber of Commerce confirmed that its members are satisfied with the information.

Dimension (iii): Existence and functioning of an appeals mechanism

Key provisions for the appeals mechanisms available to taxpayers are set out in chapter 11 of the Tax Code. If taxpayers want to dispute a tax obligation, they can do so in written form to the tax inspectorate that specified the tax in the first instance; and the inspectorate is obliged to respond within a month. If the taxpayer is not satisfied with the response, he/she can turn to the next level (e.g. oblast level tax inspectorate); and from this level on to the Ministry of State Revenue and Duties (MSRD) where there is a special tax dispute forum staffed by specialists. Taxpayers can also immediately take their appeal to a court.

In accordance with Article 100 (Article 81 New Tax Code)

- 1. A taxpayer who disputes a tax audit report, the assessment of tax, penalties, and interest, as well as other decisions by a tax authority, may file a petition (appeal) for a reconsideration of said decisions with the tax authority that took these decisions, a*

higher-level tax authority, the authorized government body, or with the courts. The petition (appeal) must outline the arguments and indicate the documents on which the taxpayer is basing his request for a reconsideration of the decisions that have been made. The filing of a petition (appeal) with any of the aforementioned tax authorities shall not exclude the taxpayer's right to file a simultaneous or subsequent appeal with a higher-level tax authority or with the courts.

2. *Appeals (petitions) by a taxpayer regarding tax audit reports, the assessment of taxes, penalties, and interest, as well as other decisions by tax authorities, which are filed with the courts shall be heard and decided following the procedure established by the civil procedural and economic procedure legislation of the Republic of Tajikistan.*

For the first eight months of 2012, 386 appeal statements have been presented to judicial bodies for a sum of more than 38.1 million Somoni from which the tax committee has collected 1.4 million Somoni. From the total of appeal statements, 8 statements are connected with bankruptcy of the taxpayer with back taxes of 2.6 million Somoni.

There is a monthly meeting of the Tax Committee judiciary to receive all tax appeals. Failure to reach an agreed solution means it can then be appealed to the general judicial system. There are no external members of any review panel.

PI (M2)	Score 2007 PEFA	Score 2012 PEFA	Assessment
PI-13	C	B	There is a marked change in performance over 2007 PEFA. The legislation has been tightened and simplified. There is still some development to be done, but that will come in 2013. There is an active awareness campaign to keep taxpayers informed in both city and rural areas, reaction from the private sector consultation is reasonable. Finally the appeal process is working with a good number of appeals being considered, however it does lack independence. There is no data on successful/unsuccessful claims.
(i)	C	B	The first dimension: clarity and comprehensiveness of tax obligations could receive a score of B, as legislation and procedures for most, but not necessarily all, major taxes are comprehensive and clear, with fairly limited discretionary powers of the government entities involved.
(ii)	C	B	Taxpayers have easy access to comprehensive, user friendly and up-to-date information on tax liabilities and administrative procedures for some of the major taxes, while for other taxes the information is limited. Given that a new tax law will come into effect on January 1, 2013 that simplifies the tax system it cannot be rated for the 2012 PFEA. However, it is recognized and confirmed by the Chamber of Commerce that the tax system has evolved over the last 4-years, with creation of websites and active awareness programs. Therefore this dimension is rated B.
(iii)	C	B	This dimension is rated B: whilst the appeal can proceed to the general judicial system, the initial appeals system is still within the Tax Committee institutional structure. A tax appeals system of transparent administrative procedures is completely set up and functional, but because it is within the structure there could be some issues relating to access, efficiency, fairness or effective follow up on its decisions. There is no data regarding successful/unsuccessful claims.

3.5.1.2. PI-14: Effectiveness of measures for taxpayer registration and tax assessment

Effectiveness in tax assessment is achieved by an interaction between registration of liable taxpayers and correct assessment of tax liability for those taxpayers.

Dimension (i): Controls in the taxpayer registration system

The Tax Committee reports that:

“Adoption of the Law “On State Registration of Legal Entities and Individual Entrepreneurs” and the “single window” approach has greatly simplified the procedure for registration of legal entities and individual entrepreneurs. In accordance with this Act, interagency cooperation is carried out between the tax authorities, the state statistical office and the state social insurance agency. In accordance with Article 45 of the Tax Code of Republic of Tajikistan all legal persons, including their regional sub-offices, as well as individuals attained the age of 16 shall be subject for registration with the tax authorities.”

As of 1 January 2012 the Uniform State Register of taxpayers included information on about 1,037,935 taxpayers, as shown below. As regards individual taxpayers, this appears to be a large rise over the numbers reported in the 2007 PEFA.

Table 23: Taxpayer registration numbers at 1 January 2012

Type of entity	1 Jan 2012	1 Jan 2007
Legal entities:		
Businesses	23,146	
Branches and rep offices of foreign legal entities	289	
Total legal entities	23,435	27,500
Individuals:		
Residents	1,013,900	
Entrepreneurs (non residents)	600	
Total individuals	1,014,500	102,060
Total registrations	1,037,935	129,560

Source: Tax Committee

In the years 2008-2009 there was no routine exchange of information reported as taking place between tax and customs authorities, nor between tax authorities and other institutions (business registry, land committee, etc.) Customs Committee stated that they exchange information with the Tax Committee only when asked, but they are now working on an agreement for exchange of information.

However, the Tax Committee in the second half of 2009 set up a “Single window” concept using a computerized system as a means of control in the framework of taxpayer registration. This database is related to local tax bodies, responsible for registration of legal entities and individuals, but it is not related to other public registration systems, except for company registration – a company cannot now be registered without a tax identification number.

Tax inspectors conduct checks of compliance with tax registration.

Dimension (ii): Effectiveness of penalties for non-compliance with registration and tax declaration

The Tax Committee reports that Chapter 33 of the Code of Republic of Tajikistan “On Administrative Offences” provides for penalties in tax law. According to this Chapter, the tax authorities are entitled to use administrative penalties provided for in 25 cases.

Tax authorities discovered 12703 cases of violation of the law during the first eight months of 2012 for tax laws non-observance, including timely submission of declarations (tax reporting). The total sum of administrative penalties is 16.5 million Somoni.

The Customs Committee expressed the view that there are many cases of avoidance and that penalties are not high enough.

The 2007 PEFA reported that penalties are regarded as relatively low. Fines for non-registration (or late registration) are defined in terms of multiples of the minimum wage (up to a maximum of 30 minimum wages for legal persons who fail to register for more than 90 days), while fines for declarations lowering the tax obligation and non-payment of taxes are in the range of 10 to 20 per cent of the amount that has not been paid.

Dimension (iii): Planning and monitoring of tax audit programs

Tax inspection/verification is governed by Chapter 4 of the 2004 Tax Code, which describes three types of verification: (i) cameral/documentary inspections; (ii) on-site audits; and (iii) time-study surveys (Tax Code, art. 48).

The Tax Committee reports that the total number of employees in its Department of Tax Control Management is 82 people (not including Tax Inspection of Large Taxpayers (TILT)). This compares with 45 employees in 2007.

Until recently there has been no risk-based method of selection of entities for audit. However, the “System of tax risks assessment” was approved by the Resolution of the Chairman of the Tax Committee (TC) of the Government of Republic of Tajikistan dated January 23, 2012 № 12. In accordance with approved criteria and based on analytical calculations, this automated system will determine the level of tax risk and identify taxpayers for tax audit.

In 2011 the audit of 3,103 economic entities was conducted to control the correctness of the calculation and payment of taxes. In the first 7-months of 2012 1,720 inspections of economic entities were conducted, which is 43% more compared to the same period in 2011 which resulted in 161.6 million Somoni additional assessed taxes.

The Customs Committee departments that are involved in inspection/audit are: Department of Customs Offences and Department of Audit and Post-Customs Control Inspections.

PI (M2)	Score 2007 PEFA	Score 2012 PEFA	Assessment
PI-14	D+	C	There is evidence of improvement, but the systems need more attention. The database is now in place but it needs linking to other systems to ensure its capture all potential taxpayers. The penalties and fees system

PI (M2)	Score 2007 PEFA	Score 2012 PEFA	Assessment
			needs a re-think to ensure that there is incentives for taxpayers to pay their tax rather than stalling and the program of tax audits needs to be bedded in with risk assessment criteria.
(i)	D	C	Taxpayers are registered in database systems for individual taxes but linkages to other registration/licensing functions are weak but are then supplemented by occasional surveys of potential taxpayers, therefore the ranking is C . The one-stop-shop is a good development but needs to be fully and consistently linked to other systems such as customs systems.
(ii)	C	C	The fines/penalties need substantial changes to their structure, levels or administration to give them a real impact on compliance.
(iii)	C	C	The score remains at C until there is clear evidence that the audit plan, based on a workable assessment of risks, is functioning properly. There is a continuous program of tax audits and fraud investigations, but audit programs have only just started to be based on clear risk assessment criteria, and time is needed to gather evidence of the effectiveness of this approach.

3.5.1.3. PI-15: Effectiveness in collection of tax payments

Accumulation of tax arrears can be a critical factor undermining high budgetary outturns, while the ability to collect tax debt lends credibility to the tax assessment process and reflects equal treatment of all taxpayers.

Prompt transfer of the collections to the Treasury is essential for ensuring that the collected revenue is available to the Treasury for spending. Aggregate reporting on tax assessments, collections, arrears and transfers to (and receipts by) the Treasury must take place regularly and be reconciled, where appropriate, in order to ensure that the collection system functions as intended, that tax arrears are monitored and the revenue float is minimized.

Dimension (i): Collection ratio for gross tax arrears, being the percentage of tax arrears at the beginning of a fiscal year, which was collected during that fiscal year

The Tax Committee has provided a schedule of tax liabilities as at January 2009 through to January 2012, along with tax assessments and collections for 3 years.

Lists of taxpayers with large arrears are published. In accordance with Article 117 of the Tax Code of Republic of Tajikistan during the 6 months following the end of the fiscal year, the tax authority publishes in the public newspapers a list of individuals, entrepreneurs and legal entities, whose tax arrears are more than 500 indicators for calculation (200 thousand TJS) as at 31 December of the previous year.

In addition, the “Rules for placement of taxpayers arrears” were adopted by order of the Chairman of the Tax Committee under the Government of RT on May 11, 2011 № 129. According to this Order the information on tax arrears of taxpayers with the amount of debt exceeding 3000 indicators for calculation (120 thousand TJS) shall be placed on the web site of the Tax Committee on a quarterly basis.

However, these arrears are not aged and it is difficult to tell from the gross records the proportion of arrears at the start of a year that were collected during the year.

Table 24: Tax Assessments & Collections for 3-years

Tax History	Somoni Millions
Opening Balance January 2009	615,905
Tax Assessed during 2009	2,347,015
Tax Collected during 2009	2,279,400
Opening Balance January 2010	683,520 Balance including Arrears
Tax Assessed during 2010	2,799,130
Tax Collected during 2010	2,950,900
Opening Balance January 2011	531,750 Balance including Arrears
Tax Assessed during 2011	3,968,400
Tax Collected during 2011	3,866,800
Opening Balance January 2012	633,350 Balance including Arrears

Meetings with the Tax Commission (Agency for policy, rules and regulations) and the Tax Committee provided evidence that on an individual basis taxpayer “aging” is possible, however there is no system employed for reporting or aggregating the arrears in the financial statements. This individual status on arrears is evidenced by the tax authority publishing arrears in the public newspapers by individuals, entrepreneurs and legal entities. From the above Table 18 it can be seen that the Tax Committee do have information, but it is not used in an aggregate sense to calculate arrears.

The tax liability figure is a rolling balance, that is: opening balance, plus assessments, minus collections.

Tax collected is firstly applied to new assessments and is not applied to older tax liabilities until the newly assessed tax is expunged first.

In addition, if arrears cannot be collected within 3-years of the assessment and the amount is less than 500,000 Somoni then it has to be written off (Article 371 of the old tax code and Article 329 of the new tax code – 2013).

In that case the Balance in 2010 of 531,750 is the maximum amount of arrears going back to 2007. 2010 was the only year in the last 3 where the amount of collection exceeded the amount of assessment; therefore there must have been a reduction in arrears.

The Balance of tax liabilities in January 2010 was 14% of total collections for 2010 and is twice the average tax assessment for 1-month. So we can roughly conclude that arrears constitute around 2 to 3 months of arrears.

Unless there is a requirement from the Ministry of Finance for the data on arrears to be produced – because it obviously can be - then there is no incentive for the Tax Committee to produce this figure. However, it is the opinion of the assessment team that the data can be recovered if required, unfortunately time did not allow the team to investigate this further to produce this figure.

Dimension (ii): Effectiveness of transfer of tax collections to the Treasury by the revenue administration.

For State taxes, taxpayers make payments directly into Treasury accounts which are consolidated daily in the Treasury Single Account system. All revenue transit bank accounts in commercial

banks were closed in 2010 and since then all revenues have been paid directly into the Treasury-controlled bank accounts.

Dimension (iii): Frequency of complete accounts reconciliation between tax assessments, collections, arrears records and receipts by the Treasury

The Tax Committee reports: “In order to control the completeness of budget revenue in accordance with the approved Regulations ‘On the procedure for conducting the tax inspection of operational taxes and other obligatory payments to the budget’, tax and financial authorities make daily reports on revenue in the budget”.

The closure of the revenue transit accounts has made the reconciliation process easier; however there is no evidence to suggest these reconciliations takes place in the context of tax assessments, collections, arrears records and receipts by the Treasury.

In addition, on the first day of the month following the reporting month, the tax authorities make reconciliation with the authorities of the Treasury on the submitted and returned amounts of taxes and other obligatory payments for the reporting month for each classification code of budget revenues and prepare an act of reconciliation.”

There is anecdotal evidence to suggest that tax collectors with a view to collecting tax in advance of assessments, approach some taxpayers for “advance payments”. In other countries there is a system of “provisional tax” for advance payments by taxpayers but there are strict rules regarding how much should be paid in advance, however it would seems the system in Tajikistan is rather ad hoc. It is suggested this area be looked at closely.

PI (M1)	Score 2007 PEFA	Score 2012 PEFA	Assessment
PI-15	NR	D+	The practice of publically and periodically issuing the names of taxpayers with arrears in excess of 500,000 Somoni is evidence that arrears are actively pursued. However, the aggregate assessment of arrears needs improvement. The new practice of all tax collection been paid directly into the Single Treasury Account is a significant improvement since 2007. Complete reconciliation of tax assessments, collections, arrears and transfers to Treasury does not take place annually although there are records for collections and reconciliation of the collections to Treasury there is little interaction on consultation with Treasury of the status of arrears.
(i)	NR	D	In this case the assessors conclude that whilst there is no system in place for calculating the aggregate amount of arrears the information can be collected given time and the introduction of an arrears system. In the meantime, in general and allowing for exceptions the amount of arrears is equal to 2-3 months of assessments and are approximately 14% of yearly collections. It is concluded therefore that the debt collection ratio in the most recent year was below 60% and total amount of tax arrears is significant (i.e. more than 2% of total annual collections).
(ii)	B	A	All tax revenue is paid directly into accounts controlled by the Treasury or transfers to the Treasury are made daily since 2010 and the closure of transit bank accounts in commercial bank.

PI (M1)	Score 2007 PEFA	Score 2012 PEFA	Assessment
(iii)	D	D	There is no effective reconciliation between tax assessment and actual collections, only a monthly update of tax arrears. The 'complete accounts reconciliation' described in this dimension therefore never takes place. This dimension is therefore rated D.

3.5.2. Budget Execution and Cash/Debt Management (PIs 16-17)

Summary of assessment of indicators for PIs 16-17

PI	Score 2007 PEFA	Score 2012 PEFA	Assessment
PI-16: Budget execution	D+	D+	Cash planning is not based on the real needs of the budget organizations and there is no reliable indication of actual resource availability for commitments. There are significant in-year budget adjustments, however it is possible that MDAs are expecting only increases because of a historical under estimation of revenue generation.
PI-17: Cash/Debt management	C+	C+	In order to show improvement in this area domestic and foreign debt records should be reconciled routinely and there should be clear guidelines, criteria and ceilings for the issuance of loans and government guarantees. The consolidation of a single treasury account enabling daily cash balance information is certainly an improvement.

3.5.2.1. PI-16: Predictability in the availability of funds for the commitment of expenditures

Effective execution of the budget, in accordance with the work plans, requires that the spending ministries, departments and agencies (MDAs) receive reliable information on availability of funds within which they can commit expenditure. This indicator assesses the extent to which the MOF provides reliable information on the availability of funds to MDAs.

Dimension (i): Extent to which cash flows are forecast and monitored

Following approval of the annual budget estimates, MOF allocates quarterly budget ceilings to Main Administrators of Budget Allocations (MABA), to their subsidiary Budget Organizations and also quarterly subventions to local governments. In most cases the quarterly amounts are allocated by dividing the annual budget by four.

Budget organizations then prepare their *smetas* (quarterly expenditure estimates) for submission to MoF (Budget Department and Treasury). Two points of issue are:

- The quarterly expenditure estimates of budget organizations must be fitted to the budgetary limits given. There is no 'bottom-up' signaling of cash requirements by budget organizations, based on their work plans. Thus, in effect, cash planning is not based on the real needs of the budget organizations.
- Budget organizations mainly communicate directly with MoF rather than through their Main Administrator of Budget Allocations (MABA) – see also dimension (iii) below.

MOF verifies that the overall *Rospis* (total quarterly breakdown of expenditures) agrees with the functional breakdown of the budget and quarterly cash limits. The control figures based on the approved *smetas* are then entered into the Treasury computer system for each institution, by detailed economic classification. They are rigidly applied and cannot be exceeded.

If Budget Organisations require any changes there are established procedures (described in dimension (iii) below) to amend the set limits.

For the republican budget, Treasury monitors cash flow daily through the Treasury Single Account (TSA), but cash flow planning, based on the commitment requirements of budget organizations, is not regularly updated. Thus budget execution is not easily adaptable to the possible actual changing needs of budget organizations.

Indeed, the quarterly limits are budgetary authority limits, not cash limits per se.

Dimension (ii): Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure commitment

The process described above gives heads of budget organizations an expenditure plan at the beginning of the fiscal year – a process in which the head will have had some involvement, but probably little influence (with variation depending on the level of the Budget Organisation). It is, nonetheless a reliable and understood process, which appears to give predictability for budget users at least for a quarter in advance.

However, as opposed to budgetary authority limits there are no cash plans which gives budget organizations a reliable assurance in the course of the year that their expenditure plans and commitments will be funded, especially at particular points in time during the year. Having received the budget authority limits it is still not clear what commitments they can enter into without the assurance that cash will be available.

The IMF has recently conducted a gap analysis on cash planning and management for the Treasury and subsequently priority is being given in the PFM reform agenda to establishing comprehensive cash planning and management and commitment control systems.

Nevertheless, the system from 2008-2012 (that has to be assessed under the PEFA) cannot easily cope with irregular cash flows, especially those associated with capital expenditure, and neither can it quickly adapt to changing timing of cash requirements of budget organizations. In short, the lack of comprehensive cash planning forces budget organizations to ‘save’ for large expenditure items and therefore inevitably causes delays in budget execution, with a build-up of expenditure in the second half of the year.

Dimension (iii): Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of MDAs

The agreed administrative structure for line ministries defines Main Administrators of Budget Allocations (MABAs) and Budget Organizations that report to these MABAs. It is intended that, as the administrative budget classification takes effect, budget authority will be increasingly delegated by MoF to MABAs. Similarly, it is intended that budget authority will be set at a higher level of the new economic classification than applies at present.

However, neither of these reforms are yet happening and changes to the budget allocations of Budget Organizations are still decided by MoF at the detailed level.

Budget increases or decreases: The present arrangements allow MoF to make upward or downward adjustments to the quarterly cash limits of BOs, in response to revenue surpluses or shortfalls. Priority for payment is established centrally, with staff payments, communal services and debt repayment taking precedence according to existing rules. There are clear guidelines for the priority areas, and these appear to be adhered to. If there are revenue surpluses and additional funds become available, MOF is able to allocate these funds without the need for Parliamentary approval provided the budget is not exceeded by more than 10 per cent. *Note:* Rules for when the legislature should be involved in such in-year budget amendments are assessed in PI-27 and not covered here.

Virements: Virement procedures allow budget organizations to move monies from one budget head to another, but all virements require MoF approval. There are restrictions imposed on protected items, salaries, utility payments, etc. Apart from these protected items, virement limits are wide (up to 20 per cent of a BO's budget allocation; and this limit can be exceeded if agreed between MoF and the BO. When BOs want to change their allocations (from the *smeta* originally approved by the MoF) they submit a written request to the MoF. A *urator* from the treasury department checks the current payment situation of the BO concerned and informs the budget department (ensuring all protected items have been appropriated). Only the budget department can change entries in the automated treasury system at the level of the Central Treasury. The Budget department then issues a *prikaz* (order), which is signed by the first deputy minister of finance. The procedure takes about 2-5 working days. No statistic on the frequency of such requests is kept by the MOF; but an estimate of several dozen requests per month was given.

PI (M1)	Score 2007 PEFA	Score 2012 PEFA	Assessment
PI-16	D+	D+ ▲	Cash planning is not based on the real needs of the budget organizations and there is no reliable indication of actual resource availability for commitments. There are significant in-year budget adjustments, however it is possible that MDAs are expecting only increases because of a historical under estimation of revenue generation. The Consultant has viewed a new plan for cash management for implementation in 2013/2014, which gains the arrow.
(i)	B	C	A cash flow forecast is prepared for the fiscal year, but is only partially and infrequently updated on the basis of inflows and outflows. There is no 'bottom-up' signalling of cash requirements by budget organizations, based on their work plans. Thus, in effect, cash planning is not based on the real needs of the budget organizations. There is no evidence to suggest that cash flows are adjusted on basis of actual cash inflows and outflow and therefore this dimension obtains a ranking of C. It appears the 2007 PEFA mistakenly took budget authority levels issued on a quarterly basis as being quarterly cash limits are therefore ranked B.
(ii)	B	D	Whilst MDAs are provided commitment ceilings quarterly, there is no reliable indication at all of actual resource availability for commitments. It seems the assessment in 2007 was based on the fact that there was a history of only increases in resources, with no decreases, however this argument is flawed from prudent financial management practice.
(iii)	D	C	Significant in-year budget adjustments are frequent at several dozen requests per month, but undertaken with some transparency.

3.5.2.2. PI-17: Recording and management of cash balances, debt and guarantees

Debt management, in terms of contracting, servicing and repayment, and the provision of government guarantees are often major elements of overall fiscal management. Poor management of debt and guarantees can create unnecessarily high debt service costs and create significant fiscal risk.

An important requirement for avoiding unnecessary borrowing and interest costs is that cash balances in all government bank accounts are identified and consolidated.

Dimension (i): Quality of debt data recording and reporting

Debt Management is done using Debt Tracking System (DTS) which is supported by IMF in Tajikistan, Azerbaijan and Kyrgyz Republic. Meetings with the Debt Management Unit in the MoF highlighted the lack of capacity in English Language and the cost of high-level debt management systems such as DMFAS as a constraint.

Tajikistan relies heavily on external assistance to facilitate its quality of debt data recording and reporting. The following is an extract from International Monetary Fund and the World Bank Debt Sustainability Report in April 2011:

Domestic debt has constituted a very small part of overall public debt owing to low primary fiscal deficits (excluding the externally financed public investment program) and a shallow government securities market. Domestic debt represented about 2 percent of GDP (6 percent of total public debt) at end-2010, consisting mostly of nontradable government securities held by the National Bank of Tajikistan (NBT). Since 2009, the government has undertaken regular issuance of Treasury-bills (T-bills), but only in small amounts, with short maturity, and at rates below the current NBT refinancing rate.⁴ Moreover, eight-year government bonds were issued to commercial banks in 2010 as part of the cotton debt resolution with rollover provisions and an interest rate of only 2 percent.

The External Debt Unit at the Ministry of Finance has received technical assistance to improve the in-house capacity for debt sustainability assessment. The authorities' results were in agreement with the staff findings. In response to the authorities' request, a World Bank DEMPA mission will take place during April 14–24, 2011. Staff welcomed the authorities' voluntary and swift action in this area that will help facilitate assessment of the strengths and weaknesses in debt management and design of actionable reform plans to improve debt management capacity.

The existing system tracks external debt and sub-loans of the government. Reconciliations, particularly with development partners, are completed every time there is a payment due.

The Debt Monitoring unit reports to Government (Cabinet) on a quarterly basis.

Debt Management Reports are freely available on the MoF website <http://www.minfin.tj>

Dimension (ii): Extent of consolidation of the government's cash balances

All revenue (including 'special revenues' of budget organizations) and expenditure bank accounts for the Republican Budget (68 organizations) and 5 local budgets are now in the Treasury Single Account system, maintained at the National Bank. The balances are consolidated daily.

All tax revenue is paid directly into accounts controlled by the Treasury or transfers to the Treasury are made daily since 2010 and the closure of transit bank accounts in commercial bank.

Separate accounts are maintained for sub-national level revenues and expenditures at Amonat Bank. Local treasuries provide information on these bank balances to central treasury weekly by telephone. Consolidation is carried out monthly from hard copies of statements from the local treasuries and the bank. The local treasuries produce reports on a quarterly basis, stamped by the local treasury and by Amonat Bank.

Sub national bank balances are targeted to be part of the TSA by 2014.

Dimension (iii): Systems for contracting loans and issuance of guarantees

The State Committee on Investment and State Property Management of the Republic of Tajikistan implements its activities in accordance with the “Regulation on the Committee on Investment and State Property Management of the Republic of Tajikistan” adopted under the Decree of the Government of the Republic of Tajikistan 1590 dated December 28, 2006. The Decree states that the State Committee on Investment and State Property Management of the Republic of Tajikistan is the central executing body which within its authorities implements state policy and normative and legal regulation in investment sphere, public property management, management and implementation of the process of denationalization and privatization of the state property in the Republic of Tajikistan representing the interests of the state as an owner, and conduction of activities on implementation of the programs of support for entrepreneurship.

According to its regulation the SCI has the following responsibilities in the sphere of investment activities and foreign aid:

- Developing and implementing measures on improving investment climate in the country, creating legal and other conditions promoting attraction of investments; Promoting attraction of investments for implementation of state programs, priority social projects including loans and grants of international economic and financial institutions and donor countries;
- Coordinating foreign aid provided to the Republic of Tajikistan;
- Creating effective system of interaction with investors, assisting in ensuring adherence to guarantees established by the legislation of the Republic of Tajikistan and also in protecting legal rights and investors’ interests;

The aid-based activities of SCI are:

- Coordinating foreign aid, including its regional and sector component and managing its flows;
- Cooperating with Development Partners;
- Maintaining Database of the Aid Coordination and Project Monitoring System (ACPMS);
- Improving the ACPMS Database and its placing in Internet;
- Assisting line ministries and agencies, and local government authorities on issues relating to foreign aid and implementation of investment projects;
- Managing loan portfolio of international financial institutions;

- Establishing relationships with donor organizations not represented in the Republic of Tajikistan in order to attract additional amounts of foreign aid;
- Participating in implementation of the Public Investment Program and Technical Assistance Program;
- Annually preparing and publishing the “Development Partner Profiles” and “Foreign Aid Report»;
- Advising organizations and communities concerned on the provision of foreign aid.

The Database of Aid Coordination and Project Monitoring System was established and is being modernized under support of two ADB TA Projects to improve coordination and effective utilization of foreign aid. The Database contains information about all agreements on foreign aid provision and their connection to the Public Investment Program. The Database contains information on:

- Actual commitments of Development Partners;
- Loans and grants provided and their utilization;
- Foreign aid allocation by disbursement categories;
- Status of disbursements of Development Partners;
- Project implementation status by economic sectors and regions;

SCI produces quarterly and end of the year reports on the executing agencies’ activities regarding implementation of joint investment projects to the Government and the Executive Administration of the President of the Republic of Tajikistan.

The SCI will also review any applications for government guarantees from Autonomous Government Agencies (AGAs) and Public Enterprises (PE). However, at the time of writing there is only one government guarantee – Amonat Bank (State Bank).

Ratification of loans and guarantees by the legislature is not relevant to this dimension, which is concerned only with executive approval. In that case SCI is the body that makes the recommendations to the legislature through the Executive Administration of the President of the Republic of Tajikistan.

PI (M2)	Score 2007 PEFA	Score 2012 PEFA	Assessment
PI-17	C+	C+	In order to show improvement in this area domestic and foreign debt records should be reconciled routinely and there should be clear guidelines, criteria and ceilings for the issuance of loans and government guarantees. The consolidation of a single treasury account enabling daily cash balance information is certainly an improvement.
(i)	C	C	Domestic and foreign debt records are complete, updated and reconciled at least annually. In order to be rated B the reconciliations should be completed quarterly, however in this case reconciliations are completed on a needs basis – that is when a payment is due. Comprehensive management and statistical reports (cover debt service, stock and operations) are produced at least annually and indeed reports are prepared quarterly for Government review. Therefore this dimension is rated C

PI (M2)	Score 2007 PEFA	Score 2012 PEFA	Assessment
(ii)	C	A	The assessment is based at the republican level and does not include the Sub National Level; where there is a certain amount of flexibility in raising and utilizing revenues and expenditure therefore all cash balances are calculated daily and consolidated at the national Level. This qualifies for A rating.
(iii)	B	C	Central government's contracting of loans and issuance of guarantees are always approved by a single responsible government entity, but are not decided on the basis of clear guidelines, criteria or overall ceilings.

3.5.3. Internal control systems

Summary of assessment of indicators for PIs 18-21

PI	Score 2007 PEFA	Score 2012 PEFA	Assessment
PI-18: Payroll control (M1)	D+	D+	The personnel and payroll system is decentralized and of course has the problems associated with decentralised systems which makes it difficult to review in the time allotted to a PEFA review. However, with policy, terms and conditions of civil servant being done at the central level and with the budget holders responsible through an authorization process, which in itself is subject to frequent audits, the system appears robust. However, there does not seem to be a compelling improvement in personnel data and payroll reconciliations, mainly due to the fact the system is not automated.
PI-19: Procurement controls (M2)	C	C+	The 2007 assessment was according to a previous methodology and the results are not directly comparable. Tajikistan's procurement system is evolving with the legal framework in place, however the score is affected by the lack of independence in the complaints handling system.
PI-20: Non-salary expenditure controls (M1)	C+	C+	There is widespread understanding of expenditure rules and regulations, backed up with instructions, rules and manuals readily assessable to all government officers. The IMF have identified that further strengthening of commitment controls is warranted. Internal audit is being strengthened but it is not fully operational to international standards yet.
PI-21: Internal audit (M1)	D+	C+	The presence of internal audit departments and their development over the last 3-years have indicated that internal audit is going in the right direction, particularly with the amount of training being applied. However, to get a better score it needs to implement the translated International Standards and place more emphasis on systems improvement and risk management. Of course the absence of SAI to receive internal audit reports affects the rating.

3.5.3.1. PI-18: Effectiveness of payroll controls

The wage bill is usually one of the largest items of government expenditure and can be susceptible to weak control and corruption.

In Tajikistan there is no sole centralized database on public servants and no single automated payroll system for civil servants. The payroll accounting function is decentralised as well as the personnel records which are held at the different Budget Organisations, including ministries.

However, all of these decentralized systems are subject to internal audits which are linked to the State Committee on Financial Control and Fighting Corruption.

In the Executive Administration of the President of the Republic of Tajikistan there is a Department of Civil Servants who is responsible for setting the terms and conditions for all civil servant employment across the whole of government.

Dimension (i): Degree of integration and reconciliation between personnel and payroll data

There is a Civil Service Department in the Executive Administration of the President of the Republic of Tajikistan that is responsible for terms and condition policies for the employment of civil servants.

Below this each ministry has its own personnel division.

Each month after preparation by the accounting unit, the Director of the personnel division in each ministry prepares a payroll report for the minister outlining leave schedules and adjustments to payroll with references to personnel files. The payroll fund is set in advance each month with application to MoF for funding.

The payroll data is reconciled with personnel profile each month and it is reconciled with relevant data as of the previous month, but these reconciliations are prone to error according to audit reports.

There is a big improvement over 2007 with employee records and payroll now semi-automated used standard computerized system modules like excel and payments of wages and salaries encouraged through the banking system. However, this is not to say the payroll system is immune to risk.

The Minister of the Budget Organisation ratifies any changes to the personnel records.

The system is still manual essentially with a little bit of automation, which does not guarantee immunity to data manipulation. Payroll audits are still identifying “ghost workers”, which a regular reconciliation between payroll and personnel records would highlight.

Dimension (ii): Timeliness of changes to personnel records and the payroll

In general changes to personnel records are prompt.

Even in Education sector where teachers are in remote areas changes are made to personnel and payroll quite quickly as a system has been set up for phone communications. Civil servants in remote locations are paid 3-months in advance and then changes are made retroactively with virements if required.

Audit and inspection of the personnel and payroll is frequent and the newly formed anti-corruption unit oversees the Audit plans. The focus of audit is on compliance and on verifying the correctness of payroll calculations. The identification of “ghost” workers is not high profile and is considered to be insignificant.

Control systems are considered to be robust by management and the inspectorate is very active.

Dimension (iii): Internal controls of changes to personnel records and the payroll

All Personnel files, at Civil Service Department in the Executive Administration of the President of the Republic of Tajikistan and at ministry level are kept in simple excel and word files there is no Human resources software in the government. This makes the system vulnerable to unauthorized adjustments and the audit has to be very effective.

Each ministry maintains a Human Resources Department that has its own personnel files and is responsible for records, adjustments and maintenance of these records.

Salaries, wages, allowances and leave entitlements are set by the Civil Service Department in the Executive Administration of the President of the Republic of Tajikistan for the whole of government and any adjustments have to be authorized by the Minister or Head of BO and in the case of promotions they must be authorized by Ministerial Order.

The Ministry of Finance has a “Department on Salary Allowances” who reviews all monthly salary calculations and claims, but this is a retrospective review as the payroll is paid in advance to ministries.

Every 6-months each government official must submit a work plan to the respective HR Department in their ministry. This would include advance requests/notice for leave entitlements and business trips. State business trips must be then authorised by the Minister or in the absence of the Minister the Deputy Minister – then this is passed to the HR Department.

Dimension (iv): Existence of payroll audits to identify control weaknesses and/or ghost workers

Payroll audits are widespread and frequent. Each ministry has a payroll audit with two systems operating (i) inspectorate within each ministry and (ii) audits directed by the anti-corruption unit, both have a schedule which is submitted to the concerned minister.

The PEFA Team reviewed a recent payroll audit for the Physical Training and Education Institute in September 2012. The report has been circulated to the auditee client, responsible Minister for Youth, Sport and Tourism and Ministry of Finance Deputy Minister.

The Ministry of Finance Deputy Minister is the focal point for all payroll audit reports with copies to the Executive Administration of the President of the Republic of Tajikistan.

There is also a half-yearly audit report which is submitted to the Financial Controller agency in the Ministry of Finance (all reports – not just payroll - from internal audit).

As mentioned in dimension (i) the focus of audit is on compliance and on verifying the correctness of payroll calculations rather than on system weaknesses. The identification of “ghost” workers is not high profile and is considered to be insignificant and indeed very few have been identified over the years, even though anecdotal evidence points to widespread use of “ghost workers”.

PI (M1)	Score 2007 PEFA	Score 2012 PEFA	Assessment
PI-18	D+	D+	The personnel and payroll system is decentralized and of course has the problems associated with decentralised systems which makes it difficult to review in the time allotted to a PEFA review. However, with policy, terms and conditions of civil servant being done at the central level and with the budget holders responsible through an authorization process, which in itself is subject to frequent audits, the system appears robust. However, there does not seem to be a compelling improvement in personnel data and payroll reconciliations, mainly due to the fact the system is not automated.
(i)	D	D	There does not seem to be an improvement in personnel data and payroll data which is supported by full documentation and reconciliations for all changes made to personnel records each month and checked against the previous month's payroll data and therefore no compelling reason to score anything different to the 2007 PEFA assessment.
(ii)	C	B	In the education sector in particular up to three months delay occurs in updating of changes to the personnel records and payroll, but affects only a minority of changes for rural and remote based personal. This means retroactive adjustments are made occasionally for those staff in remote areas. This dimension is rated B.
(iii)	C	B	Authority and basis for changes to personnel records and the payroll are clear, therefore this dimension is ranked B.
(iv)	B	B	Payroll audit in budget organizations is carried out on a regular basis by internal audit departments in order to reveal ghost workers and eliminate errors in data. The audit, due to the payroll being a semi-manual system, is the main control method in the government with the aim to identify shortcomings in control system, with good circulation of the audit reports and a payroll audits on all public institutions is conducted, as minimum, once in the last three years. This dimension is rated B.

3.5.3.2. PI-19: Competition, value for money and controls in procurement

Significant public spending takes place through the public procurement system. A well-functioning procurement system ensures that money is used effectively and efficiently. Open competition in the award of contracts has been shown to provide the best basis for achieving efficiency in acquiring inputs for value for money in delivery of programs and services by the government.

Note: The official Russian translation of the PEFA manual has not yet been updated for the changes in the 2011 English version.

The dimensions for this indicator changed in January 2011 and therefore are not compatible for comparison purposes with the PEFA assessment in 2007.

Dimension (i) Transparency, comprehensiveness and competition in the legal and regulatory framework.

The Law "On Public Procurement of Goods, Works and Services" was introduced on 3rd March 2006. It revoked the previous legislation "On Public Procurement of goods, production, works and services" dated 12 December 1997.

The law closely follows models provided by the WB and ADB, and is similar to the model in the Kyrgyz Republic. It is considered UNCITRAL compliant.

To support the law there have been several decrees:

- Decree of the Ministry of Economic Development and Trade of the Republic of Tajikistan, as of January 17, 2: Regulation of Public Procurement procedure - approved by and registered in the Ministry of Justice of the Republic of Tajikistan, as of February 11, 2008 #357 (In the regulations there are 16 appendices which is available in the following web site <http://www.goszakupki.tj/ru/legislation/the-provisions-of-the-procurement>)
- Government decree on 1st July 2007, # 319 “on the establishment of qualification commission in defining and award status of "qualified procuring entity”
- Government decree on 2nd October 2010, # 500 “on set up of rules on the opening of tenders documents for purchase of goods, works and services in state investment projects in the Republic of Tajikistan”
- The Law of Republic of Tajikistan № 815 of April 16, 20112, "On Amendments and Additions to the Law " covering complaints mechanisms

Until this law (2006) became operational, the Procurement Agency (PA) was the only institution in Tajikistan through which procurement was undertaken above the specified minimum threshold (3,000 Somoni).

Under the law, the PA became an oversight, advisory, training and regulatory organization and is referred to as the ‘Authorized Body’. The law aimed to decentralize procurement arrangements to qualified ‘Procuring Entities’, which include budgetary organizations, state owned enterprises, etc. Procuring Entities are awarded qualified status by the Qualifications Commission upon satisfying the conditions of article 10 of the law. Each Procuring Entity creates a Subdivision on Procurement and a Tender Commission. There are at present 19 procuring entities spread throughout the country.

The Law stipulates the following Public Procurement methods:

Table 25: Public procurement methods in Tajikistan

(Articles 24-30 Procurement Law)

Tendering with unlimited participation	The main method of public procurement which must be used in all cases where the law does not specifically permit the use of another method
Tendering with limited participation	If expenses required to evaluate a large quantity of bids would be disproportionate to the value of the purchases (at least three bids required). If the goods, works or services have a specialized level of technical complexity or specialized character then the current situation of the market is assessed for the goods, works or services, if the supply is limited then justification needs to be written up for a limited source of suppliers/contractors.
Short-list method	Purchases are only available from a limited number of suppliers, owing to technical complexity, etc.
Request for quotations	Readily available goods or services for which there is an established market. Estimated value less than the maximum threshold (but in special cases no more than 5 times the maximum threshold). At least three quotes.

Single source procurement	Small additional orders; research, etc.; sole supplier with exclusive rights; creative arts; unforeseen urgent need.
Electronic procurement	Rules to be determined by the Government of RT.
Simplified procurement method	For purchases by jamoats (rural communities) below the minimum threshold. Rules to be determined by the Government of RT.

The Law stipulates that minimum and maximum threshold values of contracts will determine how some of the rules are applied (Article 3 term 15). The Government of Tajikistan sets the minimum and maximum thresholds annually.

Table 26: Use of minimum and maximum threshold values of contracts

Below minimum threshold	Procuring Entity can choose procurement method. Jamoats can use simplified procurement.	No public announcement required
Above minimum threshold	Single source procurement can only be used with permission of the Authorizing body.	Tender announcement to be placed in Public Procurement Bulletin
Above maximum threshold	Use of any method other than tendering with unlimited participation requires permission of the Authorized Body.	Tender announcement to be placed in mass media and Public Procurement Bulletin.

Table 27: Schedule of Procurement Thresholds

Year		Lower Threshold	Upper Threshold
2009			
	Goods	4,000 TJS	68,000 TJS
	Works & Services		
2010			
	Goods	7,000 TJS	75,000 TJS
	Works & Services	10,000 TJS	
2011			
	Goods	7,840 TJS	84,000 TJS
	Works & Services	11,200 TJS	
2012			
	Goods	250 Index (for quarter as per economic budget classification) 10,000 TJS	12,500 TJS
	Works & Services	350 Basic Index 14,000 TJS	

Source: Agency for Public Procurement of goods and services (July 2012)

The basic index is set each year in the budget law.

The Deputy Chairperson of the Chamber of Commerce and Industry of the Republic of Tajikistan, which has more than 500 registered businesses as members, has endorsed the procurement system as being transparent, freely and easily accessible to the public through the Procurement Agency website and the service provided by the Chamber in alerting all members to potential tenders. Winners are announced freely but the basis on which they won or are engaged is not divulged.

Nevertheless, the private sector have the impression (justified or not) that government personnel have been suspected of interfering with the bidding process and there are perceived problems when members of the evaluation committees and tender committees have favourites or indeed the bidders are relatives.

The Chamber was of the view that the complaints handling mechanism was adequate.

Table 28: Legal and Regulatory Framework for Procurement

Minimum Requirements (M2)	Meet requirements? (Yes/No)	Explanation
(i) Be organized hierarchically and precedence is clearly established;	YES	Law “On Public Procurement of Goods, Works and Services” 2006, supported by various decrees each year to address developments.
(ii) Be freely and easily accessible to the public through appropriate means;	YES	Clearly published on the Procurement Agency website and circulations through the Tajikistan Chamber of Commerce to its members, who are likely to be the ones bidding for government contracts. The use of newspapers is also evident.
(iii) Apply to all procurement undertaken using government funds;	YES	There is clear evidence to suggest that the Procurement Agency is used for all major procurement at around 64.5% on value of government procurement and about 89.4% in number of contracts in 2011. All other procurement is below the threshold of tendering process.
(iv) Make open competitive procurement the default method of procurement and define clearly the situations in which other methods can be used and how this is to be justified;	YES	Clear guidelines for the use of less competitive methods are set out in Articles 24 to 30 of the existing procurement law.
(v) Provide for public access to all of the following procurement information: government procurement plans, bidding opportunities, contract awards, and data on resolution of procurement complaints;	Partially	The Chamber of Commerce confirmed that its members have full access to government procurement plans, bidding opportunities, contract awards, and data on resolution of procurement complaints. However, the amount of information particularly on contract awards, stating the basis and conditions of awards is less than desirable. However, this situation will soon change, by the order of the President of RT stated in his annual Message to Parliament on April 22 2012, regarding transition to electronic procurement of the goods, the Agency on State Procurement will develop a single web portal effective 2013 for transition to

		electronic procurement by request of quotations method and placement of all necessary information on the state procurement are planned.
(vi) Provide for an independent administrative procurement review process for handling procurement complaints by participants prior to contract signature.	YES	There is a complaints system under the 2006 law and it has been revamped under the Law of Republic of Tajikistan № 815 of April 16, 20112, "On Amendments and Additions to the Law " covering complaints mechanisms.

The Government of Tajikistan’s legal framework is robust for the procurement system. However, the lack of information on winning bids and the basis of awarding contracts detract from the system. Therefore it is assessed that the legal framework meets four or five of the six listed requirements, which results in a B score.

Dimension (ii) Use of competitive procurement methods.

The Procurement Agency has computerized “tracking” procedures. The tables in Annex 5 are based on this data, showing numbers and values of procurement contracts for the Procurement Agency and for Procuring Entities, analysed by the type of tender method used, for the years 2010 and 2011 and the first quarter of 2012. The tables show that, over the period:

- The Procurement Agency has handled just over 60% of the contracts by value, and Procuring entities just under 40%, and that these percentages have been fairly constant over the period 2010 to 2012 quarter 1.
- An additional point is that the procurement in the frame of joint investment projects with international finance organizations, which are recognized in state budget, were not included. The State Committee on Investments and State Property Management (SCISPM) of the Republic of Tajikistan is the coordinating agency of such projects. If these procurements are taken into consideration then ratio of Agency from total amount of contracts is 43%.
- Between 73% and 80% of contracts by value, and between 72% and 88% by number, have been tendered with unlimited participation.
- Tenders using Limited Tender and Single Source Tender have been:
 - 2010 15.58% of total procurement value of government
 - 2011 24.68% of total procurement value of government
 - 2012 22.59% of total procurement value of government (1st Quarter Only)

In Articles 24 to 30 of the existing procurement law clear guidelines for the use of less competitive methods are set out, as summarised above. The procurement agency explains:

The use of other, less competitive methods, like “Restricted tendering bidders”, “Request of quotations”, “Single-source procurement” is strictly regulated. In accordance with Article 26 of the Law “On public procurement of goods and services” method of “Restricted tendering bidders” is used in case of goods, works and services are available only from a limited number of suppliers (contractors). Also here are the signs by virtue of which this situation appears. In accordance with Article 27 of the Law “On public procurement of goods and services”, the procuring entity uses the method of request for quotations for the purchase of available

goods and services produced and provided not by the particular specifications of the procuring entity, but for which the market amount is below 2500 calculation rate/index. In order to eliminate any possibilities of interpretation of the provisions of the Law, the amendment to the Article 27 were made by the Law of the RT № 815 on April 16, 2012, under which the special cases were determined (previously not specified), when it is allowed to use this method in the case of amount exceeding 2500 to 12500 rates/index only with specification and approval of the competent authority.

In accordance with Article 28 of the Law “On public procurement of goods and services” the procuring entity in coordination with the competent authority may decide to hold a single-source procurement only in strictly defined cases:

- if it carries out additional orders within 6 months from the date of the contract, not exceeding 15% of the value of previous purchases, and maintains the old rules, parameters and standards;
- signing the contract for research, experimentation or scientific training of detention;
- if given goods, works and services are available only from a particular supplier (contractor) or a supplier (contractor) has exclusive rights in respect of these goods and services;
- for the procurement for a creative project or creative activity in the field of arts and culture;
- when an urgent need to conduct procurement in connection with the circumstances that the procuring entity could not have foreseen.

Dimension (iii) Public access to complete, reliable and timely procurement information.

The Tajikistan Chamber of Commerce confirmed that its members have full access to government procurement plans, bidding opportunities, contract awards, and data on resolution of procurement complaints. However, the amount of information particularly on contract awards, stating the basis and conditions of awards is less than desirable. Nevertheless, government personnel have been suspected of interfering with the bidding process.

All potential contracts are being published and tender days have been cut to 21 in most cases for open tender. By order of President of RT Agency on State Procurement is developing the single web portal where from 2013 transaction to electronic procurement is planned. Advertising by newspaper is not cost effective and also as the newspaper is only published 3 times a week advertising space is limited and expensive.

It is estimated that at least three of the key procurement information elements are complete and reliable for government units representing 75% of procurement operations (by value) and made available to the public in a timely manner through appropriate means. This means qualification for a B rating.

Dimension (iv) Existence of an independent administrative procurement complaints system.

The Law of Republic of Tajikistan № 815 of April 16, 2012, “On Amendments and Additions to the Law on Public Procurement of Goods and Services” substantially changed the complaints mechanism for the benefit of participants of procurement procedures.

The timing of complaints before this amendment meant that complaints to the purchasing organization could be filed only up to the time when the procuring entity made the decision on the winner of tender, however this amendment allows for:

- i) The period for complaints is extended until the signing of the contract,
- ii) A complaint may be submitted simultaneously to the authorized body,
- iii) A contract does not limit the right of subsequent submission of a complaint to the authorized body.

Articles 79-82 of the Law and Chapter 11 of the Regulations on public procurement procedures regulate complaints procedure. The procuring entity shall, upon consultation with the authorized body, for up to 3 days suspend the procurement procedure, to consider the complaint and by the expiration of this period make a written decision which states:

- o Justification/reasoning the decision;
- o Measures aimed at meeting the requirements in the case of full or partial satisfaction of the complaint.

If the complaint of a supplier (contractor) is rejected, the authorized entity provides one or more of the following remedies:

- o Prohibit the procuring entity to commit unlawful acts, take unlawful decisions or apply the illegal procedures;
- o Fully or partially cancel the illegal decision of the procuring entity that violates the conditions of the tender procedure;
- o Make a decision on the termination of the procurement.

Upon receiving the complaint the authorized entity shall suspend procurement procedure for up to 10 days and during this period shall make a reasonable decision in written form. The decision shall contain:

- o Justification/reasoning the decision motives;
- o Measures, aimed at meeting the requirements in the case of full or partial satisfaction of the complaint.

The decision on the complaint is obligatory for execution of the procuring entity and shall be final unless it is appealed to the Court under Article 81/4 of this Law.

On the whole the complaints procedure is described in detail and in case the supplier is not satisfied with the results of the complaint the latter may appeal to court.

In the case of complaint, the Agency for Public Procurement of goods and services at the Government of Republic of Tajikistan promptly responds to it. Cases of complaint to the court relating to public procurement haven't been reported.

Evaluation:

Although the complaints mechanism as described in the law and regulations is good, it depends on the Procurement Agency (Authorized Body) being an effective regulator of the Procurement Entities and being able to mediate between suppliers and Procurement Entities.

However, as indicated by the statistics produced, the Procurement Agency is effectively still by far the largest Procurement Entity, being responsible for procuring about 80% more by value than all the other entities combined.

Under the law, the PA became an oversight, advisory, training and regulatory organization and is referred to as the ‘Authorized Body’. The law aimed to decentralize procurement arrangements to qualified ‘Procuring Entities’, which include budgetary organizations, state owned enterprises, etc. Procuring Entities are awarded qualified status by the Qualifications Commission upon satisfying the conditions of article 10 of the law. Each Procuring Entity creates a Subdivision on Procurement and a Tender Commission. There are at present 19 procuring entities spread throughout the country.

However, as stated the PA is still heavily involved in the procurement system so the element of “Independence” is clouded.

Given this doubt on independence and also that the new law covering the complaint mechanism was only passed in April 2012 and has not had time to “bed” into the system,

	Scoring Criteria	Ranking
(i)	Is comprised of experienced professionals, including members drawn from outside government.	NO
(ii)	Is not involved in procurement transactions or in the process leading to contract award decisions;	NO
(iii)	Does not charge fees that prohibit access by concerned parties;	YES
(iv)	Follows processes for submission and resolution of complaints that are clearly defined and publicly available;	YES
(v)	Exercises the authority to suspend the procurement process;	YES
(vi)	Issues decisions within the timeframe specified in the rules/regulations; and	YES
(vii)	Issues decisions that are binding on all parties (without precluding subsequent access to an external higher authority).	YES

The procurement complaints system does not meet criteria (i) & (ii) as there are no members drawn from outside government and but it does exercise the right of suspending the tendering process until the issue is resolved and the issue must be resolved within 3-days. The PA has responsibility for continued involvement in procurement. The system therefore must be scored as C.

Ongoing and planned activities

There is a planned project funded by the World Bank commencing December 2012 for Capacity Building of 2000 people in procurement - 1,600 from all procurement agencies and 400 from the external private sector. The course will provide certification.

Procurement Law revision 2012 – 815 16 April 2012 Amendment is going through operational procedures now.

Web based tendering and procurement / waiting for cabinet approval – proposal already

PI (M2)	Score 2007 PEFA	Score 2012 PEFA	Assessment
PI-19 (M-2)	C	C+	The 2007 assessment was according to a previous methodology and the results are not directly comparable. Tajikistan’s procurement system is evolving with the legal framework in place, however the score

PI (M2)	Score 2007 PEFA	Score 2012 PEFA	Assessment
			is effected by the lack of independence in the complaints handling system.
(i)	C	B	The Government of Tajikistan's legal framework is robust for the procurement system. However, the lack of information on winning bids and the basis of awarding contracts detract from the system. Therefore it is assessed that the legal framework meets five of the six listed requirements, which results in a B score.
(ii)	C	C	About 20% of total volume of contracts was awarded by Restricted tendering bidders method or Single-source procurement. This would qualify for a C rating.
(iii)	C	B	It is estimated that at least three of the key procurement information elements are complete. However, the amount of information particularly on contract awards, stating the basis and conditions of awards is less than desirable.
(iv)		D	The procurement complaints system does not meet criteria (i) & (ii) as there are no members drawn from outside government and the PA has responsibility for continued involvement in procurement. The system therefore must be scored as D.

3.5.3.3. PI-20: Effectiveness of internal controls for non salary expenditure

An effective internal control system is one that (a) is based on an assessment of risks and the controls required to manage the risks, (b) incorporates a comprehensive and cost effective set of controls (which address compliance and rules in procurement and other expenditure processes, prevention and detection of mistakes and fraud, safeguard of information and assets, and quality and timeliness of accounting and reporting, (c) is widely understood and complied with, and (d) is circumvented only for genuine emergency reasons.

In addition to the procurement law, the current laws governing budget execution are the Law on Financial Management and Internal Control in the Public Sector (2010), the Treasury Law amendments 2008 and the Law on Accounting 2006. Treasury Instructions are dated 2005. There are some draft commitment instructions.

The basic legal document on PFM is the "Law on Public Finances of the Republic of Tajikistan" (#77, December 2, 2002, with the latest amendments introduced in June 2008). The law defines three main components of the state budget: the republican budget, the budgets of state target funds and local budgets.

Further important laws with regard to public financial management include: the Law of the Republic of Tajikistan "On Treasury" (#396, June 18, 2008), the Law of the Republic of Tajikistan "On the National Bank of Tajikistan" (#383, December 14, 1996 with the latest amendments introduced in July 2007), the Law of the Republic of Tajikistan "On the State Financial Control in the Republic of Tajikistan" (#66, December 2, 2002 with the latest amendments introduced in July 2007), the Law of the Republic of Tajikistan "On State and State Guaranteed Borrowing and Debt" (# 886, December 11, 1999), the Law of the Republic of Tajikistan "On Local Bodies of State Power" (#28, May 17, 2004) and the Law of the Republic of Tajikistan "On Self-Management Bodies in Urban and Rural Settlements" (#1094, December 1, 1994). A new Tax Code and a new

Customs Code came into force in early 2005 (#61 and #62, December 3, 2004 with the latest amendments introduced in June 2008), the Law of the Republic of Tajikistan “On Public Procurement of Goods, Works and Services” was adopted in 2006 (#168, March 3, 2006).

Dimension (i): Effectiveness of expenditure commitment controls

Payment procedures involve the BO submitting a payment request voucher to the treasury, which is checked both in terms of its compliance with the authorized procedures, and to ensure the availability of funds on the BO’s account. Protected items such as salaries and communal services are given payment priority. If the payment request is in respect of a procurement contract, already recorded in the Treasury systems (see below) the commitments will automatically be cancelled when the payment is made. The Central Treasury uses an “Electronic Payment System” to instruct the National Bank to make the payment to the creditors’ bank accounts.

The Treasury system compares cash payments and major commitments against the quarterly budget allocations (smeta) of Budget Organisations (BO). BO are required to supply information for all agreed procurement contracts above the minimum threshold to either the Central or Local Treasury, who enter the details into the Treasury information system. Thus commitments for procurement contracts are taken into account when ensuring that total payments plus outstanding commitments do not exceed the quarterly budget allocations of the BO. This system works effectively, so far as it goes. However it is not a complete commitments system, as purchase orders are not raised. Treasury also reports that some heads of BO allow commitment violations and receive goods and services in excess of their budget allocation limits.

The Treasury will produce reports showing payments against commitments – but only for contract commitments.

The IMF recently produced (i) FAD report on the state of commitment control in Tajikistan; (ii) gap analysis on commitment controls undertaken for the Treasury; and (iii) the priority being given in the PFM reform agenda to establishing a comprehensive commitment control system. All these reports acknowledge that expenditure commitment control procedures exist however they are partially effective and do not comprehensively cover all expenditures.

(ii) Comprehensiveness, relevance and understanding of other internal control rules/ procedures

In the opinion of the Head of Accounting and Audit, and the Internal Audit Department all civil servants are aware of the rules for purchasing and expenditure. Every expenditure point where there might be occasion to deal with government resource has access to appropriate manuals – the manuals were produced within seconds!

The existing internal controls/rules that are in place are basically sound and considered as adequate. However, it must be remembered that this is a manual system and prone to human error and deliberate mistakes.

Dimension (iii) Degree of compliance with rules for processing and recording transactions

The Internal Audit Department states that enhancement of internal control measures as a result of the Law on Internal Audit and the law on financial Management and Internal Control in the government sector of July 2010 have had the effect of reducing indiscretions by around 10-20% per year on year.

There are no specific records of reported incidents to the ministry from the Internal Audit, but a written report is completed monthly.

Internal audit completes audits on treasury operations daily and since February 2012 there is a new audit regime aligned with international audit practices.

PI (M1)	Score 2007 PEFA	Score 2012 PEFA	Assessment
PI-20	C+	C+	There is widespread understanding of expenditure rules and regulations, backed up with instructions, rules and manuals readily assessable to all government officers. The IMF have identified that further strengthening of commitment controls is warranted. Internal audit is being strengthened but it is not fully operational to international standards yet.
(i)	B	C	Expenditure commitment controls need to be comprehensively reviewed and updated. At the moment there is no commitment control for central line ministries and SNG to base their operations on. The rating therefore is C.
(ii)	B	A	Other internal control rules & procedures are relevant, & incorporate a comprehensive & generally cost effective set of controls with instructions, guidelines and manuals, which are widely understood and are therefore rated A.
(iii)	C	C	Rules are complied with in a significant majority of transactions, but use of simplified emergency procedures in unjustified situations is an important concern.

3.5.3.4. PI-21: Effectiveness of internal audit

Regular and adequate feedback to management is required on the performance of the internal control systems, through an internal audit function. Such an audit function should meet international standards and should focus on systemic issues in relation to: reliability and integrity of financial and operational information; effectiveness and efficiency of operations; safeguarding of assets and compliance with laws, regulations, and contracts.

History

- 2006: An office of internal audit was established in the Tax Committee (№ 607 of December 28, 2006)
- 2007: The Ministry of Finance developed the Strategy of Public Internal Financial Control (№ 87 of March 3, 2007) in order to ensure compliance with financial legislation and fiscal discipline, and to prevent misuse of budget funds.
In line with this strategy, internal audit units were established in the Ministries of Education, Health, Agriculture, Labour and Social Welfare (№ 603 of November 30, 2007).
The 2007 PEFA assessment described internal audit as very weak, with limited experience and staffing at both central and local treasury levels.
- 2010: The laws ‘On financial management and internal control in the public sector’ (No 626 of 21 July 2010) and ‘On internal audit in the public sector’ (No 631 of 21 July 2010) were adopted, to facilitate implementation of the strategy of Public Internal Financial Control.
- 2011: Following the adoption of the above laws, Internal Audit Departments were created in the State Committee of National Security and the Ministry of Transport.

MoF approved the Action Plan of the Office of Internal Audit 2011-2015, and developed guidelines on preparation of the analytical report on the status of internal audit in the public sector. The first such analytical report (for internal audit in 2010) was prepared.

Guidelines on preparation of annual plans for internal audit departments were prepared,

The 2011 Law on Public Finance includes a definition of internal audit and activities to be carried out by MoF with respect to internal audit (see below).

2012: MoF internal audit department assisted ministries and departments to draw up their internal audit plans.

The second analytical report (for internal audit in 2011) was prepared.

International Professional Standards for Internal Auditing and Code of Ethics for Internal Auditors, of the Institute of Internal Auditors (USA), have been translated to Tajik and adopted under license.

Staffing and training

As at 2011, the number of approved internal audit staff of the Ministry of Finance, in the Central Office and the departments in the regions, cities and districts is 70 people.

At present, internal audit departments operate in eight central government ministries, in the Agency for Pensions and Social Insurance and in 50 local authorities out of 73. The nominal size of the internal audit departments in the ministries is approved as four people.

The structure of the Office of Internal Audit of the Tax Committee consists of two divisions and one sector of the approved amount of the nominal strength of 16 people.

Management and internal audit units in ministries and departments operate within their approved Regulations.

A training needs assessment has been carried out and training has been given on international internal control standards for internal auditors of the MoF. Training on internal audit has been conducted for specialists from the MoF and other pilot ministries.

2011 Law on Public Finance

The 2011 Law on Public Finance defines internal audit (in the area of public finances) as independent and objective activity for the audit, evaluation, and counselling of managerial and other systems, which is implemented with a view to assist a legitimate, effective and efficient public sector.

Article 30 of the Law on Public Finance includes the following activities for MoF:

- Conducts audits of budget organizations which do not have internal audit departments;
- Performs inspections/audits of the financial status of the recipients of budgetary funds, including recipients of budget loans, grants, subventions, subsidies and state guarantees;
- Ensures operation of an internal audit system based on international standards, unified goals, principles and objectives of internal audit.

Dimension (i): Coverage and quality of the internal audit function

There are two levels of internal audit (i) each individual budget organization has an internal audit department reporting to its own minister, and (ii) the Internal Control and Audit Department (ICAD), of the Ministry of Finance has a “internal audit” role in conducting and overseeing BOs

that do not have an internal audit department. All Internal audit reports of the other ministries are copied to the Deputy Minister in the Ministry of Finance.

The Internal Audit Department in ministries and in the Internal Control and Audit Department (ICAD), of the Ministry of Finance are separate and independent to the accounting and payments departments.

The coverage of internal audit is very good and in particular there are many audits on the payroll. It is reported that there are 15-20 audit reports per Budget Organization per year, which on the face of it seems a bit excessive.

It is reported that around 10% to 20% of staff time is devoted to systems audit, however that may change in the future with the adoption of risk audit planning and International Professional Standards for Internal Auditing and Code of Ethics for Internal Auditors, of the Institute of Internal Auditors (USA) from 2010.

In 2012 the International Professional Standards for Internal Auditing and Code of Ethics for Internal Auditors, of the Institute of Internal Auditors (USA), have been translated to Tajik and adopted under license. However, this will not take effect at least until after 2012 has been completed, as there will need to be training and capacity building.

Dimension (ii): Frequency and distribution of reports

Internal Audit Unit are established in each Central Government body qualifying (by budget and number of staff according to the Internal Audit Law). This means 50 out of 73 Local Governments have Internal Auditors.

Although appearing excessive there are approximately 15-20 internal audit reports produced per budget organization per year and distributed to the head the budget organization and to all parties concerned with the recommendations. The annual report is sent to MoF.

There is no supreme audit institution to forward the reports to.

In 2011 the internal audit of the ministry of Finance reported 11,500,000 Somoni in value worth of errors, however this is a decrease year on year of 10% to 20%.

Dimension (iii): Extent of management response to internal audit findings

Internal audit recommendations are usually address promptly by management and a fair degree of action or comprehensive action is taken by managers on major issues.

Action taken but sometimes takes some time to enact. The internal audit reports some absolute figures, but consider everything reported as resolved (by recovery or budget cuts) at around 11.5 million Somoni for 2011. Internal Audit did not have any data on recommendations leading to changes in the public finance management however confirmed that repetitive findings were no happening in the reports.

Training on internal audit is delivered several times each year for all internal audit units. There is 100% training coverage for all internal auditors in the public sector. At present, internal audit departments operate in 8 ministries, in the Agency for pensions and social insurance and 50 local authorities (out of 73). Since internal audit is carried out in 9 central public institutions and 75 % of local authorities and reports on the majority of audited institutions are prepared regularly and

submitted to the audited institution and the MoF and heads of many institutions take certain actions with regard to serious problems, however, substantial part of measures are punitive and do not address the cause of the problems.

PI (M1)	Score 2007 PEFA	Score 2012 PEFA	Assessment
PI-21	D+	C+	The presence of internal audit departments and their development over the last 3-years have indicated that internal audit is going in the right direction, particularly with the amount of training being applied. However, to get a better score it needs to implement the translated International Standards and place more emphasis on systems improvement and risk management. Of course the absence of SAI to receive internal audit reports affects the rating.
(i)	D	C	The function is operational for at least the most important central government entities and undertakes some systems review (at least 20% of staff time), but does not meet all recognized professional standards. Approximately 25% of the professional standards are met. Therefore dimension (i) is rated C.
(ii)	C	B	Reports are issued regularly for most audited entities and distributed to the audited entity, and to the ministry of finance (there is no Supreme Audit Institution SAI – see PI-26).
(iii)	C	C	Managers of BOs normally take adequate action within the recommended deadlines, usually addressing internal audit recommendations. All issues concerning losses of funds are resolved or recovered by budget cuts. However, a substantial part of the recommended measures are punitive, and do not address the underlying cause of the problems. No data has yet been collected on response to recommended changes in the systems of public financial management.

3.6 Accounting, recording and reporting

Summary of assessment of indicators for PIs 22-25

PI	Score 2007 PEFA	Score 2012 PEFA	Assessment
PI-22: Accounts reconciliation (M2)	B	B+	In the last 3-years the government has moved to establish the Single Treasury Account which means the reconciliations processes has improved. Bank reconciliations for all central government and Treasury managed bank accounts take place at least monthly at aggregate & detailed levels, usually within 4 weeks of end of period. SN Bank accounts are reconciled monthly and officially sent to treasury quarterly.
PI-23: Information on resources received by service delivery units (M1)	C	D	No comprehensive data collection on resources to service delivery units in any major sector has been collected and processed within the last 3 years. [This score seems harsh, since comprehensive data was collected 5 years ago, but neither score C nor B fit the current information situation.] It seems the 2007 indicator was over stated.

PI-24: In-year budget reports (M1)	C+	C+	Overall the in-year budget reports are produced in a timely and regular manner on actual budget performance enabling all management levels, from Government down to managers of BOs, a tool for effective monitoring throughout the year.
PI-25: Annual financial statements (M1)	D+	C+	With a strong legal base the consolidated government statement is prepared in a timely manner meeting annual deadlines of July 15 for submission to Parliament and includes, with few exceptions, full information on revenue, expenditure and financial assets/liabilities, including a statement on accounting standards.

3.6.1. PI-22: Timeliness and regularity of accounts reconciliation

Reliable reporting of financial information requires constant checking and verification of the recording practices of accountants – this is an important part of internal control and a foundation for good quality information for management and for external reports.

Dimension (i): Regularity of bank reconciliations

All revenue (including ‘special revenues’ of budget organizations) and expenditure bank accounts for the Republican Budget (68 organizations) and 5 local budgets are now in the Treasury Single Account system, maintained at the National Bank. These accounts are reconciled monthly, within 4 weeks of the end the month.

Separate accounts are maintained for sub-national level revenues and expenditures at Amonat Bank. Sub national bank accounts are targeted to be part of the TSA by 2014. Although these sub national bank accounts are also reconciled monthly, the official bank reconciliation statement is presented only each quarter, stamped by the treasury and Amonat Bank.

Dimension (ii): Regularity of reconciliation and clearance of suspense accounts and advances

The MOF informed us that there are no suspense accounts in operation, and that advance accounts are controlled manually by BOs.

There are well-documented procedures for advance payments and there is no evidence to suggest problems in this area. The system is set up as an incentive for Civil Servants to liquidate their advances as there are only given 50% of estimated costs – even if travelling overseas – and therefore there is high demand for liquidating reimbursable expenses. There is also a requirement that all balance sheet accounts are reconciled annually at 31 December.

PI (M2)	Score 2007 PEFA	Score 2012 PEFA	Assessment
PI-22	B	B+	In the last 3-years the government has moved to establish the Single Treasury Account which means the reconciliations processes has improved. Bank reconciliations for all central government and Treasury managed bank accounts take place at least monthly at aggregate & detailed levels, usually within 4 weeks of end of period. SN Bank accounts are reconciled monthly and officially sent to treasury quarterly.
(i)	B	A	Bank reconciliations for all central government and <i>Treasury managed</i> bank accounts take place at least monthly at aggregate & detailed levels,

PI (M2)	Score 2007 PEFA	Score 2012 PEFA	Assessment
			usually within 4 weeks of end of period. SN Bank accounts are reconciled monthly and officially sent to treasury quarterly - therefore achieving a rating of A.
(ii)	B	B	Reconciliation and clearance of suspense accounts and advances take place at least annually within two months of end of period. Some accounts have uncleared balances brought forward. Rating is B.

3.6.2. PI-23: Availability of information on resources received by service delivery units

Problems frequently arise in front-line service delivery units providing services at the community level in obtaining resources that were intended for their use. These front-line service delivery units, being the furthest in the resource allocation chain, may be the ones to suffer most when overall resources fall short of budget estimates. Tracking of resource allocation is vital to ensure that PFM systems effectively support front-line service delivery.

The 2007 PEFA assessment reported that no comprehensive data collection on resources to service delivery units in any major sector had been collected and processed within the previous three years. However, Public Expenditure Tracking Surveys (PETS) for two major sectors – health and education – were close to completion.

The two PETS were published on 12 June 2008.

The Education PETS commented that:

“The goods news from the Tajikistan Education PETS is that at the upper tiers of the hierarchy, from the Ministry of Finance (MOF) to the rayons (regions), an effective system of financial accountability is in place, and while there are problems below that, e.g., schools lack budgets and record-keeping is weak at the jamoat (district) and school levels, they are being addressed through the introduction of the per capita financing (PCF) of education. The PCF reform program had been introduced in five pilot rayons as of 2006, when the PETS data collection occurred. It has since been extended to twelve more rayons, and the government has plans to extend it to the whole country. The PETS finds that under the PCF program, unlike under the traditional financing program, schools know their budgets and these are almost always consistent with rayon records, thus completing the financial accountability chain from the MOF to the frontline provider. If the PCF reform is implemented on a national scale as successfully as has been done in the pilot rayons, Tajikistan will have an effective education resource delivery system.

Against this positive message, however, it must be borne in mind that:

- In scaling up the PCF program to a national scale, it may be challenging for Tajikistan to replicate the success that has been achieved in rayons which, by virtue of their status as pilot rayons, have received more attention than it will be possible to devote to the upwards of fifty rayons where the PCF program is yet to be implemented. Though generally positive, PETS findings appear to show some variation among the PCF pilot rayons, and even minor problems observed at this stage could presage larger problems later.*
- For the time being, most of the country’s schools are under the traditional financing system of local discretion, under which it proved impossible for the PETS to track funds all the way*

to schools. What happens to non-wage resources, in particular, in the last links of the financing chain, is unclear. Jamoats and to a lesser extent schools keep records on a transaction-by-transaction basis, and audits occur, but an effective financial accountability system that can keep track of financial flows over time, and enable top-down and bottom-up transparency and effective resource management, is missing.

- There is one important spending category, investment, which the PETS was not designed to study in depth. Nonetheless, PETS findings highlight that investment needs are particularly acute. Moreover, there have recently been large increases in investment budgets.”

The Health PETS commented:

The main findings of the PETS are as follows:

- (a) The health sector continues to be severely under-funded. Budget allocations are low and donor assistance makes a large contribution to the overall spending on health services.
- (b) Few resources reach front line providers – in primary health care facilities – who are expected to provide the first level of care for the population, thus serving to exacerbate the pressures on secondary care.
- (c) The degree of discretion in the allocation of scarce resources is too large. This not only applies to distribution of stavkas but also to the bulk of inputs.
- (d) There is a wide dispersion in the availability of resources among rayons that translates into an inequitable distribution of quality health care.

Since these reports, per capita financing has been significantly extended. However, we have not seen any data or reports from the last three years that have evaluated the availability and quality of information on resources received by service delivery units.

The 2007 PEFA report discussed budget allocations and their predictability, however this indicator is not only about budget allocation but also actual resources required for service deliver units to carry out their responsibilities – and budget is only one aspect of this. There is no information available at the front line service delivery, especially on goods and services due to in-kind payment for goods and services and a lack of accounting reports.

PI	Score 2008 PEFA	Score 2012 PEFA	Assessment
PI-23 (i)	C	D	Rating D: No comprehensive data collection on resources to service delivery units in any major sector has been collected and processed within the last 3 years. [This score seems harsh, since comprehensive data was collected 5 years ago, but neither score C nor B fit the current information situation.] It seems the 2007 indicator was over stated.

3.6.3. PI-24: Quality and timeliness of in year budget reports

The ability to successfully achieve budget execution depends upon timely and regular information on actual budget performance being available, throughout the year. This information is required at all management levels, from Government down to managers of BOs, to ensure that effective monitoring is undertaken throughout the year.

Dimension (i): Scope of reports in terms of coverage and compatibility with budget estimates

The Treasury produces monthly budgetary control reports comparing actual revenues and expenditures against the latest version of the approved revised budget as recorded on the smeta. These reports are available for each budget organization and for the government as a whole.

As they are intended as control reports, they do not compare actual results with the original approved budget. Treasury does not see its role as recording planning variances (differences between the original and revised budget) but as highlighting operational variances (differences between actual results and the revised budget). Nevertheless, should comparison against the original budget be required, this can be produced relatively easily by spreadsheet.

The standard Treasury expenditure reports capture information at the payments stage. If information on commitments were added, it would not be complete, but Treasury can tailor the report to the requirements of each BO.

Line Ministries, agencies and BOs are required to submit quarterly reports on revenue and expenditure execution to the MoF. At local level there is a similar requirement to submit quarterly reports on local budgets execution to the executive body of local authorities. The reports include information on outstanding liabilities (unpaid invoices) at the end of the quarter.

The MoF drafts quarterly reports based on the results of state budget and Republican budget execution. Information is verified against Treasury figures.

The MoF submits quarterly reports prepared on a commitment basis (including invoices outstanding but not yet paid) to the GoT. At local levels the reports are submitted to the executive body of local authorities. GoT approves the quarterly report and further submits it to the Parliament.

Since 2012, Quarterly Reports on Budget Execution have been put on the website www.minfin.tj under the section on Budget. As at 1 July 2012 they are available for all of 2010, up to September 2011, and for March 2012.

Dimension (ii): Timeliness of the issue of reports

The reports for the MoF should be produced by the 15th of the following month, and this timetable appears to be met. The Treasury monthly and quarterly reports appear to be produced within 4 weeks of the end of the financial period.

Dimension (iii): Quality of information

The reports can only be as accurate as the information systems and controls allow. Given the procedures operative within the Central Treasury it is reasonable to assume that these monthly reports contain accurate information. The confidence in accuracy will be improved when the new Treasury information system SGB.net and Unified Chart of Accounts (UCOA) is installed, which is planned for 2013. This system will enable the duplication between the Treasury records and BO records to be eliminated. Commitment control is due to be incorporated in that system from 2014.

At the moment, the reconciliation between the BO manual records and the Treasury records is a fundamental part of the system. We have not ascertained the extent of any problems in this reconciliation process, but the process itself gives some assurance on the quality and accuracy of the records.

PI (M1)	Score 2007 PEFA	Score 2012 PEFA	Assessment
PI-24	C+	C+	Overall the in-year budget reports are produced in a timely and regular manner on actual budget performance enabling all management levels, from Government down to managers of BOs, a tool for effective monitoring throughout the year.
(i)	C	C	Comparison against the revised budget is possible at the detailed level but for expenditure this is only universally available at the payment stage, not the commitment stage.
(ii)	A	A	Reports are produced monthly and quarterly and issued within 4 weeks of the end of the period
(iii)	B	B	At the moment, the reconciliation between the BO manual records and the Treasury records is a fundamental part of the system. We have not ascertained the extent of any problems in this reconciliation process, but the process itself gives some assurance on the quality and accuracy of the records.

3.6.4. PI-25: Quality and timeliness of annual financial statements

Consolidated year-end financial statements are critical for transparency in the PFM system. To be complete they must be based on details for all ministries, independent departments and deconcentrated units. Additionally the ability to prepare year-end financial statements in a timely fashion is a key indicator of how well the accounting system is operating.

Dimension (i): Completeness of the Financial Statements

In 2007 MoF was required under Article 57 of the Law on State Finances to draft an annual Report on the State Budget Execution and submit it to the Executive Administration of the President of the Republic of Tajikistan by 1 May. The Law then required the Government to submit these Annual Accounts to the Parliament by 1 June. This was updated in 2010 to alter the dates to June 1 and July 1 respectively.

MOF also has to prepare a Public Sector Annual Financial Report (which forms part of the annual report of Budget Execution). This covers information on revenues and expenditures, treasury account balances, state loans and debts, budget deficit and the financing of the budget. There exists a strong legal foundation for preparing annual budget execution reports and financial statements (the annual budget execution reports are part of the annual financial statements). Article 57 of the Law on State Finance also stipulates the contents of the annual state budget execution report to be prepared at the end of each fiscal year. The annual budget execution reports are consolidated on a cash basis in accordance with the budget classification. Ministries, agencies and other budget organizations submit their annual financial statements, which are reconciled with the Treasury data for preparation of the consolidated annual financial statements. The annual financial statements prepared by the Government include information on: revenues and grants; expenditures according to budget classifications with comparisons between budget and outturns; Treasury bank account balances; report on state borrowing transactions and stock of debt and size of budget deficit and financing.

The Public Financial Management Modernization Programme prepared an implementation and training strategy for Tajikistan national public sector accounting standards based on IPSAS as part of an overall public sector reform strategy by the Ministry of Finance.

Dimension (ii): Timeliness of submission of the Financial Statements

In 2007 MoF was required under Article 57 of the Law on State Finances to draft an annual Report on the State Budget Execution and submit it to the Executive Administration of the President of the Republic of Tajikistan by 1 May. The Law then required the Government to submit these Annual Accounts to the Parliament by 1 June. This was updated in 2010 to alter the dates to June 1 and July 1 respectively.

The compliance has been:

- 2009 – July 15, 2010 – submission
- 2010 - July 15, 2011 – submission
- 2011 – July 16, 2012 – submission

The deadlines for submission to Parliament have been met for the last 3 financial years (financial statements 2008 to 2010).

The change in law however has resulted in a situation whereby under the old law a PEFA assessment could rate an A for compliance, as the accounts would have been submitted to parliament within 6-months, however the law has now scheduled the submission of accounts for a period outside of this stipulation and therefore the rank would slip into the B grade.

There was a stipulation in the law for the accounts to be submitted to the State Financial Control Committee, however this agency was dissolved in 2006 and replaced with the “Agency of State Financial Control and Combating Corruption” however its roll in reviewing financial statements is unclear, if indeed the intention was for this new agency to replace SFCC and audit the annual financial statements. It appears the roll of the “Agency of State Financial Control and Combating Corruption” is one of investigation and not audit. In 2007 it describes an audit function, however the SFCC was part of the MoF so this would seem inappropriate and at best an internal audit. In 2011 a law was passed establishing an external/supreme audit, however an appointment or operational procedures have yet to be confirmed.

Dimension (iii): Accounting Standards Used

As indicated above the consolidated government statements are not fully compliant with recognized International Accounting Standards. However, The law stipulates what standards are required and there are incorporated in legal requirements which are publicly available

PI	Score 2008 PEFA	Score 2012 PEFA	Assessment
PI-25	D+	C+	With a strong legal base the consolidated government statement is prepared in a timely manner meeting annual deadlines of July 15 for submission to Parliament and includes, with few exceptions, full information on revenue, expenditure and financial assets/liabilities, including a statement on accounting standards.
(i)	C	B	The consolidated financial statements are prepared on a cash basis according to standards incorporated in the relevant legal requirements. The consolidated government statement is prepared annually and includes, with few exceptions, full information on revenue, expenditure and financial assets/liabilities. This is ranked B.
(ii)	D	B	The PEFA rating system assumes that there is an external audit and in

PI	Score 2008 PEFA	Score 2012 PEFA	Assessment
			Tajikistan an external audit does not exist as yet. In this case the reference to external audit is ignored for the scoring and the score is based solely on the timeliness of the submission of consolidated government statement to parliament, which by proxy must act in the audit function. As the new law stipulates July 15 as the submission date, which is within 10-months of year-end and government has compiled in the entire last 3-years then the ranking is B.
(iii)	D	C	The consolidated government statements do have the benefit of a strong legal base and do, therefore, have the merit of consistency. All the accounting standards are disclosed. Therefore it is possible to score C. In 2007 it appears the accounting standards in the consolidated government statement were not declared.

3.7. External oversight and legislative scrutiny

This set of indicators looks at the quality and timeliness of external scrutiny of the government's budget estimates as well as the public accounts.

Summary of assessment of indicators for PIs 26-28

PI	Score 2007 PEFA	Score 2012 PEFA	Assessment
PI-26: External audit (M1)	D+	D	External audit is not yet in place, however the Law on the Supreme Audit Institution was adopted in 2011 indicating progress and therefore qualifies for an arrow. The rating in 2007 is overstated because there were no audit recommendations from a supreme audit as there was none.
PI-27: Legislative scrutiny of budget (M1)	C+	B+	The legislature through the Parliamentary Committee of Majlisi Namoaydagon Majlisi Oli of RT on Economy and Finance involves itself in the budget formulation much more than in previous administrations from the start of the budget process and the formulation of macroeconomic parameters, budget negotiations and to the final submission of the budget to parliament. Parliament is given adequate time for deliberations on the budget. Changes in support staff (civil servants) after elections could disrupt parliamentary procedures.
PI-28: Legislative scrutiny of audit reports (M1)	D	D	As discussed under PI-26, the Law on the Supreme Audit Institution was adopted in 2011, but no organization has yet been established. There are no external audit reports for parliament to examine.

3.7.1. PI-26: The scope, nature and follow up of external audit

A high quality external audit is an essential requirement for creating transparency in the use of public funds. Key elements of the quality of actual external audit comprise the scope/ coverage of the audit, adherence to appropriate auditing standards including independence of the external audit institution (ref. INTOSAI and IFAC/IAASB), focus on significant and systemic PFM issues in its reports, and performance of the full range of financial audit such as reliability of financial statements, regularity of transactions and functioning of internal control and procurement systems. Inclusion of some aspects of performance audit (such as e.g. value for money in major infrastructure contracts) would also be expected of a high quality audit function.

In December 2006 Government Decree dissolved the SFCC. Its successor is the “Agency of State Financial Control and Combating Corruption”, which reports to the President. The combination of the external audit function with the function for corruption control does not conform to international practices. Although the “Agency for Financial Control and Fighting Corruption” was established to take over the functions of the SFCC it has developed a roll as an investigator and should not be perceived as performing an audit function and at best would be considered as an internal audit function.

In 2007 the World Bank and GOT reached an agreement that a Supreme Audit Institution reporting to Parliament would be developed. The Law on the Supreme Audit Institution was adopted in 2011, but no organization has yet been established.

Dimension (i): Scope/nature of audit performed (incl. adherence to auditing standards)

External audit is not yet in place.

Dimension (ii): Timeliness of submission of audit reports to legislature

External audit is not yet in place.

Dimension (iii): Evidence of follow up on audit recommendations

External audit is not yet in place.

PI (M1)	Score 2007 PEFA	Score 2012 PEFA	Assessment
PI-26	D+	D▲	External audit is not yet in place, however the Law on the Supreme Audit Institution was adopted in 2011 indicating progress and therefore qualifies for an arrow. The rating in 2007 is overstated because there were no audit recommendations from a supreme audit as there was none.
(i)	D	D	External audit is not yet in place
(ii)	D	NA	Not Applicable – No Audit function (score as advised by PEFA Secretariat)
(iii)	C	NA	Not Applicable – No Audit function (score as advised by PEFA Secretariat)

3.7.2. PI-27: Legislative scrutiny of the annual budget law

The power to give the government authority to spend rests with the legislature, and is exercised through the passing of the annual budget law. If the legislature does not rigorously examine and debate the law, that power is not being effectively exercised and will undermine the accountability of the government to the electorate. Assessing the legislative scrutiny and debate of the annual budget law will be informed by

consideration of several factors, including the scope of the scrutiny, the internal procedures for scrutiny and debate and the time allowed for that process.

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

The current Parliament was elected in February 2010 for five years. In the current lower house, 45 out of a total of 63 deputies are members of the pro-presidential party, the People's Democratic Party of Tajikistan. Others are: Communist Party of Tajikistan: 2; Islamic Revival Party of Tajikistan: 2; Agrarian Party of Tajikistan: 2; Economic Reform Party of Tajikistan: 2; Independent deputies:10.

Resolutions of the Majlisi Namoyandagon resolution are passed by the majority of votes from the total number of deputies, if no other procedure is provided by the Constitution of the Republic of Tajikistan. Execution of resolutions adopted by Majlisi Namoyandagon is obligatory in the territory of the Republic of Tajikistan.

The Parliamentary Committee of Majlisi Namoyadagon Majlisi Oli of RT on Economy and Finance (Committee on Economy and Finance) is one of nine parliamentary committees, and consists of 6 deputies (1 chairperson plus 5 members). The committee supported by 2 assistants and 2 senior inspectors. There are no sub-committees of the Committee of Majlisi Namoyadagon Majlisi Oli of RT on Economy and Finance, but the other parliamentary committees review the budget proposals according to their competencies.

Dimension (i): Scope of the legislature's scrutiny

In 2012 the Parliamentary Committee of Majlisi Namoyadagon Majlisi Oli of RT on Economy and Finance (Committee on Economy and Finance) involved itself in the budget preparation at an early stage. It reviewed with the Presidential Budget team the macroeconomic parameters that would be used in the budget preparation, in March. Indeed this process was followed in 2011 as stated by a Parliamentarian during the Draft Report workshop who attended those meetings.

In June the committee involved itself in the deliberations of the budget ceilings in the for budget priorities of Government of Tajikistan and the identification of budget ceilings by sectors.

It finally took part in the government wide deliberations in September on finalizing the budget before submission to parliament. However, the finalization of the budget in 2012 for 2013 is delayed due to the significance of the new tax law on government revenues and it awaits parliamentary passing of this law.

Parliament reviews the proposed budget once it has been finalized and adopted by the government. The deadline for forwarding the proposed budget to parliament is November 1 (Article 43 of the Law on Public Finance, 2011).

The volume and quality of information submitted to parliament has improved since 2007 (see PI-6) but there is no provision in the Law on Public Finance for input by parliament before November. Thus the focus of the review is inevitably on the detailed proposals, however parliament relies on

recommendations from the Parliamentary Committee of Majlisi Namoyadagon Majlisi Oli of RT on Economy and Finance, which has earlier been engaged on a review of policies, medium term strategies and budget formulation.

Parliament did not formally examine the administrative classification of the 2012 budget proposals, only the functional allocations.

Dimension (ii): Extent to which the legislature's procedures are well-established and respected

The parliamentary internal procedures contain rules for the review of the budget. The Committee of Majlisi Namoyadagon Majlisi Oli of RT on Economy and Finance and all other committees and commissions of the Majlisi Namoyadagon review the draft budget.

There is evidence that there exists a dialogue between all parties involved in the budget formulation, including a phase where the draft budget is presented to SN Government, Central Government, Parliament, private sector and media.

There is a risk element and that is following elections it is traditional for support staff, and staff in the parliament's secretariat to change together with MPs and therefore do not provide a base for institutional memory and continuity.

The lack of parliamentary scrutiny over the administrative classification for the 2012 budget shows that the procedures need to be updated.

Dimension (iii): Adequacy of time for the legislature to provide a response to budget proposals both the detailed estimates and, where applicable, for proposals on macro-fiscal aggregates earlier in the budget preparation cycle (time allowed in practice for all stages combined).

Parliament reviews the proposed budget once it has been finalized and adopted by the government. The deadline for forwarding the proposed budget to parliament is November 1 (Article 43 of the Law on Public Finance, 2011). However, they are heavily involved in the budget formulation process from February onwards.

Parliament then has until December 31 to review the budget. In practice the budget is always reviewed and approved well in time to issue the budget to government for the start of the new fiscal year.

Dimension (iv): Rules for in-year amendments to the budget without ex-ante approval by the legislature

According to the 2011 Law on State Finances (article 51): "In case of decrease or increase of budget receipts, which can lead to changes in revenues of the state budget for less than 10% of the annual approved budget, the Government of the Republic of Tajikistan has a right to decide to amend the revenues and expenditures of state budget without changing the amount of budget deficit. The mentioned decision should be communicated with Majlisi Namoyadagon Majlisi Oli of the Republic of Tajikistan within 5 days and subjected to mandatory publication"

"In case of reduction or increase of budget receipts, which can lead to changes in state budget revenues for 10% or more of annual approved budget, the Government of the Republic of Tajikistan submits to Majlisi Namoyadagon Majlisi Oli of the Republic of Tajikistan a draft law of the Republic of Tajikistan on amending the law of the Republic of Tajikistan on state budget of the

Republic of Tajikistan or draft law of the Republic of Tajikistan on supplementary state budget of the Republic of Tajikistan together with required documents”.

Article 55 states that “Approved budget expenditures of ministries, agencies, and other budget organizations can be changed and reallocated by the resolution of the Government of the Republic of Tajikistan in cases provided for in the state budget law of the Republic of Tajikistan for the next fiscal year.”

If there are revenue surpluses and additional funds become available, MoF is able to allocate these funds without the need for Parliamentary approval provided the budget is not exceeded by more than 10 per cent.

The Government’s freedom to allocate excess revenue up to a limit of 10 per cent without parliamentary approval is of particular concern. The process is not transparent and parliament cannot easily determine whether the extra budgets are allocated on a rational and fair basis. The substantial allocations from the Reserve Fund of the President (amounting to 2 per cent of total expenditures – Article 46) are also outside normal parliamentary controls however disbursements are documented and communicated to parliament on a regular basis.

PI (M1)	Score 2007 PEFA	Score 2012 PEFA	Assessment
PI-27	C+	B+	The legislature through the Parliamentary Committee of Majlisi Namoydagon Majlisi Oli of RT on Economy and Finance involves itself in the budget formulation much more than in previous administrations from the start of the budget process and the formulation of macroeconomic parameters, budget negotiations and to the final submission of the budget to parliament. Parliament is given adequate time for deliberations on the budget. Current practice of changing support staff (civil servants) after elections could disrupt parliamentary procedures with a loss of institutional memory.
(i)	C	B	The legislature’s review covers fiscal policies and aggregates for the coming year as well as detailed estimates of expenditure and revenue. Medium Term Fiscal Frameworks and Medium term Expenditure Frameworks are currently being introduced but do not yet form part of the official budget review by parliament.
(ii)	C	A	The legislature’s procedures for budget review are firmly established and respected. They include internal organizational arrangements, such as specialized review committees, and negotiation procedures. Parliament reviews the proposed budget once it has been finalized and adopted by the government. The deadline for forwarding the proposed budget to parliament is November 1 (Article 43 of the Law on Public Finance, 2011).
(iii)	A	A	The legislature has at least two months to review the budget proposals.
(iv)	C	B	Clear rules exist for in-year budget amendments by the executive, and are usually respected, but they allow extensive administrative reallocations.

3.7.3. PI-28: Legislative scrutiny of external audit reports

The legislature has a key role in exercising scrutiny over the execution of the budget that it approved. A common way in which this is done is through a legislative committee(s) or commission(s) that examines the external audit reports and questions responsible parties about the findings of the reports.

As discussed under PI-26, the Law on the Supreme Audit Institution was adopted in 2011, but no organization has yet been established. There are no external audit reports for parliament to examine.

Dimension (i): Timeliness of examination of audit reports by the legislature

No reports exist, because the SAI does not yet exist.

Dimensions (ii): Extent of hearings on key findings undertaken by the legislature

No hearings are undertaken.

Dimension (iii): Issuance of recommended actions by the legislature and implementation by the executive

No recommendations are made.

PI (M1)	Score 2007 PEFA	Score 2012 PEFA	Assessment
PI-28	D	D	As discussed under PI-26, the Law on the Supreme Audit Institution was adopted in 2011, but no organization has yet been established. There are no external audit reports for parliament to examine.
(i)	D	D	No reports exist, because the SAI does not yet exist.
(ii)	D	NA	Not Applicable – No function existing (Score advised by PEFA Secretariat)
(iii)	D	NA	Not Applicable – No function existing (Score advised by PEFA Secretariat)

3.8. Donor practices

This section assesses donor practices, which impact upon the performance of a country PFM system. These practices are the exclusive responsibility of the donors and are primarily outside the authority of the Government of Tajikistan.

Summary of assessment of indicators for PIs D1-D3

PI	Score 2007 PEFA	Score 2012 PEFA	Assessment
D-1: Budget support	D+	C	In no more than one out of the last three years has direct budget support outturn fallen short of the forecast by more than 15%, 2009 and 2010 fell short by 13% and 14% respectively, it has to be less than 10% to qualify for B, therefore it is rated C
D-2: Financial information provided by donors (M1)	D+	C	Performance is improving, as Ministry of Finance did not have this information in the last review.
D-3: Use of country			The share of foreign aid funds allocated to the

systems	D	D	Government of RT and managed according to national procedures, in four areas of activity, such as public procurement, payments/accounting, audit and submission of reports, is less than 50 per cent. The total score is D.
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3.8.1. D-1: Predictability of Direct Budget Support

Direct budget support constitutes an important source of revenue for central government in many countries. Poor predictability of inflows of budget support affects the government’s fiscal management in much the same way as the impact of external shocks on domestic revenue collection. Both the shortfalls in the total amount of budget support and the delays in the in-year distribution of the in-flows can have serious implications for the government’s ability to implement its budget as planned.

In accordance with the “Development partner profiles, 2011”⁹, currently foreign aid for development in Tajikistan involves approximately 80 partners including bilateral and multilateral donors as well as non-governmental organizations.

The landscape of foreign aid in Tajikistan is constantly shifting. While some partners started phasing out, others have been expanding their activities. The share of so-called “new donors” has grown in the recent years. The number of projects implemented by NGOs at local level has been increasing. Aid modalities are also changing. A number of partners have started to provide direct budget support; cooperation with global programmes or vertical funds providing aid to address specific challenges, such as the fight against AIDS, tuberculosis and malaria, for instance, gained speed.

Increasingly complex aid architecture requires adequate coordination and coherent actions to avoid overlaps and increase effectiveness. The State Committee on Investments and State Property Management is the Government body in the Republic of Tajikistan responsible for coordination of foreign aid. In November 2009 the Government of the Republic of Tajikistan and development partners signed a Joint Country Partnership Strategy (JCPS) for 2010-2012. The Chairman of SCI acting on behalf of the Government of Tajikistan together with 12 leading development partners signed this paper.

JCPS is a result of joint efforts by the Government of Tajikistan and development partners to determine a common strategic vision and uniform guidelines for more effective aid coordination and distribution. The Common goals of JCPS partners and the Government aimed at increasing effective aid coordination and management are:

- a single strategy – National Development Strategy of Tajikistan for the period to 2015;
- a single mechanism of coordination stipulating interaction of Donor Coordination Council acting on behalf of the Development Partners and SCI on behalf of the Government and other ministries and agencies concerned; and
- a single system of monitoring and evaluation based on the National Development Strategy and Poverty Reduction Strategy.

⁹ Development partner profile 2011, State Committee on Investments and State Property Management of the Republic of Tajikistan in cooperation with the UNDP and DFID, Dushanbe, 2011

Dimension (i): Annual deviation of actual budget support from the forecast provided by donor agencies at least six weeks prior to the government submitting its budget proposals to the legislature

The budget support figures are shown in the budget law and budget reports for each year.

Table 29: Budget support, thousands Somoni

Budget support, thousands somoni			
	Planned	Actual	Devialtion, %
2008	357810	389809	-9%
2009	259127	291666	-13%
2010	226235	258818	-14%

Source: Ministry of Finance

It appears from the Table that there is no shortfall, however there is no indication as to when the support was received. This is important, because if the funds are received either in the 3rd or 4th quarter when they were promised in the 1st quarter then it is difficult for disbursement under current budget law for that year – usually the budget support funds are not insignificant. Table 24 below gives a quarter analysis.

Assessment

In no more than one out of the last three years has direct budget support outturn fallen short of the forecast by more than 15%, 2009 and 2010 fell short by 13% and 14% respectfully, it has to be less than 10% to qualify for B, therefore it is rated C (refer table 24 below).

Dimension (ii): In-year timeliness of donor disbursements (compliance with quarterly estimates)

Table 30: In year timeliness of donor disbursements

Data for year =		2008				
Quarter of fiscal year	agreed forecast (amount)	actual disbursed (amount)	planned quarter for actual (*)	actual delayed in each period	delayed amount as share of total	cumulative delayed amount as
quarter 1	45513	69452	49,583	-19869	-5.1%	-5.1%
quarter 2	190424	79291	207,454	128163	32.9%	27.8%
quarter 3	59933	203601	65,293	-138308	-35.5%	-7.7%
quarter 4	61940	37465	67,479	30014	7.7%	
total for the year	357810	389809	389809	0	0.0%	15.0%

Table 3

Data for year =		2009				
Quarter of fiscal year	agreed forecast (amount)	actual disbursed (amount)	planned quarter for actual	actual delayed in each period	delayed amount as share of total	cumulative delayed amount as
quarter 1	48165	80490	54,213	-26277	-9.0%	-9.0%
quarter 2	141035	39343	158,745	119402	40.9%	31.9%
quarter 3	28900	47148	32,529	-14619	-5.0%	26.9%
quarter 4	41027	124685	46,179	-78506	-26.9%	
total for the year	259127	291666	291666	0	0.0%	49.8%

Table 4

Data for year =		2010				
Quarter of fiscal year	agreed forecast (amount)	actual disbursed (amount)	planned quarter for actual	actual delayed in each period	delayed amount as share of total	cumulative delayed amount as
quarter 1	26028	20806	29,777	8971	3.5%	3.5%
quarter 2	57667	50968	65,972	15004	5.8%	9.3%
quarter 3	27040	31895	30,934	-961	-0.4%	8.9%
quarter 4	115500	155149	132,135	-23014	-8.9%	
total for the year	226235	258818	258818	0	0.0%	21.6%

Table 5 - Results Matrix

	year	D-1 dimension (i) deviation of actual budget support from forecast	D-1 dimension (ii) in-year disbursement delays for budget support
	2008	-8.9%	15.0%
	2009	-12.6%	49.8%
	2010	-14.4%	21.6%
Scores		Score for dimension (i):	c
		Score for dimension (ii):	d
(Scoring Method M1)		Overall score for indicator D-1:	D+

It appears year 2010 provides the least amount of delay in disbursement of development partner funding. In previous years delays were fairly dramatic. Of course all development partners have huge governance hurdles to negotiate and obtain approvals, however this should be reflected in the planned and agreed forecast.

Assessment

The score of the second dimension - timeliness of in-year funds allocation by donors - is D, as the requirements for score c (or higher) are not met and quarterly estimates related to funds allocation were not reconciled with donors in the beginning of the fiscal year.

PI	Score 2007 PEFA	Score 2012 PEFA	Assessment
D-1	D+	D+	The deviation of actual budget support from forecast in 2010 was close to 15% and the in-year disbursement delays were 22% - both significant and have major effects on government activities and service delivery.
(i)	C	C	
(ii)	D	D	

3.8.2: D-2: Financial information provided by donors for budgeting and reporting on project and programme aid

Predictability of disbursement of donor support for projects and programs affect the implementation of specific line items in the budget.

Dimension (i): Completeness and timeliness of budget estimates by donors for project support

Table 31: Financing of Public Investment Program from all sources, in 2010, in USD million

	Plan				Actual			
Donors	Total	Loans	Grants	GT	Total	Loans	Grants	GT
China	87.2	82.2	0	5	111.3	105.8	0	5.5
ADB	70.9	43.4	15.6	11.9	62.8	37.3	13.8	11.7
World Bank	48.9	12	34.2	2.7	49.7	15.1	31.75	2.8
PHRD, JFPR	23.4	0	23.3	0.1	23.4	0	23.3	0.1
Islamic Bank	16.9	15.1	0	1.8	19.6	12.5	0	7.1
EBRT	7.3	2.4	4.9	0	4.3	0.4	3.9	0
Other donors	14.1	8.4	4.6	1.1	14.05	9.6	3.85	0.6
Total	268.8	163.5	82.6	22.6	285.2	180.7	76.6	27.8

Source: MoF 2010 report

Table 32: Structure of Foreign funding projects by donors, in 2010, percentage of total

	Plan				Actual			
	Total	Loans	Grants	GT	Total	Loans	Grants	GT
China	32%	50%	0%	22%	39%	59%	0%	20%
ADB	26%	27%	19%	53%	22%	21%	18%	42%
World Bank	18%	7%	41%	12%	17%	8%	41%	10%
PHRD, JFPR	9%	0%	28%	0%	8%	0%	30%	0%
Islamic Bank	6%	9%	0%	8%	7%	7%	0%	26%
EBRT	3%	1%	6%	0%	2%	0%	5%	0%
Other donors	5%	5%	6%	5%	5%	5%	5%	2%
Total	100	100	100	100	100	100	100	100

Source: derived from the data of the MoF 2010 report

The first dimension is assigned the score of C, because at least half of donors (including five major ones - WB, EBRD, ADB, SECO, Japan) submit comprehensive budget estimate of resources, allocated for projects financing for the following fiscal year, not later than within three months before the beginning of the fiscal year. However, these reports are based on classification used by donors, which is inconsistent with the budget classification used by the government.

Dimension (ii): Frequency and coverage of reporting by donors on actual donor flows for project support

The second dimension is assigned the score of C, because donors submit quarterly reports related to all funds, allocated to cover, at least, 50 per cent of budgeted expenditures of projects, financed out of external sources, within two months after the end of the quarter. Nevertheless, this data is not always submitted with the breakdown, consistent with used budget classification.

PI (M1)	Score 2007 PEFA	Score 2012 PEFA	Assessment
D-2	D+	C	Performance is improving, as Ministry of Finance did not have this information in the last review.
(i)	D	C	The first dimension is assigned the score of C, because at least half of donors (including five major ones - WB, EBRD, ADB, SECO, Japan) submit comprehensive budget estimate of resources, allocated for projects financing for the following fiscal year, not later than within three months before the beginning of the fiscal year. However, these reports are based on classification used by donors, which is inconsistent with the budget classification used by the government.
(ii)	C	C	The second dimension is assigned the score of C, because donors submit quarterly reports related to all funds, allocated to cover, at least, 50 per cent of budgeted expenditures of projects, financed out of external sources, within two months after the end of the quarter. Nevertheless, this data is not always submitted with the breakdown, consistent with used budget classification

3.8.3. D-3: Proportion of aid that is managed by use of national procedures

National systems for management of funds are those established in the general legislation (and related regulations) of the country and implemented by the mainstream line management functions of the government. The requirement that national authorities use different (donor-specific) procedures for the management of aid funds diverts capacity away from managing the national systems. This is compounded when different donors have different requirements. Conversely, the use of national systems by donors can help to focus efforts on strengthening and complying with the national procedures also for domestically funded operations.

The share of foreign aid funds allocated to the Government of RT and managed according to national procedures, in four areas of activity, such as public procurement, payments/accounting, audit and submission of reports, is less than 50 per cent. The total score is D.

PI	Score 2007 PEFA	Score 2012 PEFA	Assessment
D3 (i)	D	D	The share of foreign aid funds allocated to the Government of RT and managed according to national procedures, in four areas of activity, such as public procurement, payments/accounting, audit and submission of reports, is less than 50 per cent. The total score is D.

4. Government reform process

4.1 Recent and on-going reforms

The recent and on-going PFM reforms can be summarised as follows:

- In 2009 a PFM Council was established that adopted a 10-year PFM reform strategy to be implemented on the basis of rolling 3-year PFM action plans. Overall implementation success has not kept pace with expectations, however is viewed as largely successful because important deferrals and lags can be explained by unexpected occurrences (EU support);
- In 2010 new guidelines for internal auditing in ministries were introduced and the Ministry of Finance (MOF) adopted a medium-term expenditure framework (MTEF) with specific guidelines (EU MTEF project);
- The Administrative Classification at Local Level was approved in May 2011 (EU support);
- The Public Finance Law (PFL), which incorporates MTEF, was drafted by the EU MTEF project and was approved by Parliament in June 2011;
- The law for a “Supreme Audit Institution” was approved in June 2011 (through support by SCO) and during the period of PEFA assessment in September 2012 staff were in the process of being appointed and the SAI being made operational;
- Progress has been made regarding the treasury single account (TSA) and cash management and commitment control is being developed (assisted by the IMF regional advisor). The introduction of the new unified chart of accounts (UCOA) has been delayed due to the language problem. Laws need to be approved by the Government in their Tajik version, but the translation has constraints regarding terminology problems which are not represented in the Tajik language. Support is continuing for the UCOA; (Joint trust fund project supported by EU)
- The Government of Tajikistan has accepted the Turkish offer to use their financial management information system (FMIS) software (SGB.net); (through the mentioned Joint Trust Fund project supported by EU).
- Budget Execution Reports are published regularly and automation of budget execution implemented in all local branches of MOF (local treasury offices and local budget departments, supported by EU);
- MOF has adopted the MTEF budget calendar (issued instructions in good quality to line ministries and according to schedule, and line ministries are preparing their plans) both without TA, (EU support);
- Reforms of the tax administration have started with a significant change scheduled for January 2013 (supported by ADB);
- Public procurement law is being addressed, as is the public debt management strategy (2012-2014), (World Bank support);
- The Government committed itself to work out a new tax code in open discussion with private sector until September 2012 and the result will be modifications in January 2013, (IMF and IFC, and other donor support).

However, there are also many weaknesses in the PFM system, which, inter alia, include:

- The fiscal framework for budget planning is not yet fully reliable.
- Insufficient linkages between the budget and the policies, notably because of the limited role of line ministries in sectorial policy formulation, fragmented budgeting processes and lack of analytical material in the budget documents on new policy initiatives and their budgetary implications.

- Weaknesses in financial reporting and accounting, including lack of proper expenditure commitment monitoring, lack of reporting of quasi-fiscal expenditures made by state owned enterprises (SOEs), despite their significant magnitude, lack of evaluation of fiscal risks and government expenditures. Data on arrears are captured by the budget organizations' accounting system, but not by the Treasury's accounting system. There is a split between the accounting systems used by the Treasury and by budget organisations.
- Lack of administrative (organizational) budget classification, which is required for accountability.
- Weak payroll control and internal audit.
- Weak external audit. As mentioned the new external court of auditors is scheduled to become operational in 2012 but currently there is no audit of budget execution reports and it is currently not clear whether it will be organized according to the International Organization of Supreme Audit Institutions (INTOSAI) principles and whether it will be independent from the Executive.

4.2 Current areas of focus¹⁰

There are eight (8) current core reform components:

- Strategic planning and budget preparation
- Budget Execution and Treasury Operations
- Public Sector Accounting
- Internal and External Audit and Control
- Monitoring, evaluation and feedback
- PFM Information & Communications Technology
- Institutional reforms, fiscal decentralization and capacity building
- PFM Human Capacity

Strategic planning and budget preparations

Macroeconomic and fiscal forecasting: with EU TA support three forecasting models have been developed:

- The Production and Trade Model
- The Government Revenue Model
- The Financial Flows Model

The challenges are (i) to ensure these models are utilized by the MoF, NBT and MoEDT and (ii) consistent forecasts are developed by the above three organizations, which forecasts should then form the basis of the sector resource ceilings used for budget preparation.

Policy based budgeting and 3-year Budgeting: Previous TA has developed guidelines and methodology and there have been improvements in the organization of the budget process. A major issue remains the integration of capital (investment) and recurrent expenditure budgets. "*Guidelines on regulation of budget interrelationships in preparation process, execution and reporting on the budget within the departmental classification of local*

¹⁰ This section is a summary of the latest PFM Monitoring Report

budgets of the RT” have been issued and should be approved in the near future. Also Key Performance Indicators (KPI) as the basis for allocating and monitoring expenditure and performance have been identified for the social sectors.

Integration of investment (capital) budget: this has been deferred until 2014

Budget Classifications: As stated in the above PEFA Report the 2013 budget instructions have been based on the existing budget classification not the new Unified Chart of Accounts (UCOA). The target is to use the UCOA for 2014 budget.

Monitoring Budget Execution: There are already in place systems for monitoring state budget execution. These are based on consolidated reports produced by Treasury. A methodological guideline on preparation of a "Report on Tajikistan state budget execution“ has been developed but not implemented.

Budget capacity building: Because of the delay in mobilizing TA the budget Training Needs Assessment (TNA) has been delayed.

Government borrowing and Public Debt Management: The “Public Debt Management Strategy for 2012\2014” has been adopted as Decree 199 of the Government of Tajikistan dated April 30, 2012. Internal guidelines on external debt statistics for the Main Department of Public Debt Management of the MOF are under development.

Budget Execution and Treasury Operations

Strategic development plan for Main Department of Central Treasury (MDCT) (approved): The restructuring of MDCT is part of the approved Treasury Strategy and has been documented in the MDCT Functional review of June 2007. It requires a Ministerial Order to be implemented. The restructuring will require TA support and this support has been delayed.

Cash and commitment management: The principles of cash and commitment management have been approved as part of the Treasury Strategy. Implementation will require TA support, MDCT restructuring, Business process reform and functioning modules within SGB.net.

Treasury staff capacity: This is behind schedule.

Treasury Single Account (TSA): The Treasury Single Account (TSA) has been implemented at the Republican level. The TSA for local level budgets has been implemented on a pilot basis in five districts of Dushanbe city.

Public Sector Accounting

Public Sector Accounting Strategy: A Strategy has been adopted and a funding agreement between GoRT and SECO has been signed. However, TA support will be delayed until the end of 2012. Hence, it is unlikely that the new UCOA can be implemented until 2014.

Unified Charts of Accounts: The UCOA has been approved.

Adoption of final set of IPSAS standards: Unclear when this might happen.

Internal and External Audit and Control

Supreme Audit Institution (SAI): The Law "On the Accounting Chamber of the Republic of Tajikistan" was enacted on June 29, 2011. A Presidential Decree "On the Chamber of Accounts" has been signed.

Parliamentary oversight: A plan has been approved for the Secretariat of the Parliament to strengthen capacity of the Committee of Majlisi Namoaydagon Majlisi Oli of RT on Economy and Finance. A Training Needs Analysis (TNA) has been carried out and a training plan designed for 2012\2013. Training has been initiated and a study tour undertaken. The objective is to ensure effective participation of the Committee of Majlisi Namoaydagon Majlisi Oli of RT on Economy and Finance in parliamentary hearings on budget execution for 2012\14.

Internal audit and financial control: The "State Internal Audit and Financial Control Department" has been established. Within this Department a Central Harmonization Unit has been authorized but is not as yet operational. Some 25 internal audit units have been created.

Monitoring, evaluation and feedback

Improve the quality of information published by MoF: Since 2006 the MoF has regularly published on its web site budget execution reports, performance reports, instructions on the budget formation, information about public External debt and about fiscal policy. At present most of the information is only available in Russian. There is an ongoing process of improving the web site information.

Monitoring of State Owned Enterprises (SOEs): The SOE Monitoring Unit has been formed and become operational. The Unit monitors 16 SOEs with capital greater than 100,000 Somoni. Fiscal reports are submitted to the Unit, which then produces quarterly reports. These reports are based on 10 financial ratios.

PFM Information & Communications Technology

Concept for ICT modernization: A discussion paper on MoF restructuring has recommended as follows: "The IT Centre becomes the Intergovernmental Financial Operations Support Centre (IFOSC). The IFOSC will be the IT service provider for the MoF. The IT Division will be absorbed within the IFOSC. The IFOSC will be responsible for all MoF hardware, IT systems and networks. User departments will be responsible for the data. The IFOSC will be funded by service charges to user Departments and BOs." It is unlikely that this restructuring will be implemented before 2013.

IT Centre: The IT Centre construction has been completed. Government is procuring furniture.

Information Security: An information security policy has been prepared. A request has been sent to the Main Department on State Secrets protection to create a Certification Centre.

Interim consolidation of the publication and local budgets: The Budget Preparation Software (BPS) and upgraded Treasury Management Information System (TMISv2) (the latter for budget execution and recording) has been installed at the 73 Local Finance Offices (LFOs). Interfaces for exchange of information between the two systems have been established. All LFOs are now using BPS/TMISv2 for preparing and executing the Republican Budget. Training of trainers was conducted in 2011 to support the above systems. Additional training is being conducted in 2012 funded from the Government budget.

IT support to Treasury Single Account: Existing information systems are supporting the new concept of Treasury Single Account.

Interim FMIS upgrade (SGB.Net): The Government of Tajikistan has signed a Protocol with the Government of Turkey for the use of the Turkish government financial management system “SGB.Net”. The adaption of SGB.Net is a second stage interim upgrade of the GoRT FMIS. This will replace both BPS and TMISv2.

Preparation of unified network of information exchange: This is concerned with tax administration and new systems for revenue collection achievements to date include; (i) Preparing and approving electronic data formats, (ii) Developing and approving instructions for use in payment receipts, (iii) Training taxpayers and bank staff, (iv) Guidelines for communication and security, and (v) Modifying existing software for interface with new systems. In April 2012 a virtual test of the new systems was carried out.

Acquisition of Commercial Off The Shelf (COTS) based FMIS: The intention is that ultimately a COTS application will be implemented as the final stage of upgrading FMIS.

Institutional reforms, fiscal decentralization and capacity building

PFM functions of line ministries: A discussion document on the restructuring of the MoF has been prepared and is under consideration. This incorporates where appropriate the recommendations of the Vertical Functional Review of the MoF, the approved Treasury and HR Strategies, and also the creation of intergovernmental Financial Operations Support Centre (IFOSC).

Budget allocation among different levels of government: A training of trainers course was held for employees of the Office of Public Service at the Institute for Advanced Studies of Civil Servants. As a result 17 trainers from 50 selected Jamoats were trained to carry out a functional analysis. The functional analysis was then conducted in 50 Jamoats where 260 respondents were interviewed. The Research Centre “Zerkalo” processed the data. In addition the MoF and USAID completed collected information from all 427 Jamoats of the Country regions on Jamoats’ revenues and expenditures for 2009 –2012. This data has been analyzed to identify Jamoats’ fiscal capacity for financing Jamoats according to their Functional duties.

Improve the efficiency and effectiveness of revenue collection: Systems, taxpayer registration and collection of taxes still pose major challenges. The Tax Administration Reform and Modernization Project has been mobilized and an Inception and Interim Reports submitted. An updated IT Development Strategic Plan for the Tax Committee is being prepared. Work has begun on designing, mapping and describing the future tax

administration and business processes. The design also encompasses processes for audit, appeals, collection processing, registration, filing and payments. A new electronic registration process has been developed and piloted. Large and medium taxpayers are gradually adopting “E\ filing” of tax returns.

PFM Human Capacity

PFM Training: A PFM Training Strategy has been adopted.

Finance Institute and Finance Research Centre: The Finance Institute has been the subject of considerable physical upgrading financed by the Government.

MoF Training Centre: The Centre has been the subject of substantial physical upgrading and is equipped with the latest technology

All of the above issues and components are being monitored on a quarterly basis jointly between the Government and Development Partners.

Annex 1: Detailed Indicator & Dimension Scores

A: BUDGET CREDIBILITY		Score 2007 PEFA	Score 2012 PEFA	Performance changes
PI-1 (M1)	Aggregate expenditure out-turn compared to original approved budget	B	A	Performance improved. The previous assessment noted conservative budgeting on revenue collections and when revenue exceeded expectations then reallocations of expenditure took place. This resulted in high fluctuations between planned and executed budgets. However, budget predictions, apart from 2009 when there was a fiscal crisis, have proved to be more accurate with deviations less than 5%
PI-2 (M1)	Composition of expenditure out-turn compared to original approved budget	C	C+	The 2007 assessment was according to a previous methodology and the results are not directly comparable. Using the PEFA assessment methodology an analysis of expenditure composition highlights that there are significant differences between the original plan and the actual allocation of funds to sectors and this will need more attention to achieve a higher score. The contingency funds should be reallocated to those votes against which the unforeseen expenditure is recorded not as in current practice of maintaining separate accounts, which distort the expenditure by sector. However, the contingency funds are not significant.
	<i>Dimension (i) Variance in expenditure composition, excluding contingency items</i>		c	<i>The variance in expenditure composition over the last 3-years was on average 11.8% therefore it qualifies for a C rating assessed as has not exceeded 15% in no more than one of the last three years.</i>
	<i>Dimension (ii) The average amount of expenditure actually charged to the contingency vote over the last three years.</i>		b	<i>The average actual expenditure charged to the contingency vote being the Reserve Fund of the President and the fund for unforeseen expenditure was on average 5.9% over the last 3-years which is more than 3% but less than 6% of the original budget and therefore will score a B.</i>
PI-3 (M1)	Aggregate revenue out-turn compared to original approved budget	A	B	The 2007 assessment was according to a previous methodology and the results are not directly comparable. If we discard the special funds of budget organizations then the 2012 score would be A. Revenue has marginally exceeded budget in the last 2-years 2011 & 2012. Before this period forecasting was quite erratic, due to an historical tendency in former soviet controlled states to understate potential revenues.
PI-4 (M1)	Stock and monitoring of expenditure payment arrears	C+	D+	Performance Unchanged. In 2007 there appears to be a typo error in the rating and the score should have been a B. In addition, the rating of Dimension

				(ii) may be too high in 2007 as there is no data on the stock of arrears, only the level and balance of liabilities.
	<i>Dimension (i) Stock of expenditure payment arrears (as a percentage of actual total expenditure for the corresponding fiscal year) and any recent change in the stock</i>	a	a	<i>Since total liabilities will by definition be higher than total arrears, on the basis of the information provided, that in each of the last 3-years the ratio of liabilities to total primary expenditure is less than 2%, then arrears must be less than 2%. Therefore score for dimension (i) is A.</i>
	<i>Dimension (ii) Availability of data for monitoring the stock of expenditure payment arrears.</i>	c	d	<i>The systems at year end appear to be robust and liabilities are determined to be low, however there is no age profile of data and no data on arrears, therefore the score must be rated D.</i>
B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency		Score 2007 PEFA	Score 2012 PEFA	Performance changes
PI-5/M1	Classification of the budget	D	B▲	<i>Performance Improved.</i> In 2007 only functional and an economic classifications were in use for budget preparation. Now the classifications have been expanded to include Administrative and Program classifications, however they are not operating at full strength yet. The arrow designates ongoing improvement.
PI-6/M1	Comprehensiveness of information included in budget documentation	A	A	<i>Performance Unchanged.</i> The recent budget documentation submitted to parliament fulfills 7-9 of the 9 information benchmarks and therefore the score is assessed as A.
PI-7/M1	Extent of unreported government operations	C+	B+	<i>Performance Improved.</i> The financial statement and system has improved over the period 2008 - 2012 such that extra budgetary expenditure is low and the system for recording development partner loans, grants and state debt has improved.
	<i>Dimension (i) The level of extra-budgetary expenditure (other than donor funded projects) which is unreported</i>	b	b	<i>As there is no information on special funds of the local budget the score for this dimension is estimated as B (same as 2007 PEFA) – i.e. the level of extra budgetary expenditure (other than donor funded projects) constitutes 1-5% of total expenditure.</i>
	<i>Dimension (ii) Income /expenditure information on donor-funded projects which is included in fiscal reports.</i>	c	a	<i>The financial statements include loans, grant and state debt to China and therefore complete income/expenditure information for donor-funded projects is included in fiscal reports, except inputs provided in-kind.</i>
PI-8/M2	Transparency of Inter-Governmental Fiscal Relations	B	B+	<i>Performance improved.</i> Since 2007 there were new developments and initiatives introduced in general budget formulation and reporting processes which affected transparency and rules of the horizontal allocation of transfers among SN governments and

				the timelines of reliable information to SN governments.
	Dimension (i) <i>Transparent and rules based systems in the horizontal allocation among SN governments of unconditional and conditional transfers from central government (both budgeted and actual allocations);</i>	c	b	<i>The first dimension is assigned with the score of B, because allocation of transfers, apart from Presidential allocations, horizontally is carried out in the framework of transparent and rules-based arrangements and at least 50% of the transfers adhere to these allocation rules.</i>
	Dimension (ii) <i>Timeliness of reliable information to SN governments on their allocations from central government for the coming year;</i>	c	b	<i>SN governments are provided reliable information on the allocations to be transferred to them ahead of completing their budget proposals, so that significant changes to the proposals are still possible.</i>
	Dimension (iii) <i>Extent to which consolidated fiscal data (at least on revenue and expenditure) is collected and reported for general government according to sectoral categories.</i>	a	a	<i>Fiscal information (ex-ante and ex-post) is consistent with central government fiscal reporting of SN government expenditure and is consolidated into annual reports within 10 months of the end of the fiscal year.</i>
PI-9/ M1	Oversight of aggregate fiscal risk from other public sector entities	C	C+	Performance Improved. The assessment of aggregate risk at the significant level of major AGA and PE is now monitored by an agency that was not fully operational during the PEFA of 2007. Whilst the monitoring of the budget execution system at SNL is strong there is no system for assessing aggregate risk in a consolidated fashion.
	Dimension (i) <i>Extent of central government monitoring of autonomous government agencies (AGA) and public enterprises (PE),</i>	c	a	<i>All major AGAs/PEs submit fiscal reports to central government, through the SOE monitoring department, on a quarterly basis. In addition, annual audited accounts are submitted and central government through the SOE monitoring department consolidates fiscal risk issues into a report at least annually, therefore this dimension is rated A.</i>
	Dimension (ii) <i>Extent of central government monitoring of SN governments' fiscal position.</i>	c	c	<i>As in the PEFA assessment of 2007 it is found that monitoring of the budget execution process is strong. Reports are received monthly for SNL financial activities but there is no consolidated overview of potential financial risk. Therefore a ranking of C is assessed.</i>
PI-10/ M1	Public access to key fiscal information	D	C	Performance Improved. The assessment is based on an improved information system through websites and to say that there is no information would be harsh. Even in the 2 areas where the team

				has assessed a positive answer there are shortcomings. However, it is recognized that the government has made an initial start to appointment an external auditor and when this appointment is made then improvements will be seen.
C. BUDGET CYCLE		Score 2007 PEFA	Score 2012 PEFA	Performance changes
C (i) Policy-Based Budgeting				
PI-11/ M2	Orderliness and participation in the annual budget process	B	B+	Performance Improved. Whilst there has been some delays experienced in the last 3-years the Budget has always been approved by the legislators before the start of the year. It is therefore concluded that the system is robust With clear participation at all levels of government. The improvement stems from the Parliamentary Budget Commission being involved at a much earlier stage and is also actively following the budget process.
	<i>Dimension (i) Existence of and adherence to a fixed budget calendar</i>	b	b	<i>A clear annual budget calendar exists and the calendar allows MDAs five weeks from receipt of the budget circular for them to meaningfully complete their detailed estimates on time. Dimension (i) therefore is rated a B.</i>
	<i>Dimension (ii) Guidance on the preparation of budget submissions</i>	d	b	<i>A comprehensive and clear budget circular is issued to MDAs, which reflects ceilings approved by Cabinet (or equivalent). This approval takes place after the circular distribution to MDAs, but before MDAs have completed their submission.</i>
	<i>Dimension (iii) Timely budget approval by the legislature</i>	a	a	<i>The legislature has, during the last three years, approved the budget before the start of the fiscal year and therefore scores A.</i>
PI-12/ M2	Multi-year perspective in fiscal planning, expenditure policy and budgeting	D+	D+	Performance Unchanged. The new Law on State finance was adopted in 2011, which incorporated three-year forward-looking budget. Three year forward budget planning was introduced in social sectors. The debt strategy for 2009 – 2011 was adopted in 2008, in the last five years the debt sustainability analysis reports were written annually and have being posted on the MoF website.
	<i>Dimension (i) Multi-year fiscal forecasts and functional allocations</i>	c	c	<i>Forecasts of fiscal aggregates (on the basis of economic and functional classifications) are prepared and included in the State Budget and three-year MTEF on a rolling annual basis.</i>
	<i>Dimension (ii) Scope and frequency of debt sustainability analysis</i>	c	b	<i>DSA for external and domestic debt is undertaken at least once during the last three years.</i>
	<i>Dimension (iii) Existence of costed sector strategies</i>	c	d	<i>Sector strategies may have been attempted for some sectors, but none of them have substantially complete costing of investments and recurrent expenditure</i>
	<i>Dimension (iv) Linkages between investment budgets and forward expenditure estimates</i>	d	d	<i>Budgeting for investment and recurrent expenditure are in practice separate processes with no recurrent cost estimates being shared, even though the Budget Department of the MoF are adamant that the linkage is there, the assessment team did</i>

				<i>not find adequate evidence that indeed the two systems are interlinked.</i>
C (ii) Predictability & Control in Budget Execution				
Revenue Administration				
PI-13/ M2	Transparency of taxpayer obligations and liabilities	C	B▲	Performance Improved. There is a marked change in performance over 2007 PEFA. The legislation has been tightened and simplified. There is still some development to be done, but that will come in 2013. There is an active awareness campaign to keep taxpayers informed in both city and rural areas, reaction from the private sector consultation is reasonable. Finally the appeal process is working with a good number of appeals being considered, however it does lack independence. There is no data on successful/unsuccessful claims.
	<i>Dimension (i) Clarity and comprehensiveness of tax liabilities.</i>	c	b▲	<i>The first dimension: clarity and comprehensiveness of tax obligations could receive a score of B, as legislation and procedures for most, but not necessarily all, major taxes are comprehensive and clear, with fairly limited discretionary powers of the government entities involved.</i>
	<i>Dimension (ii) Taxpayer access to information on tax liabilities and administrative procedures.</i>	c	b	<i>Taxpayers have easy access to comprehensive, user friendly and up-to-date information on tax liabilities and administrative procedures for some of the major taxes, while for other taxes the information is limited. Given that a new tax law will come into effect on January 1, 2013 that simplifies the tax system it cannot be rated for the 2012 PFEA. However, it is recognized and confirmed by the Chamber of Commerce that the tax system has evolved over the last 4-years, with creation of websites and active awareness programs. Therefore this dimension is rated B.</i>
	<i>Dimension (iii) Existence and functioning of a tax appeals mechanism.</i>	c	b	<i>This dimension is rated B: whilst the appeal can proceed to the general judicial system, the initial appeals system is still within the Tax Committee institutional structure. A tax appeals system of transparent administrative procedures is completely set up and functional, but because it is within the structure there could be some issues relating to access, efficiency, fairness or effective follow up on its decisions. There is no data on successful/unsuccessful claims.</i>
PI-14/ M2	Effectiveness of measures for taxpayer registration and tax assessment	D+	C	Performance Improved. There is evidence of improvement, but the systems need more attention. The database is now in place but it needs linking to other systems to ensure its capture all potential taxpayers. The penalties and fees system needs a re-think to ensure that there is incentives for taxpayers to pay their tax rather than stalling and the program of tax audits needs to be bedded in with risk assessment criteria.
	<i>Dimension (i) Controls in the taxpayer registration</i>	d	c	<i>Taxpayers are registered in database systems for individual taxes but linkages to other registration/licensing functions are weak but are</i>

	system.			<i>then supplemented by occasional surveys of potential taxpayers, therefore the ranking is C. The one-stop-shop is a good development but needs to be fully and consistently linked to other systems such as customs systems.</i>
	Dimension (ii) <i>Effectiveness of penalties for non-compliance with registration and declaration obligations.</i>	c	c	<i>Given the level of interest rates charged by the banking sector to enterprises these fines are probably insufficient to deter taxpayers from avoiding taxes as the opportunity cost of keeping the money in the bank until the last possible moment is an incentive not to pay the tax early. The fines/penalties need substantial changes to their structure, levels or administration to give them a real impact on compliance, possibly basing them on the banking sector overdraft rates.</i>
	Dimension (iii) <i>Planning and monitoring of tax audit and fraud investigation programs.</i>	c	c	<i>The score remains at C until there is clear evidence that the audit plan, based on a workable assessment of risks, is functioning properly. There is a continuous program of tax audits and fraud investigations, but audit programs have only just started to be based on clear risk assessment criteria, and time is needed to gather evidence of the effectiveness of this approach.</i>
PI-15/M1	Effectiveness in collection of tax payments	NR	D+	Performance Improved. The practice of publically and periodically issuing the names of taxpayers with arrears in excess of 500,000 Somoni is evidence that arrears are actively pursued. However, the aggregate assessment of arrears needs improvement. The new practice of all tax collection been paid directly into the Single Treasury Account is a significant improvement since 2007. Complete reconciliation of tax assessments, collections, arrears and transfers to Treasury does not take place annually although there are records for collections and reconciliation of the collections to Treasury there is little interaction on consultation with Treasury of the status of arrears.
	Dimension (i) <i>Collection ratio for gross tax arrears, being the percentage of tax arrears at the beginning of a fiscal year, which was collected during that fiscal year (average of the last two fiscal years).</i>	NR	d	<i>In this case the assessors conclude that whilst there is no system in place for calculating the aggregate amount of arrears the information can be collected given time and the introduction of an arrears system. In the meantime, in general and allowing for exceptions the amount of arrears is equal to 2-3 months of assessments and are approximately 14% of yearly collections. It is concluded therefore that the debt collection ratio in the most recent year was below 60% and total amount of tax arrears is significant (i.e. more than 2% of total annual collections).</i>
	Dimension (ii) <i>Effectiveness of transfer of tax collections to the Treasury by the revenue</i>	b	a	<i>All tax revenue is paid directly into accounts controlled by the Treasury or transfers to the Treasury are made daily since 2010 and the closure of transit bank accounts in commercial bank.</i>

	<i>administration.</i>			
	Dimension (iii) <i>Frequency of complete accounts reconciliation between tax assessments, collections, arrears records and receipts by the Treasury.</i>	d	d	<i>There is no effective reconciliation between tax assessment and actual collections, only a monthly update of tax arrears. The 'complete accounts reconciliation' described in this dimension therefore never takes place. This dimension is therefore rated D.</i>
Budget Execution & Cash/Debt Management				
PI-16/ M1	Predictability in the availability of funds for commitment of expenditures	D+	D+	Performance Unchanged. Cash planning is not based on the real needs of the budget organizations and there is no reliable indication of actual resource availability for commitments. There are significant in-year budget adjustments, however it is possible that MDAs are expecting only increases because of a historical under estimation of revenue generation.
	Dimension (i) <i>Extent to which cash flows are forecast and monitored.</i>	b	c	<i>A cash flow forecast is prepared for the fiscal year, but is only partially and infrequently updated on the basis of inflows and outflows. There is no 'bottom-up' signalling of cash requirements by budget organizations, based on their work plans. Thus, in effect, cash planning is not based on the real needs of the budget organizations. There is no evidence to suggest that cash flows are adjusted on basis of actual cash inflows and outflow and therefore this dimension obtains a ranking of C. It appears the 2007 PEFA mistakenly took budget authority levels issued on a quarterly basis as being quarterly cash limits are therefore ranked B.</i>
	Dimension (ii) <i>Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure commitment.</i>	b	d	<i>Whilst MDAs are provided commitment ceilings quarterly, there is no reliable indication at all of actual resource availability for commitments. It seems the assessment in 2007 was based on the fact that there was a history of only increases in resources, with no decreases, however this argument is flawed from prudent financial management practice.</i>
	Dimension (iii) <i>Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of MDAs.</i>	d	c	<i>Significant in-year budget adjustments are frequent at several dozen requests per month, but undertaken with some transparency.</i>
PI-17/ M2	Recording and management of cash balances, debt and guarantees	C+	C+	Performance Unchanged. In order to show improvement in this area domestic and foreign debt records should be reconciled routinely and there should be clear guidelines, criteria and ceilings for the issuance of loans and government guarantees. The consolidation of a single treasury account enabling daily cash balance information is certainly an improvement.
	Dimension (i) <i>Quality</i>	c	c	<i>Domestic and foreign debt records are complete,</i>

	<i>of debt data recording and reporting.</i>			<i>updated and reconciled at least annually. In order to be rated B the reconciliations should be completed quarterly, however in this case reconciliations are completed on a needs basis – that is when a payment is due. Comprehensive management and statistical reports (cover debt service, stock and operations) are produced at least annually and indeed reports are prepared quarterly for Government review. Therefore this dimension is rated C</i>
	Dimension (ii) <i>Extent of consolidation of the government’s cash balances.</i>	c	a	<i>The assessment is based at the republican level and does not include the Sub National Level; where there is a certain amount of flexibility in raising and utilizing revenues and expenditure therefore all cash balances are calculated daily and consolidated at the national Level. This qualifies for A rating.</i>
	Dimension (iii) <i>Systems for contracting loans and issuance of guarantees.</i>	c	c	<i>Central government’s contracting of loans and issuance of guarantees are always approved by a single responsible government entity, but are not decided on the basis of clear guidelines, criteria or overall ceilings.</i>
Internal Controls				
PI-18/ M1	Effectiveness of payroll controls	D+	D+	Performance Unchanged. The personnel and payroll system is decentralized and of course has the problems associated with decentralised systems which makes it difficult to review in the time allotted to a PEFA review. However, with policy, terms and conditions of civil servant being done at the central level and with the budget holders responsible through an authorization process, which in itself is subject to frequent audits, the system appears robust. However, there does not seem to be a compelling improvement in personnel data and payroll reconciliations, mainly due to the fact the system is not automated.
	Dimension (i) <i>Degree of integration and reconciliation between personnel records and payroll data.</i>	d	d	<i>There does not seem to be a compelling improvement in personnel data and payroll data which is supported by full documentation and reconciliations for all changes made to personnel records each month and checked against the previous month’s payroll data and therefore no compelling reason to score anything different to the 2007 PEFA assessment.</i>
	Dimension (ii) <i>Timeliness of changes to personnel records and the payroll.</i>	c	b	<i>In the education sector in particular up to three months delay occurs in updating of changes to the personnel records and payroll, but affects only a minority of changes for rural and remote based personal. This means retroactive adjustments are made occasionally for those staff in remote areas. This dimension is rated B.</i>
	Dimension (iii) <i>Internal controls of changes to personnel records and the</i>	c	b	<i>Authority and basis for changes to personnel records and the payroll are clear, therefore this dimension is ranked B.</i>

	<i>payroll.</i>			
	Dimension (iv) <i>Existence of payroll audits to identify control weaknesses and/or ghost workers.</i>	b	b	<i>Payroll audit in budget organizations is carried out on a regular basis by internal audit departments in order to reveal ghost workers and eliminate errors in data. The audit, due to the payroll being a semi-manual system, is the main control method in the government with the aim to identify shortcomings in control system, with good circulation of the audit reports and a payroll audits on all public institutions is conducted, as minimum, once in the last three years. This dimension is rated B.</i>
PI-19/ M2	Competition, value for money and controls in procurement	C	C+	The 2007 assessment was according to a previous methodology and the results are not directly comparable. Tajikistan's procurement system is evolving with the legal framework in place, however the score is affected by the lack of independence in the complaints handling system.
	Dimension (i) <i>Transparency, comprehensiveness and competition in the legal and regulatory framework.</i>		b	<i>The Government of Tajikistan's legal framework is robust for the procurement system. However, the lack of information on winning bids and the basis of awarding contracts detract from the system. Therefore it is assessed that the legal framework meets five of the six listed requirements, which results in a B score.</i>
	Dimension (ii) <i>Use of competitive procurement methods.</i>		c	<i>At least 60% of the value of contracts awarded through Limited Tender and Single Source Tender follow the legal requirements. This would qualify for a C rating.</i>
	Dimension (iii) <i>Public access to complete, reliable and timely procurement information.</i>		b	<i>It is estimated that at least three of the key procurement information elements are complete. However, the amount of information particularly on contract awards, stating the basis and conditions of awards is less than desirable.</i>
	Dimension (iv) <i>Existence of an independent administrative procurement complaints system.</i>	c	d	<i>The procurement complaints system does not meet criteria (i) & (ii) as there are no members drawn from outside government and the PA has responsibility for continued involvement in procurement. The system therefore must be scored as D.</i>
PI-20/ M1	Effectiveness of internal controls for non-salary expenditures	C+	C+	Performance Unchanged. There is widespread understanding of expenditure rules and regulations, backed up with instructions, rules and manuals readily assessable to all government officers. The IMF have identified that further strengthening of commitment controls is warranted. Internal audit is being strengthened but it is not fully operational to international standards yet.
	Dimension (i) <i>Effectiveness of expenditure commitment controls.</i>	b	c	<i>Expenditure commitment controls need to be comprehensively reviewed and updated. At the moment there is no commitment control for central line ministries and SNG to base their operations on. The rating therefore is C.</i>
	Dimension (ii) <i>Comprehensiveness, relevance and</i>	b	a	<i>Other internal control rules & procedures are relevant, & incorporate a comprehensive & generally cost effective set of controls with</i>

	<i>understanding of other internal control rules/procedures.</i>			<i>instructions, guidelines and manuals, which are widely understood and are therefore rated A.</i>
	Dimension (iii) <i>Degree of compliance with rules for processing and recording transactions.</i>	c	c	<i>Rules are complied with in a significant majority of transactions, but use of simplified emergency procedures in unjustified situations is an important concern.</i>
PI-21/M1	Effectiveness of internal audit	D+	C+	Performance Enhanced. The presence of internal audit departments and their development over the last 3-years have indicated that internal audit is going in the right direction, particularly with the amount of training being applied. However, to get a better score it needs to implement the translated International Standards and place more emphasis on systems improvement and risk management. Of course the absence of SAI to receive internal audit reports affects the rating.
	Dimension (i) <i>Coverage and quality of the internal audit function.</i>	d	c	<i>The function is operational for at least the most important central government entities and undertakes some systems review (at least 20% of staff time), but does not meet all recognized professional standards. Approximately 25% of the professional standards are met. Therefore dimension (i) is rated C.</i>
	Dimension (ii) <i>Frequency and distribution of reports.</i>	c	b	<i>Reports are issued regularly for most audited entities and distributed to the audited entity, and to the ministry of finance (there is no Supreme Audit Institution SAI – see PI-26).</i>
	Dimension (iii) <i>Extent of management response to internal audit findings.</i>	c	c	<i>Managers of BOs normally take adequate action within the recommended deadlines, usually addressing internal audit recommendations. All issues concerning losses of funds are resolved or recovered by budget cuts. However, a substantial part of the recommended measures are punitive, and do not address the underlying cause of the problems. No data has yet been collected on response to recommended changes in the systems of public financial management.</i>
C (iii) Accounting, Recording and Reporting				
PI-22/M2	Timeliness and regularity of accounts reconciliation	B	B+	Performance Enhanced. In the last 3-years the government has moved to establish the Single Treasury Account which means the reconciliations processes has improved. Bank reconciliations for all central government and Treasury managed bank accounts take place at least monthly at aggregate & detailed levels, usually within 4 weeks of end of period. SN Bank accounts are reconciled monthly and officially sent to treasury quarterly.
	Dimension (i) <i>Regularity of bank reconciliations</i>	b	a	<i>Bank reconciliations for all central government and Treasury managed bank accounts take place at least monthly at aggregate & detailed levels, usually within 4 weeks of end of period, therefore</i>

				<i>achieving a rating of A. SN Bank accounts are reconciled monthly and officially sent to treasury quarterly.</i>
	Dimension (ii) <i>Regularity of reconciliation and clearance of suspense accounts and advances.</i>	b	b	<i>Reconciliation and clearance of suspense accounts and advances take place at least annually within two months of end of period. Some accounts have uncleared balances brought forward. Rating is B.</i>
PI-23	Availability of information on resources received by service delivery units	C	D	Performance deteriorated. No comprehensive data collection on resources to service delivery units in any major sector has been collected and processed within the last 3 years. [This score seems harsh, since comprehensive data was collected 5 years ago, but neither score C nor B fit the current information situation.] It seems the 2007 indicator was over stated.
PI-24/ M1	Quality and timeliness of in-year budget reports	C+	C+	Performance Unchanged. Overall the in-year budget reports are produced in a timely and regular manner on actual budget performance enabling all management levels, from Government down to managers of BOs, a tool for effective monitoring throughout the year.
	Dimension (i) <i>Scope of reports in terms of coverage and compatibility with budget estimates.</i>	c	c	<i>Comparison against the revised budget is possible at the detailed level but for expenditure this is only universally available at the payment stage, not the commitment stage.</i>
	Dimension (ii) <i>Timeliness of the issue of reports.</i>	a	a	<i>Reports are produced monthly and quarterly and issued within 4 weeks of the end of the period</i>
	Dimension (iii) <i>Quality of information.</i>	b	b	<i>There are some concerns about accuracy, but these do not compromise the overall consistency and usefulness of the reports</i>
PI-25/ M1	Quality and timeliness of annual financial statements	D+	C+	Performance Improved. With a strong legal base the consolidated government statement is prepared in a timely manner meeting annual deadlines of July 15 for submission to Parliament and includes, with few exceptions, full information on revenue, expenditure and financial assets/liabilities, including a statement on accounting standards.
	Dimension (i) <i>Completeness of the financial statements.</i>	c	b	<i>The consolidated financial statements are prepared on a cash basis according to standards incorporated in the relevant legal requirements. The consolidated government statement is prepared annually and includes, with few exceptions, full information on revenue, expenditure and financial assets/liabilities. This is ranked B.</i>
	Dimension (ii) <i>Timeliness of submission of the financial statements.</i>	d	b	<i>The PEFA rating system assumes that there is an external audit and in Tajikistan an external audit does not exist as yet. In this case the reference to external audit is ignored for the scoring and the score is based solely on the timeliness of the submission of consolidated government statement to parliament, which by proxy must act in the audit</i>

				<i>function. As the new law stipulates July 15 as the submission date, which is within 10-months of year-end and government has compiled in the entire last 3-years then the ranking is B.</i>
	Dimension (iii) <i>Accounting standards used.</i>	d	c	<i>The consolidated government statements do have the benefit of a strong legal base and do, therefore, have the merit of consistency. All the accounting standards are disclosed. Therefore it is possible to score C. In 2007 it appears the accounting standards in the consolidated government statement were not declared.</i>
C (iv) External Scrutiny and Audit				
PI-26/ M1	Scope, nature and follow-up of external audit	D+	D▲	Performance Unchanged. External audit is not yet in place, however the Law on the Supreme Audit Institution was adopted in 2011 indicating progress and therefore qualifies for an arrow. The rating in 2007 is overstated because there were no audit recommendations from a supreme audit as there was none.
	Dimension (i) <i>Scope/nature of audit performed (incl. adherence to auditing standards).</i>	d	d	<i>External audit is not yet in place</i>
	Dimension (ii) <i>Timeliness of submission of audit reports to legislature.</i>	d	d	<i>External audit is not yet in place</i>
	Dimension (iii) <i>Evidence of follow up on audit recommendations.</i>	c	d	<i>External audit is not yet in place</i>
PI-27/ M1	Legislative scrutiny of the annual budget law	C	B+	Performance Improved. The legislature through the Parliamentary Committee of Majlisi Namoaydagon Majlisi Oli of RT on Economy and Finance involves itself in the budget formulation much more than in previous administrations from the start of the budget process and the formulation of macroeconomic parameters, budget negotiations and to the final submission of the budget to parliament. Parliament is given adequate time for deliberations on the budget. Current practice of changing support staff (civil servants) after elections could disrupt parliamentary procedures with a loss of institutional memory.
	Dimension (i) <i>Scope of the legislature's scrutiny.</i>	c	b	<i>The legislature's review covers fiscal policies and aggregates for the coming year as well as detailed estimates of expenditure and revenue. Medium Term Fiscal Frameworks and Medium term Expenditure Frameworks are currently being introduced but do not yet form part of the official budget review by parliament.</i>
	Dimension (ii) <i>Extent to which the legislature's</i>	c	a	<i>The legislature's procedures for budget review are firmly established and respected. They include internal organizational arrangements, such as</i>

	<i>procedures are well established and respected.</i>			<i>specialized review committees, and negotiation procedures.</i>
	Dimension (iii) <i>Adequacy of time for the legislature to provide a response to budget proposals both the detailed estimates and, where applicable, for proposals on macro-fiscal aggregates earlier in the budget preparation cycle (time allowed in practice for all stages combined).</i>	a	a	<i>The legislature has at least two months to review the budget proposals.</i>
	Dimension (iv) <i>Rules for in-year amendments to the budget without ex-ante approval by the legislature</i>	c	b	<i>Clear rules exist for in-year budget amendments by the executive, and are usually respected, but they allow extensive administrative reallocations.</i>
PI-28/ M1	Legislative scrutiny of external audit reports	D	D	Performance Unchanged. As discussed under PI-26, the Law on the Supreme Audit Institution was adopted in 2011, but no organization has yet been established. There are no external audit reports for parliament to examine.
	Dimension (i) <i>Timeliness of examination of audit reports by the legislature (for reports received within the last three years).</i>	d	D	<i>No reports exist, because the SAI does not yet exist.</i>
	Dimension (ii) <i>Extent of hearings on key findings undertaken by the legislature.</i>	d	NA	<i>No audit function</i>
	Dimension (iii) <i>Issuance of recommended actions by the legislature and implementation by the executive.</i>	d	NA	<i>No audit function</i>
D. DONOR PRACTICES		Score 2007 PEFA	Score 2012 PEFA	Performance changes
D-1/ M1	Predictability of Direct Budget Support	D+	D+	Performance Unchanged. The deviation of actual budget support from forecast in 2010 was close to 15% and the in-year disbursement delays were 22% - both significant and have major effects on

				government activities and service delivery.
	<i>Dimension (i) Annual deviation of actual budget support from the forecast provided by the donor agencies at least six weeks prior to the government submitting its budget proposals to the legislature (or equivalent approving body).</i>	c	c	<i>The deviation of actual budget support from forecast in 2010 was close to 15% and the in-year disbursement delays were 22% - both significant and have major effects on government activities and service delivery.</i>
	<i>Dimension (ii) In-year timeliness of donor disbursements (compliance with aggregate quarterly estimates).</i>	d	d	<i>The deviation of actual budget support from forecast in 2010 was close to 15% and the in-year disbursement delays were 22% - both significant and have major effects on government activities and service delivery.</i>
D-2/ M1	Financial information provided by donors for budgeting and reporting on project and program aid	D+	C	Performance Enhanced. Performance is improving, as Ministry of Finance did not have this information in the last review.
	<i>Dimension (i) Completeness and timeliness of budget estimates by donors for project support.</i>	d	c	<i>The first dimension is assigned the score of C, because at least half of donors (including five major ones - WB, EBRD, ADB, SECO, Japan) submit comprehensive budget estimate of resources, allocated for projects financing for the following fiscal year, not later than within three months before the beginning of the fiscal year. However, these reports are based on classification used by donors, which is inconsistent with the budget classification used by the government.</i>
	<i>Dimension (ii) Frequency and coverage of reporting by donors on actual donor flows for project support.</i>	c	c	<i>The second dimension is assigned the score of C, because donors submit quarterly reports related to all funds, allocated to cover, at least, 50 per cent of budgeted expenditures of projects, financed out of external sources, within two months after the end of the quarter. Nevertheless, this data is not always submitted with the breakdown, consistent with used budget classification</i>
D-3/ M1	Proportion of aid that is managed by use of national procedures	D	D	Performance Unchanged. The share of foreign aid funds allocated to the Government of RT and managed according to national procedures, in four areas of activity, such as public procurement, payments/ accounting, audit and submission of reports, is less than 50 per cent. The total score is D.

Annex 2: List of Documents Used

Major websites

The Official website of the President of the Republic of Tajikistan: www.president.tj
Official website of the Ministry of Finance of the Republic of Tajikistan: www.minfin.tj
Official website of the Parliament of the Republic of Tajikistan: www.parlament.tj
Official website of the Ministry of Justice of the Republic of Tajikistan: <http://www.minjust.tj/>
Official website of the Agency on Statistics under President of the Republic of Tajikistan: www.stat.tj
Official website of the Ministry of Economic Development and Trade of the Republic of Tajikistan www.medt.tj
Official website of the Ministry of Foreign Affairs of the Republic of Tajikistan: www.mfa.tj
Official website of the Ministry of Health of the Republic of Tajikistan: www.health.tj
Official website of the Ministry of Education of the Republic of Tajikistan: <http://www.education.tj>
Official website of the State Committee on Investments and State Property Management of the Republic of Tajikistan: www.amcu.gki.tj
Official website of the Committee of Taxation under the Government of the Republic of Tajikistan <http://www.andoz.tj/>
Official website of the National Bank of Tajikistan: www.nbt.tj
Official website of the Agency under the State financial control and a fight against corruption of Republic of Tajikistan: <http://www.anticorruption.tj>
Official website of the Chamber of Commerce and Industry of the Republic of Tajikistan <http://tpp.tj>
Official website of the United Nations in Tajikistan <http://www.untj.org/>
Official website of United Nations Development Programme in Tajikistan <http://www.undp.tj/site/>
The official website of the World Bank <http://web.worldbank.org>
The official website of the IMF <http://www.imf.org/external/country/tjk/index.htm>
Official website of the Asian Development Bank <http://www.adb.org/countries/tajikistan/main>
Official website of the Swiss Agency for Development and Cooperation in Tajikistan <http://www.swiss-cooperation.admin.ch/centralasia/>
Official website of the Department for International Development, UK <http://ukintajikistan.fco.gov.uk/en/about-us/working-with-tajikistan/dfid-in-tajikistan/>
The official website of the EU http://www.eeas.europa.eu/delegations/tajikistan/index_en.htm
Official site of the Interstate Statistical Committee of the Commonwealth of Independent States <http://www.cisstat.com/eng/>

Strategic Documents of the Government of the Republic of Tajikistan

Public Finance Management Strategy of the Republic of Tajikistan for 2009-2018, Approved by the Decree of the President of the Republic of Tajikistan on “20” March 2009, # 639
Economic Development Program of the Republic of Tajikistan for the period until 2015
National Development Strategy of the Republic of Tajikistan for the period until 2015 (NDS)
Poverty Reduction Strategy of the Republic of Tajikistan for 2007-2009 (PRS)
Poverty Reduction Strategy of the Republic of Tajikistan for 2010- 2012 (PRS)
Strategy of Management of the Government Debt for 2009-2011, Dushanbe, Ministry of Finance, 2008
The Decree of the Government of the Republic of Tajikistan as of September 07, 2006, #409 on “Implementation of Mid-Term Expenditure Framework in the Republic of Tajikistan”
The Government Medium-Term Expenditure Framework 2011-2013, Ministry of Finance, Dushanbe 2010
The Government Medium-Term Expenditure Framework 2012-2014, Ministry of Finance, Dushanbe 2011

Major reports

Annual analytical report on the internal audit of public sector for 2011, April 27, 2012

Foreign Aid Report 2010, State Committee on Investment and State Property Management of the RT, Dushanbe 2011

International Monetary Fund: Republic of Tajikistan: Report on The Observance of Standards and Codes (ROSC), Fiscal Transparency Module, January 2007.

International Monetary Fund: Republic of Tajikistan: Staff Reports. Country Reports.

Republic of Tajikistan: Poverty Reduction Strategy Paper Progress Report; IMF Country Report 12/33; January 2011

IMF: Republic of Tajikistan: Sixth Review Under the Three-Year Arrangement Under the Extended Credit Facility - Staff Report; and Press Release, -- Country Report No. 12/110, May 15, 2012

Development Partner profile 2011, State Committee on Investments and State Property Management of the Republic of Tajikistan in cooperation with the UNDP and DFID, Dushanbe, 2011

GoT (2007) Budget Monitoring Report. Dushanbe: GOT

Major laws

GoT (1994) Constitution of the Republic of Tajikistan, Dushanbe: GoT

GoT (2008) Law on Treasury Dushanbe: GoT

GoT (2011) Law on Public Finance. Dushanbe: GoT

GoT (2008) Law on Right of Access to Information, Dushanbe: GoT

GoT (2009) Three-Year Action Plan of the PFM Strategy of the Republic of Tajikistan

GoT (2011) Three-Year Action Plan of the PFM Strategy of the Republic of Tajikistan

GoT (2010) Budget Performance Report 2009. Dushanbe: Ministry of Finance

GoT (2011) Budget Performance Report 2010. Dushanbe: Ministry of Finance

GoT (2012) Budget Performance Report 2011. Dushanbe: Ministry of Finance (Final Draft Only)

Law of Republic of Tajikistan On internal audit in the public sector (Ahbory Majlisi Oli of the Republic of Tajikistan, 2010, #7, article 563)

Constitutional Law of the Republic of Tajikistan On Local bodies of state power (Ahbory Majlisi Oli of the Republic of Tajikistan, 2004 #5, art. 339; 2006, # 11, art. 472; 2009, #12)

Law of the Republic of Tajikistan "On investments", Dushanbe May 12, 2007, № 260

Tax code of the Republic of Tajikistan

The Customs Code of the Republic of Tajikistan

The law "On banks and bank activities"

The law "On state registration of legal entities and individual entrepreneurs"

The law "On licensing of separate types of activity"

The law "On joint stock companies"

The law "On state procurement of goods, works and services"

Law of the RT on public and publicly guaranteed Borrowing and Debt, Dushanbe, December 11, 1999, № 886

Law of RT "On Internal Audit of Public Sector"

Law on State budget of the RT for 2008,

Law on State budget of the RT for 2009,

Law on state budget of the RT for 2010,

Law on state budget of the RT for 2011, 11th November 2010, #231, Dushanbe

Law on state budget of the RT for 2012, 8th November 2011, #766, Dushanbe

Law of the RT "On treasury", №396 from 18.06.2008

Law of the Republic of Tajikistan "On Public Procurement of goods, works and services", 24 February 2006, # 184, Dushanbe

Regulation of public procurement procedure - Approved by Decree of the Ministry of Economic Development and Trade of the Republic of Tajikistan, as of January 17, Registered in the Ministry of Justice of the Republic of Tajikistan, As of February 11, 2008 #357

Government decree from 1st July 2007, # 319 “on the establishment of qualification commission in defining and award status of "qualified procuring entity”

Government decree from 2nd October 2010,# 500 “on set up of rules on the opening of tenders documents for purchase of goods, works and services in state investment projects in the Republic of Tajikistan”

MoF instructions

Budget Instructions

MTEF instructions

Audit instructions

Instruction for state budget formulation on 2012-2015, RT

Methodical instructions on preparation of annual internal audit plan in the public sector on the basis of a risk assessment (approved by Minister of Finance 2011)

Improving salary scale of civil servants on base of single wage scale, Dushanbe-2010

Annex 3: Summary of State Budget Revenue and Expenditure 2008-2011

Indicators PI-1, 2 and 3 require a comparison of the original budget against the actual out-turn.

Sources of data for the tables below are:

Original budget plan: Budget Department, Ministry of Finance

Actual: Main Department of Central Treasury.

REVENUE and LOAN RECEIPTS	2008		2009		2010		2011	
	Original budget plan	Actual	Original budget plan	Actual	Original budget plan	Actual	Original budget plan	Actual
Revenue from taxes	2,811	3,298	4,268	3,659	4,353	4,444	5,585	5,849
Non-tax revenue	171	149	317	211	253	329	488	504
<i>Current Revenue</i>	2,982	3,447	4,585	3,870	4,606	4,773	6,073	6,353
Capital revenue	-	-	-	-	-	-	-	-
<i>General revenue</i>	2,982	3,447	4,585	3,870	4,606	4,773	6,073	6,353
Grants	68	24	78	318	204	175	164	156
<i>General revenue and grants</i>	3,050	3,471	4,663	4,188	4,810	4,948	6,237	6,509
<i>Other receipts:</i>								
Special funds of budget organizations	130	323	183	318	284	696	504	504
Grants for investment projects	167	151	281	166	323	375	492	534
Loans for investment projects	401	274	503	344	819	374	541	319
State debt (China)	729	953	379	577	301	476	572	630
Opening balance to cover expenses	-	59	-	359	-	155	-	-
TOTAL STATE BUDGET	4,477	5,231	6,009	5,952	6,537	7,024	8,346	8,496

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EXPENDITURE	2008		2009		2010		2011	
	Original budget plan	Actual	Original budget plan	Actual	Original budget plan	Actual	Original budget plan	Actual
Government sector and government administration	314	383	412	377	366	384	556	691
Defence	211	177	300	195	266	232	331	329
Public order and safety	193	204	300	231	275	258	379	440
Education	599	613	910	845	976	990	1,363	1,443
Healthcare	208	218	313	288	367	355	593	564
Social insurance and social protection	462	522	706	714	781	860	1,355	1,230
Housing and community amenities	159	230	304	325	393	377	504	687
Cultural services, recreation and religion	126	178	154	178	197	297	294	376
Fuel and energy	208	286	593	563	701	692	1,219	1,139
Agriculture, forestry, fisheries and hunting	114	95	111	89	107	93	300	301
Mining, manufacturing and construction	24	46	66	24	60	49	75	82
Transport and communications	105	98	111	95	101	110	1,013	1,046
Other economic activities and services	12	22	25	15	50	45	26	30
Others	388	115	460	297	413	221	585	237
<i>Total sector-analysed expenditure</i>	3,123	3,187	4,765	4,236	5,053	4,963	8,593	8,495
Execution of special funds	130	254	183	351	284	484	-	-
Funds transferred to stabilisation fund of RT	-	16	-	15	-	38	-	-
*Grants for investment projects	167	148	281	164	323	384	492	534
*Loans for investment projects	401	266	503	345	819	368	541	319
*State Debts (China)	729	953	379	577	301	476	572	630
TOTAL	4,550	4,824	6,111	5,688	6,780	6,713	10,198	9,978

*Note: Expenditure figures for amounts funded by grants, loans and China debt were not available for 2011. As an approximation, the equivalent revenue figures have been used.

Annex 4: Tables for Indicator PI-1

	2008		2009		2010		2011	
	Original budget plan	Actual	Original budget plan	Actual	Original budget plan	Actual	Original budget plan	Actual (draft)
Total expenditure	4,550	4,824	6,111	5,688	6,780	6,713	10,198	9,739
Less: Expenditure from investment grants and loans and China debt	1,297	1,367	1,163	1,086	1,443	1,228	1,605	1,483
Estimate of total primary expenditure	3,253	3,457	4,948	4,602	5,337	5,485	8,593	8,256
Variance (actual – budget)		204		-346		148		-337
Variance as percentage of original budget		6.3%		-7.0%		2.8%		-3.9%

Notes:

The above figures are the best that is possible from the data available as at 1 July 2012. To make a more accurate analysis, the following additional data is needed:

- Donor funded project expenditure
- Debt service payments

Also, the figures for 2011 are draft and will need to be confirmed before they can be used in the PEFA report.

Annex 5: Tables for Indicator PI-2

Expenditure by functions (Somoni million)	2008					2009				
	Planned	Adjusted budget	Actual	Deviation	Absolute deviation	Planned	Adjusted budget	Actual	Deviation	Absolute deviation
Government sector	314	321	383	63	63	412	367	377	10	10
Defence	211	216	177	-38	38	300	267	195	-72	72
Public order & safety	193	197	204	7	7	300	267	231	-36	36
Education	599	611	613	1	1	910	808	845	37	37
Healthcare	208	212	218	6	6	313	278	288	10	10
Social insurance and social protection	462	471	522	51	51	706	627	714	86	86
Housing and community amenities	159	162	230	68	68	304	270	325	55	55
Cultural services, recreation and religion	126	128	178	50	50	154	137	178	41	41
Fuel and energy	208	213	286	74	74	593	527	563	36	36
Agriculture, forestry, fisheries and hunting	114	117	95	-22	22	111	99	89	-10	10
Mining, manufacturing and construction	24	24	46	22	22	66	58	24	-34	34
Transport and communications	105	107	98	-10	10	111	99	95	-4	4
Other economic activities and services	12	12	22	10	10	25	22	15	-7	7
Others	388	395	115	-281	281	460	409	297	-112	112
TOTAL	3124	3187	3187	0	701	4766	4235	4235	0	549
Absolute deviation, as percentage of adjusted budget					22.0%					13.0%

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Expenditure by functions (million somoni)	2010					2011 (draft)				
	Planned	Adjusted budget	Actual	Deviation	Absolute deviation	Planned	Adjusted budget	Actual	Deviation	Absolute deviation
Government sector	366	359	384	25	25	556	534	647	113	113
Defence	266	261	232	-29	29	331	318	324	6	6
Public order & safety	275	270	258	-13	13	379	364	444	79	79
Education	976	959	990	31	31	1363	1309	1230	-80	80
Healthcare	367	361	355	-6	6	593	569	469	-101	101
Social insurance and social protection	781	767	860	93	93	1355	1301	1357	56	56
Housing and community amenities	393	386	377	-8	8	504	484	647	162	162
Cultural services, recreation and religion	197	194	297	104	104	294	283	327	44	44
Fuel and energy	701	688	692	4	4	1219	1171	1138	-33	33
Agriculture, forestry, fisheries and hunting	107	105	93	-12	12	300	288	289	1	1
Mining, manufacturing and construction	60	59	49	-9	9	75	72	80	8	8
Transport and communications	101	99	110	10	10	1013	973	1042	69	69
Other economic activities and services	50	49	45	-5	5	26	25	30	5	5
Others	413	406	221	-185	185	585	562	232	-330	330
TOTAL	5055	4963	4963	0	534	8594	8254	8254	0	1086
Absolute deviation, as percentage of adjusted budget					10.8%					13.2%

Annex 6: Analysis of Procurement Methods

Source: Procurement Agency

Value of contracts 2010

#	Name of the tender organizer	Total Amount of Contract	Unlimited tender		Limited tender		Single-source procurement		Request of quotations		Total
			Amount of Contract	%	Amount of Contract	%	Amount of Contract	%	Amount of Contract	%	%
1	Agency for Public Procurement of goods and services	546,338,217	408,703,123	74.81%	50,555,301	9.25%	53,365,021	9.77%	33,714,772	6.17%	61.85%
2	Qualified procurement entities	337,054,711	302,147,019	89.64%	3,767,392	1.12%	29,942,842	8.88%	1,197,459	0.36%	38.15%
3	Total:	883,392,928	710,850,142	80.47%	54,322,693	6.15%	83,307,863	9.43%	34,912,231	3.95%	100.00%

Number of contracts 2010

#	Name of the tender organizer	Total Number of Contracts	Unlimited tender		Limited tender		Single-source procurement		Request of quotations		Total
			Number of Contracts	%	Number of Contracts	%	Number of Contracts	%	Number of Contracts	%	%
1	Agency for Public Procurement of goods and services	4,471	3,246	72.60%	303	6.78%	169	3.78%	753	16.84%	95.51%
2	Qualified procurement entities	210	146	69.52%	8	3.81%	38	18.10%	18	8.57%	4.49%
3	Total:	4,681	3,392	72.46%	311	6.64%	207	4.42%	771	16.47%	100.00%

Value of contracts 2011

#	Name of the tender organizer	Total Amount of Contract	Unlimited tender		Limited tender		Single-source procurement		Request of quotations		Total
			Amount of Contract	%	Amount of Contract	%	Amount of Contract	%	Amount of Contract	%	%
1	Agency for Public Procurement of goods and services	805,448,763	672,204,287	83.46%	74,079,743	9.20%	39,374,387	4.89%	19,790,346	2.46%	64.54%
2	Qualified procurement entities	442,525,582	235,524,096	53.22%	53,778,405	12.15%	140,670,442	31.79%	12,552,639	2.84%	35.46%
3	Total:	1,247,974,345	907,728,383	72.74%	127,858,148	10.25%	180,044,829	14.43%	32,342,985	2.59%	100.00%

Number of contracts 2011

#	Name of the tender organizer	Total Number of Contracts	Unlimited tender		Limited tender		Single-source procurement		Request of quotations		Total
			Number of Contracts	%	Number of Contracts	%	Number of Contracts	%	Number of Contracts	%	%
1	Agency for Public Procurement of goods and services	5,237	4,630	88.41%	213	4.07%	156	2.98%	238	4.54%	89.69%
2	Qualified procurement entities	602	388	64.45%	52	8.64%	77	12.79%	85	14.12%	10.31%
3	Total:	5,839	5,018	85.94%	265	4.54%	233	3.99%	323	5.53%	100.00%

Value of contracts first quarter 2012

#	Name of the tender organizer	Total Amount of Contract	Unlimited tender		Limited tender		Single-source procurement		Request of quotations		Total %
			Amount of Contract	%	Amount of Contract	%	Amount of Contract	%	Amount of Contract	%	%
1	Agency for Public Procurement of goods and services	223,406,369	191,197,848	85.58%	13,910,599	6.23%	15,846,193	7.09%	2,541,729	1.14%	62.71%
2	Qualified procurement entities	132,874,815	81,667,849	61.46%	7,479,310	5.63%	43,247,355	32.55%	480,301	0.36%	37.29%

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3	Total:	356,281,184	272,865,697	76.59%	21,389,909	6.00%	59,093,548	16.59%	3,022,030	0.85%	100.00%
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Number of contracts first quarter 2012

#	Name of the tender organizer	Total Number of Contracts	Unlimited tender		Limited tender		Single-source procurement		Request of quotations		Total %
			Number of Contracts	%	Number of Contracts	%	Number of Contracts	%	Number of Contracts	%	
1	Agency for Public Procurement of goods and services	869	797	91.71%	16	1.84%	24	2.76%	32	3.68%	89.59%
2	Qualified procurement entities	101	61	60.40%	2	1.98%	28	27.72%	10	9.90%	10.41%
3	Total:	970	858	88.45%	18	1.86%	52	5.36%	42	4.33%	100.00%

Annex 7: List of People Met

#	Full name of person	Department and position held	Contact details
	Sohibov Sahvkat Kizieovich	Deputy Minister, MoF	221-42-05
	Hakimov Ismatullo	Deputy Head of Treasury, MoF	221-51- 19
	Abibulaev Nazullo Abulloevich	Head of Budget Department, MoF	221-67-96
	Ahmedova Rano Zabirova	Deputy Head of Budget Department, MoF	221-39-05
	Saidova Lola	Treasury department, MoF	221-77-41
	Samiev Saidkul	Head of State Owned Enterprises Monitoring Department, MoF	227-25-67
	Usmonov Firdavs	Acting Head of Main Department of State Debts and State Assets of MoF of RT	221-37-64
	Menlasheva Nailya	Leading specialist of Department of State Debt Analyze	223-08-93
	Sharapov Umed Sharifovich	Head of Internal Audit Department, MoF	227-63-70
	Hamroqulova Gulmira Abdullaevna	Head of Accounting and Audit Methodology Department, MoF	221-65-38
	Najmiddinov Adburahmon	Head of Microeconomic Department, MoF	918-99-24-24
	Nuriddin Najmiddinov	Head of Special Fund Department, MoF	227-22-09
	Barotov Askarali	Head of Department, MoF	221-55-47
	Gaffurov Bahtiyor	Investment Department, MoF	221-60-26
	Radjabov Safarali Khudoyorovich	Head of Finance and Budget Committee, Parliament	907585819/ 221- 11- 42
	Hafizov Faizali Aminovich	Economic and Budget Department, Ministry of Health,	221-17-99
	Saifuddinova Saodat	Head Budget and Forecast Department, Ministry of Education,	221-38-36
	Melikov Kabatullo Narzulloevich	Head of Taxpayers Registration, Tax and Communications, Tax committee,	233-09-12
	Karimov Ravshan	Agency for Procurement of Goods, Works and Services under Government of RT	221-47-03
	Nazarov Umed	Agency for Procurement of Goods, Works and Services under Government of RT	221-47-03/ 918-93-10-01
	Shoimov Jamshed	Aid Coordination Unit, State Committee on Investment and State Property Management of the RT	227 59 09
	Kislyakova Larisa Pavlovna	Deputy Chairman, Chamber of Commerce and Industry of the RT	221-22-57
	Aliyev Hazan	Public Sector Specialist, World Bank	(48)-701-58-09
	Olivier Vandenbussche	Team Leader - SPSP Social Sectors, MOF	227-85-29

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	George Gridilian	Public Finance Management Expert, SPSP Social Sector, MoF	227-85-29
	Boboev Rustam Mirzoevich	Programme Coordinator, PFMP, MOF	221-58-11
	Kayumov Uliqbek	Acting Coordinator and Monitoring Expert, PFMP, MOF	221-58-11
	Saidhojaev Narzievich	Odinamuhamad Head of Tax Policy Department, MoF	221-72-41/ 95-195-08-80
	Jaborov Rustamjon Tuhtasinovich	Deputy Chairmen of Tax Committee	233-09-12
	Zavqibek Saidov	Head of Legal Department, Tax Committee	233-09-12
	Saidahtam Abdulloev	Head of Customers Service Department, Tax Committee	233-09-12

List of people attending the DFR workshop on 26 September 2012 at the Ministry of Finance

№	Full name	Place of work	Contact
1	Nazarov Umed	Agency for government procurement , goods service	918-93-10-01
2	Samiev Saidqul	Head of State Owned Enterprises monitoring department ,Ministry of Finance	227-25-67
3	Khakimov I.R	Deputy head of treasury, Ministry of Finance	221-51-19
4	Kamroqulova G.A	Head of accounting and audit methodology department , Ministry of Finance	221-65-38/907-705-159
5	Khakimov D	Leading specialist, Ministry of Finance	918-92-66-70
6	Kholikova Z	Head of budget policy department, Ministry of Finance	221-45-26
7	Sharipova M	Specialist of budget department, Ministry of Finance	221-75-14
8	Menlasheva N	Leading specialist of depth management department, Ministry of Finance	223-08-96
9	Odinaev Sh.A	Deputy head of department, Ministry of Finance	221-34-08
10	Murodov I.N	Leading specialist, Ministry of Finance	221-77-41
11	Kalomov U.Sh.	Secretariat of PFM	221-58-11
12	Shoimardonov A.A	Legal department, Ministry of Finance	918-50-04-00
13	Mihamadieva Gulnora	Project manager, DFID	224-22-21
14	Nicolas Guigas	SCO	nicolas.guigas@sco.net
15	Hassan Aliev	WB	904-400-500
16	Sobir Kurbonov	DFID	907-501-052
17	Thiessen U	EU	93-48-107-48
18	Nabieva U	Consultant, PEFA	985-668-125
19	Shukuropat A.V	International consultant, PEFA	93-44-77-093
20	Khakulov R.U	ISD Consulting	907-708-469

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21	Hafizov S.A	Ministry of Health	918-16-41-50
22	Tomeva V	SOFRECO-EC	907-80-10-80
23	Vandebush O	EU-SPSP project	901-06-1971
24	Gaforov S	Ministry of Education	907-84-86-09
25	Abibuaev Narzullo	Head of Budget department, Ministry of Finance	
26	Sohibov S.Q	Deputy Minister, Ministry of Finance	
27	Gulov Safarali	Deputy Head of Finance and Budget committee, Majlisi Oli	