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Kyrgyz Republic 2020

City of Jalal Abad



PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTABILITY (PEFA) PERFORMANCE ASSESSMENT REPORT

December 22, 2021

Final Report



Kyrgyz Republic 2020

SNG Jalal-Abad

Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report

The PEFA Secretariat confirms that this report meets the PEFA quality assurance requirements and is hereby awarded the '**PEFA CHECK**'.

PEFA Secretariat,
November 30, 2021

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Abbreviations and Acronyms

A/K	AyilKenesh
A/O	AyilOkmotu
COA	Chart of Accounts
COFOG	Classifications of the Functions of Government
GFMIS	Government Financial Management Information System
GFSM	Government Finance Statistics Manual
GFS	Government Finance Statistics
GKR	Government of Kyrgyzstan
GDP	Gross Domestic Product
IPSAS	International Public Sector Accounting Standards
LSG	Local Self Government
MDFP	Main Directions of Fiscal Policy
MoF	Ministry of Finance
PSED	Plan for Socio-Economic Development
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
SED	Socio-economic development
SOM	Kyrgyz Som
TSA	Treasury Single Account

METHODOLOGY

The assessment team comprises of Elena Morachiello (Team Leader), Elisaveta Teneva (KE2) and GuliraBorubaeva (Local Consultant). The first part of the fieldwork took place from 20th to 24th January 2020. In accordance with the terms of reference, the review teams for both the national and subnational Public Expenditure and Financial Accountability (PEFA) assessments travelled to Bishkek for the introductory mission. An initial all-day workshop was held in the Ministry of Finance on 21st January at which the assessment teams presented the overall shape of the reports to be prepared and explained each of the Performance Indicators (PIs) and Dimensions to be assessed in the course of the work. The workshop was attended by representatives of most of the Departments of the Ministry of Finance (MoF) responsible for the evidence needed to score many of the PIs, and representatives of the three subnational governments (SNGs) which will be assessed alongside the central government. A series of meetings were held on 23rd and 24th January with the main stakeholders in the assessment, including those not represented at the workshop; the schedule of meetings is attached to this report.

The SNG representatives for whom the assessments are a wholly new activity were able to discuss fully how the PIs would be applied to their work and responsibilities. Other meetings covered Treasury operations, debt management, public investment planning, revenue forecasting and the allocation of funds to SNGs. Finally, a concluding meeting was held with the Minister of Finance and the WB coordinator of CB2. It was agreed that:

- the assessment would where appropriate be based on the experience of the three years 2017-19. The fiscal year runs from January 1 to December 31. The mission initially scheduled for April 2020 was replaced by missions by the local consultant only and remote work for the TL and the other international consultant due to the travel restrictions imposed by COVID-19.
- The Assessment Team explained that it is not possible on technical grounds to do one Assessment covering three SNGs, as the ToRs initially described. As a result, it was agreed that three separate reports, one per SNG, would be issued by the Team.

The assessment applied all the seven key pillars of performance and the 31 performance indicators. A comprehensive questionnaire with all the needed data for the three assessments was distributed to the SNG representatives present at the seminar and at the meeting on the following day. The questionnaire was translated in Russian and circulated again through the Inception Report submitted shortly after the January mission. The three SNG reports will comply fully with PEFA guidance on the structure and content; the final versions will take into account all comments from stakeholders in the Kyrgyz Government, as well as from the PEFA Secretariat and peer reviewers from World Bank, European Union and Swiss Secretariat for Economic Cooperation.

It has not been possible to issue a complete draft report by end of October as the data flow has been interrupted due to the political unrest in the country. The team responsible to issue the SNG PEFA Assessments has thus decided to issue an aide memoire instead with interim results.

The results are based on the data collected by the local consultant GuliraBorubaeva in the onsite mission that took place on September 21 to 30, 2020.

The assessment covered Budget Institutions (Education, Health), Ministry of Finance, State Tax Service, State Customs Service and Parliament (local kenesh) among others. The institutions, departments met during the field missions are listed under Annex 3B. Virtual meetings between the team members, DT Global the PIU

and the World Bank took place remotely on June 24, September 15, September 25, November 7, December 1, 2020 and January 22, 2021.

Cut off date: March 31, 2021

Exchange rate: 1 USD= 83.2 Kyrgyzstan Som (KGS) on January 6, 2021.

MANAGEMENT AND OVERSIGHT

Composition of the working group

The MoF has established one working group for the national and SNG PEFA assessments which is responsible to provide the data, and which will review PEFA reports. The working group is led by the CB PFM Project Coordinator and consist of the Heads of MoF departments and heads of MoF’s local branches in Jalal-Abad city and Sokuluk district as well as the heads of financial and economic units of Saz and Saz LSGs.

Management and oversight team and PEFA CHECK

Box 1.1 below summarises the assessment management, oversight and quality assurance. The Assessment was funded by the World Bank and was managed by the MoF. A management and oversight team has been established. The team includes government officials and development partners for national and SNG PEFA assessments. This team also includes the local government authorities from the Jalal-Abad city and 2 LSGs in Sokuluk district. Local government authorities are coordinating the SNG PEFA assessment in the selected city and the two SNGs as well as review the draft reports and provide comments. There is one sole oversight team for both the CG and SNGs Assessments.

PEFA Check

The quality assurance framework has been reinforced as of January 1, 2018 (see PEFA Secretariat Note: *PEFA Check: Quality endorsement of PEFA assessments from January 1, 2018*, www.pefa.org). The quality assurance process of this report is shown in Box 1.1 below. The draft report was submitted for peer review on March 31, 2021.

Box 1.1. Management and oversight team and Quality Assurance

Organization name	Team member details
Ministry of Finance	Mr. Mirlan Baigonchokov, Deputy Minister of Finance – Project Coordinator, CB PFM project Board member
Office of Prime Minister	Mr. Samat Kuljiev, Head of the Finance Unit, CB PFM project Board member
Swiss Embassy	Ms. Meuwly Monteleone Danielle, Mr. Aegerter Lucien - representatives from State Secretariat for Economic Affairs (SECO)/Swiss Embassy, CB PFM Project Board members
EU Delegation	Ms. Adriaen Charlotte, Mr. Brudzynski Robert - representatives from the EU, CB PFM Project Board members
PEFA Secretariat	Mr. Martin John Bowen
World Bank team	TTL - Gregory Kisunko, Lilia Saetova, World Bank team
Jalal-Abad City Municipality	Mr. Mairambek Adylbekov, First Vice Mayor of Jalal-Abad City administration
Saz LSG	Ms. Saule Karamurzinova, Head of financial and economic unit of Saz LSG
Review of concept note and/or terms of reference	

- Date of reviewed draft concept note by the PEFA Secretariat: November 30, 2018
- Other invited reviewers who submitted written comments: Oleksii Balabushko, World Bank (Senior Public Finance Specialist), Martin John Bowen, PEFA Secretariat (Senior Public Sector Specialist), Robert Brudzynski, EU (Project Manager at the Delegation of the European Union to the Kyrgyz Republic), Lucien Aegerter, SECO (Program Manager at the Development Cooperation of the Embassy of Switzerland in the Kyrgyz Republic), Sh. Moldokanov, MoF (Advisor to Minister of Finance)
- Review of the assessment report: April 13, 2021.
- Peer reviewers: Oleksii Balabushko, World Bank (Senior Public Finance Specialist), Martin John Bowen, PEFA Secretariat (Senior Public Sector Specialist), Robert Brudzynski, EU (Project Manager at the Delegation of the European Union to the Kyrgyz Republic), Lucien Aegerter, SECO (Program Manager at the Development Cooperation of the Embassy of Switzerland in the Kyrgyz Republic), Sh. Moldokanov, MoF (Advisor to Minister of Finance).
- PEFA Secretariat's review. First review: April 13, 2021. Second review: 27 August. 2021.

Executive Summary

Purpose of the Assessment

Global objective for subnational PEFA assessment

The SNG PEFA assessment aims to evaluate the PFM performance of an illustrative sample representing the city and LSGs level in Kyrgyz Republic. The main purpose of the 2019 SNG PEFA assessment is to provide the Government of Kyrgyz Republic, subnational governments, and its development partners with an objective up-to-date diagnostic of the sub-national public financial management performance based on the latest internationally recognized PEFA methodology. The SNG PEFA assessment will be conducted for the first time in the country. Therefore, the 2019 PEFA assessment is intended to establish a PEFA baseline using the 2016 PEFA methodology for SNG governments.

The national and SNG assessments process seeks to build a shared understanding of PFM performance and those dimensions that require improvement. Both PEFA assessments will aim at: (i) informing the Central and subnational Governments on areas of PFM strengths and weaknesses; (ii) facilitating and updating the dialogue on PFM between Government and donors; (iii) helping donors build budget support programmes; and iv) provide an independent information to civil society on progress in PFM reforms. The results of the assessments are expected to assist the Central and local Governments in monitoring the implementation of Public Financial Management Reform Strategy and Intergovernmental Fiscal Relations Development Concept to achieve a PFM system that meets the requirements of efficiency and effectiveness and long-term sustainability.

Specific objectives

- To conduct national PEFA assessment using the PEFA framework of 2016. The methodology to be used is the official methodology of 2016 provided by the PEFA Secretariat www.pefa.org. The PEFA assessment should be done in full and include all the performance indicators. The 2018 national PEFA assessment should also provide an update of progress in PFM since the last national PEFA in 2014. During the assessment of relevant PIs and in the report the special focus on revenue from mining should be given because of the mining is the most important economic sector contribution to the budget.
- To conduct SNG PEFA assessment for Jalal Abad LSG in Sokuluk district using the PEFA framework of 2016. The methodology to be used is the official methodology of 2016 including Supplementary Guidance for Subnational PEFA Assessments (December 2016) provided by the PEFA Secretariat www.pefa.org. The PEFA assessment should be done in full and include all the performance indicators including HLG-1, the additional indicator for transfers from CG.

Impact of PFM performance on budgetary and fiscal outcomes

Aggregate Fiscal Discipline

The aggregate fiscal discipline is positively impacted by the credibility revenue and expenditure budgets. Both revenue and expenditure budgets are reliable at the aggregate level (PI-1 scored B and PI-3 scored A). Earmarked transfers from central government are also received in full (HLG-1 scored A). However, this is negatively impacted by the high level of expenditure composing variance (PI-2 scored C+). Strong point to note is the low level of expenditure changed to contingency vote (PI-2.3 scored A). The classification on the

budget classification is good and allows transparency; and the existence and adherence to the rules for in-year budget amendments by the executive positively contribute for fiscal discipline.

The recording and reporting of debt is complete, updated and reconciled on a monthly basis. Debt management records are complete, updated and reconciled monthly. However, debt management strategy is not prepared at the level of local governments (PI-13 scored A). Macro-economic and fiscal forecasting at LSG Jalal Abad lack basic elements.

Strategic Allocation of Resources

The significant level of budget reallocations the expenditure level negatively impacts strategic allocation of resources (PI-2). Frequent budget reallocations override government original policy intentions, leading to poor resource allocation which affects efficient service delivery, going forward. The continuous budget reallocations also raise questions about budget credibility as well as the delivery of government services based on its original policy intent.

The policy based fiscal strategy and budgeting pillar is found to be the weakest area in LSG Jalal Abad, where all indicators, PI-14 to PI-18 received the lowest scores. Most of the policy based fiscal strategy and budgeting functions are covered by the national government and hence, some dimensions are not applicable. The City of Jalal Abad prepares forecasts of the main fiscal indicators, including revenues (by type), aggregate expenditure, and the budget balance, for the budget year and two following fiscal years (PI-14.2 scored B). Expenditure budgets are not developed for the medium term within explicit medium-term expenditure ceilings (PI-16 scored D+). Budget preparation process also is weak (PI-17 scored D+). Clear budget calendar exists but data was not received regarding the date of submission of budgets by the budgetary units. Budget submission to the legislature is delayed (PI-17.3 scored D). Legislative scrutiny (PI-18) of budget also scored D+ mainly because data was not received regarding the scope and legislative procedures for budget scrutiny.

Public Investment Management (PI-11 scored D+) does not sufficiently reflect generally accepted good practice in project management. Selection of major investment projects is not based on predetermined economic selection criteria, rather made in accordance with the priorities established by the forecast of socio-economic development of the region, leading to inefficient allocation of scarce resources.

Efficient Use of Resources for Service Delivery

The rating related to the specific service delivery performance indicator (PI-8), which can demonstrate the efficiency with which services are delivered, is average (scored C+). The first and fourth dimension on performance plan for service delivery and performance evaluation of service delivery performed average while information on resources received by frontline service delivery units is collected and recorded for all budgetary institutions, disaggregated by source of funds (PI-8.3 scored A). A report compiling the information is prepared annually. Public assets management performs average, where all dimension related with financial assets monitoring, non-financial assets monitoring and transparency of asset disposals score C.

The mechanisms in place to reduce possible leakages in the system, such as payroll controls (PI-23), internal controls on non-salary expenditure (PI-25) and internal audit (PI-26) received mixed results, and rated at C+, A and NA respectively. Payroll control is strong, with the first two dimensions scoring A and the fourth dimension B. The internal audit in Jalal Abad is undertaken by the central government auditors. Financial data integrity demonstrates good accounting controls as the three dimensions performed well on bank reconciliations, suspense accounts and advance accounts.

External audit and legislative scrutiny of audit reports are found to be strong (PI-30 and PI-31) scored B+. All budget organizations of LSG Jalal Abad are covered in the external audit and the scrutiny of audit reports on annual financial reports has been completed by the legislature within three months from receipt of the reports.

Main strengths and weaknesses of the PFM systems in LSG Jalal Abad:

Strengths

- Aggregate revenue and expenditure budgets are credible at aggregate level.
- Earmarked transfers from central government are received in full.
- Expenditures from contingency are kept to the minimum.
- The budget preparation, its execution, accounting and reporting of the local budget is undertaken by classification corresponding to the GFS/COFOG standards and the existence and adherence to the rules for in-year budget amendments by the executive positively contribute for fiscal discipline.
- Debt management records are complete, updated and reconciled monthly. A strong point to note is the public access to procurement information, where all the required public procurement information is accessible to the public online through the website.
- Generally, the internal control over salary and non-salary expenditures is found to good.
- All budget organisations of LSG Jalal Abad are covered in the external audit.

Weaknesses

- Expenditure is not reliable at the composition level;
- It is not known if management and statistical reports, for internal purposes, that cover debt stock, debt servicing and debt-related operations are produced and how often; and no data was provided to assess the approval of debts and whether there is a debt management strategy.
- Aggregate fiscal risks are not well managed due to poor monitoring of the public corporation.
- Policy based fiscal strategy and budgeting is found to be one of the weakest areas in LSG Jalal Abad.
- Budget preparation process found to be weak.
- Legislative scrutiny of budgets is found to be weak.
- The key weak point of process of public investment management is that there are no approved economic selection criteria for capital investment projects and all documentation relevant to the selection and monitoring of investment projects is not published.
- Service delivery performance indicator which can demonstrate the efficiency with which services are delivered, is poor.
- Budget documentation is found to be weak where the budget submitted to the legislature met only 2 basic elements out of 4 and 1 additional element out of 8.
- Public access to fiscal information and transparency of public finances is found to be very weak.

Figure 1: Summary of PEFA scores by indicator

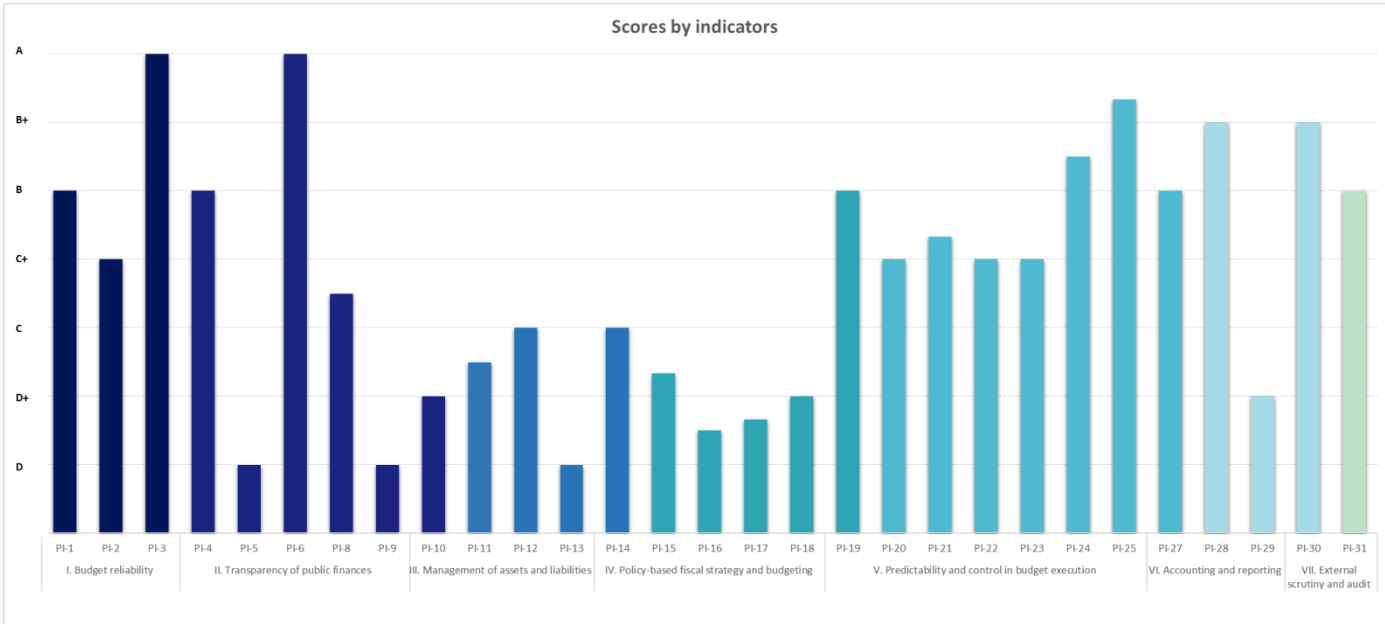


Table 1: Overview of the scores of the PEFA indicators

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

1. PFM Context in LSG Jalal Abad

1.1. Financial overview

1. Tables 1.1, 1.2, and 1.3 below outline the structure of the public sector and government operations in the LSG Jalal Abad.

TABLE 1.1: Structure of the public sector (number of entities and financial turn-over)

Public sector					
2019	Government subsector		Social security funds	Public corporation subsector	
	Budgetary Unit	Extra budgetary Units		Nonfinancial public corporations*	Financial public corporation
Number of entities	26	3	NA	3	NA
Financial Turnover (KGS)	507,660.7	82,273	NA	98,140.10	NA

TABLE 1.2: Aggregate fiscal data (KGS)

Actuals			
	2017	2018	2019
Total revenue	395,478.8	423,814.4	491,742.8
Own Revenue	384,810.2	419,005.2	491,532.7
Grant	10,668.6	4,809.2	210.1
Total Expenditure	310,254.2	433,371.7	507,660.7
Non-interest expenditure	310,254.2	433,371.7	507,660.7
Interest expenditure	-	-	-
Overall Deficit ¹	-	-	-
Primary Deficit ²	-	-	-
Net financing	-	-	-
External	-	-	-
Domestic	-	-	-
Overall Deficit as a % of GDP*	-	-	-

* GDP is not calculated at the level of LSG Jalal Abad

¹Overall and primary deficit is calculated after deducting subsidiary loan repayments from total revenue

²Overall and primary deficit is calculated after deducting subsidiary loan repayments from total revenue

TABLE 1.3: Financial structure of LSG – actual expenditure (in KGS)

2019	Central government			
	Budgetary unit	Extra budgetary Units	Social security funds	Total aggregated
Revenue	491,742.8	82,273	NA	574,015.8
Expenditure	507,660.7	82,273	NA	589,933.7

1.2. Institutional arrangements for PFM

The Kyrgyz public sector consists of the 12 Ministries and 8 State Committees or Agencies whose operations make up the Republican Budget (RB), together with the 484 Local Self-Governments (LSGs) which together with the RB constitute the State Budget. The 484 LSGs all receive funding directly from the central government. LSG Jalal Abad has 26 budgetary institutions, 3 EBUs and 3 public corporations. The legislative body of the LSG is the City Keneshes which approve local budgets and control their execution. Financial management is the responsibility of the Finance and Economic Department.

The Mayor is head of city administration (executive branch) of Jalal-Abad city. Mayor is elected by local council. Executive government is called Meria. Meria consists of different structural units and sub-units. Some services are performed by semi-autonomous entities and public corporations that are managed/supervised by Meria.

Local budget is a budget of local community in rural district or a town. Preparation, approval, implementation and control of the local budgets are performed by local self-governments. Local budgets are approved by regulatory legal acts of local councils. Reports on the performance of local budgets (revenues, expenditures) are prepared on a cash basis. Local government reports are included in the consolidated state budget and the governmental finance statistics.

In accordance with Budget Code local budgets receive deductions from national revenues according to established rates; land tax; property tax and other local taxes and duties.

National revenue is budget revenues envisaged by the Budget Code of the Kyrgyz Republic that are subject to distribution between republican and local budgets according to established rates of revenue sharing. National revenues include 8 types of taxes: income tax, sales tax, exploitation tax and others.

The main responsibility for Public Financial Management (PFM) rests with the Ministry of Finance (MoF). MoF has overall responsibility for fiscal policy, including budget preparation and execution, debt management and the planning of externally financed public investment, and the Treasury system through which all central and local government transactions pass and which provides the basis for financial reporting. Local budget is a budget of local community in rural district or a town. Preparation, approval, implementation and control of the local budgets are performed by local self-governments. Local budgets are approved by regulatory legal acts of local councils. Reports on the performance of local budgets (revenues, expenditures) are prepared on a cash basis. Local government reports are included in the consolidated state budget and the governmental finance statistics. National revenue is budget revenues envisaged by the Budget Code of the Kyrgyz Republic that are subject to distribution between republican and local budgets according to established rates of revenue sharing. National revenues include 8 types of taxes: income tax, sales tax, exploitation tax and others. Tax sharing is done based on approved rates to local budgets.

The following structure of expenditure obligations distribution is established in the Kyrgyz Republic: 1) Expenditure obligations of the Government; 2) Expenditure obligations of local self-governments.

Intergovernmental fiscal transfers provided to the local budgets are approved by annual law on republican budget. In intergovernmental fiscal transfer system includes transfers to local budgets in the form of:

a) Equalization transfers – funds, provided from the republican budget for covering financial gap between revenue and needs of local budgets. The amount of equalization transfers is defined on the basis of budget capacity level of local budgets and is provided to ensure fullness of local budgets financing for the purpose of maintaining stable social economic situation in the region. The procedure and formula of defining the amounts of equalization transfers is approved by the Government.

b) Targeted transfers – funds provided from one budget level to another for certain purposes.

Although there are oblast (region) cities, district and local self-government levels in the administrative structure of the country, there are two tiers in the transfers system: 1) from republican budget to cities, 2) from republican budget to local communities. There are no oblast and district level budgets in the Kyrgyz Republic. Transfers from republican budget are provided directly to LSGs and cities budgets. Oblasts and districts can be seen as deconcentrated units of the Central Government. The LSGs are submitted approved annual budgets and reports on budget execution to the MoF through the MoF local branches. In addition, MoF local branches provide methodology and practical assistance to LSGs on budget preparation and execution issues.

The Ministry of Economy covers macro-economic planning and forecasting, the overall planning of public investment, and taxation policy including subnational governments. Local governments have the right to borrow by issuing municipal securities on their behalf, as well as receiving budget loans. There are two institutions responsibility for tax matters. Tax policy and tax legislation is handled by the Tax Policy Department of the Ministry of Economy of the Kyrgyz Republic, whereas tax administration is the competence of the State Tax Service under the Government of the Kyrgyz Republic and its territorial offices (STS). There is a regional territorial office of the State Tax Service only in Soin Jalal Abad City. Salaries, conditions of employment, and overall staff numbers in central government and LSGs is coordinated by State Personnel Service.

External audit of central and local government, the social insurance funds and public enterprises (including enterprises in which the government has a controlling shareholding) is undertaken by the Chamber of Accounts (AC), the country's Supreme Audit Institution. The independence of the AC is anchored in the Constitution, and the Chamber has the right to put its own expenditure proposals separately to the Parliament if it cannot reach agreement with MoF. The Republican Budget is subject to a comprehensive audit every year, but LSGs are audited only every second year. The AC's report on RB budget execution during the previous year is required to be submitted to the parliament by 1 September each year, so that it can be taken into account during discussion of the budget proposals for the next fiscal year. Audit practice has been substantially developed over the last five years in accordance with International Standards of Supreme Audit Institutions (ISSAIs), with audit extending beyond compliance with laws and regulations to assess the performance of systems and the efficiency of expenditure. At the same time internal audit has been developed within central government, and now covers 85 per cent of budget expenditures. Presently, there are 30 internal audit departments, of which: 26 ministries, 2 state committees and 2 LSG, including: Bishkek City and Osh City.

1.3. Other Key Features of PFM and Its Operating Environment

There are no other features of PFM.

1.4. Legal and regulatory arrangements for PFM

The legislation on PFM in KR is based on the KR Constitution, consists of the Budget Code and its by-laws, the Tax Code, laws "On the Accounts Chamber", "On Internal Audit", "On Public Procurement", "On Local Self-Governance" and other normative legal acts regulating budgetary legal relations.

Constitutional arrangements for PFM

According to the Constitution of the Kyrgyz Republic, the President of the Kyrgyz Republic is the head of state, its highest official, determining main dimensions for domestic and foreign policy of the state and represents the Kyrgyz Republic within the country and in international relations. President is the Commander of the country's defense forces and appoints the chairman of the National Bank and one third of the members of the Accounts Chamber (the country's highest control body). Constitutional amendments, approved in 2010, provide for delegation of authorities and powers to Parliament and Government. President approves laws on budget and taxes passed by Jogorku Kenesh (Parliament). President can revoke any new law, except for budget and tax issues, which he must approve; and two-thirds majority is required to revoke his veto on other issues.

In accordance with the Article 13 of the Constitution of the Kyrgyz Republic, the State Budget of the Kyrgyz Republic consists of the Republican and Local budgets, includes state revenues and expenditures. The procedure for formulation, adoption and execution of the Republican and Local budgets, as well as audit of their execution are determined by law. The Republican Budget is adopted by law, local budgets - by the decision of the relevant representative bodies.

Budget code

Many aspects of PFM are regulated by the **Budget Code**, which was adopted in 2016 and came into force on January 1, 2017 and covers both central and local executive bodies. With the adoption of the Budget Code, for the first time, all legislation in the budgetary sphere was combined into a single code. One of the reasons for the development and adoption of this code was the need for a significant revision and collection of disparate legal norms into a single regulatory complex and the adoption of a single codified legislative act, which would become the basis of the country's budgetary legislation. In addition, the budget legislation includes the following regulatory legal acts on the budget:

- Law on Republican Budget.
- Laws on budgets of the Social Fund and the Mandatory Health Insurance Fund.
- Normative legal acts of local keneshes on local budgets.

The Budget Code stipulate foundation for legal regulation of relations arising in the field of public finance management in the process of formulation, consideration, approval, revision and execution of Republican and Local budgets, budget investments, state and municipal debt, budgets of the Social Fund of the Kyrgyz Republic, Mandatory Health Insurance Fund under the Government of the Kyrgyz Republic, and also determines the status of participants in the budget process and legal basis for responsibility at violation of budget legislation.

The Budget Code provides for medium-term fiscal planning and use of program budgeting in planning and management of government agencies. The Ministry of Economy (MOE KR) at the central government level was responsible for medium-term strategic and economic planning until 2021, and the Ministry of Finance (MOF KR) was responsible for preparing and executing the annual budget. The Budget Code also include provisions distributing responsibility for rendering various public services between different levels of government and determine to which level of government the revenue from each tax is to be credited. The Budget Code also provides for a Single Treasury Account at the National Bank for directing all the financial streams of revenues and expenditures across all the levels of government. The Central Treasury of the MoF controls it.

The Budget Code provides for the accounting of the budgets of the Social Fund and the MHIF along with the Republican Budget and Local Budgets and contains mechanisms for the clear work of internal control and internal audit in the government. The Budget Code stipulate requirements for timely publication of budgets and budget execution reports, including the preparation of the Citizens Budget. In accordance with the Code, consideration and approval of budgets of the budgetary system of the Kyrgyz Republic is carried out openly and publicly, with the exception of consideration of issues containing state or other secrets protected by law. Draft budgets of the budgetary system of the Kyrgyz Republic are subject to mandatory public discussion.

Other provisions of the Budget Code cover payment procedures, debt management (responsibility of the MoF), equalizing and targeted transfers from the central government to local governments in addition to local taxes and other accrued income. The Budget Code also stipulates performance monitoring, financial reporting and forms of invoices.

Legislative arrangements

The Constitution of the Kyrgyz Republic provides for the powers of the **JogorkuKenesh (Parliament) of the Kyrgyz Republic**. The Regulations of the JogorkuKenesh (Parliament) of the Kyrgyz Republic determine the order and procedures for undertaking by KR JogorkuKenesh (Parliament) of powers provided by the KR Constitution. Authorities of JogorkuKenesh (Parliament) include approval of the Republican Budget, approval of the Report on Execution of the Republican Budget, approval of the terms of any new external borrowings by the government, approval of legislation on other aspects of PFM.

The Government and the Parliament members have the right to initiate legislation, propose new legislation, which are considered by the Parliament in three readings. Legislation increasing government expenditures can only be passed if the government has identified the source of funding. The draft budget proposed by the government must be agreed with the Parliament. The Parliament Committee on Budget and Finance reviews the Law on Annual Budget and legislation on other aspects of PFM, and this Committee can approve introduction of changes to the allocation of funds during budget execution.

In accordance with the Constitution and the Law "On Local Self-Governance", the system of local self-governance bodies is formed by local keneshes - representative bodies of local self-government (**Parliament of LSG**), AyilOkmotu, urban municipalities - executive bodies of local self-governance. Local Keneshes, in accordance with the Law, approve local budgets, control their execution, approve programs for the socio-economic development of the local community and social protection of population, introduce local taxes and fees, as well as establish privileges for them, resolve other issues of local importance.

External Audit

External audit on formulation and execution of budgets of the budgetary system of the Kyrgyz Republic is carried out by the Accounts Chamber. The powers, organization and procedure for the activities of the Accounts Chamber of the Kyrgyz Republic are determined by the Constitution of the Kyrgyz Republic, the Law of the Kyrgyz Republic "On the Accounts Chamber of the Kyrgyz Republic", other laws and other regulatory legal acts of the Kyrgyz Republic. The Accounts Chamber has its own territorial divisions. The organization and activities of territorial divisions are regulated by the legislation on the Accounts Chamber. The Accounts Chamber is accountable to the President of the Kyrgyz Republic and the Jogorku Kenesh (Parliament) of the Kyrgyz Republic. The main purpose of the Accounts Chamber's activities is audit and performance audit: assessment of the execution of the Republican Budget, preparation and execution of the local budget, extra-budgetary and special funds, and use of state and municipal property, provision and implementation of international standards for state audit.

Internal Audit

Issues related to the conduct of **internal audit** in state bodies and institutions are regulated by the Law of the Kyrgyz Republic "On Internal Audit" dated by January 26, 2009, No.25. The Law regulates relations associated with the implementation of internal audit of state bodies and institutions, and establishes principles and bases of its maintenance (establishment and functioning). Each budgetary institution develops its own internal control system that meet its requirements and specifics in accordance with the Law of the Kyrgyz Republic "On Internal Audit" dated by January 26, 2009, No.25, and the Statement of the Government of the Kyrgyz Republic "On establishment of internal audit services in state bodies and institutions, local governments of the Kyrgyz Republic" dated by March 13, 2009, No.177

Interbudgetary relations

The Budget Code stipulate general provisions and principles of **interbudgetary relations**, distribution of revenues between the Republican and Local budgets, distribution of expenditure obligations between central and local governments. The following instruments of interbudgetary regulation are outlined: interbudgetary transfers, equalizing and targeted transfers of the central government for local governments in addition to local taxes and other revenues attributed for them.

Law of the Kyrgyz Republic "On Local Self-Governance" establishes principles of organizing local government at the level of administrative-territorial units of the Kyrgyz Republic, defines the role of local self-governance in undertaking public power, stipulates organizational and legal framework for their activities, establishes the competence and principles of relationship between local self-governance bodies and central authorities, state guarantees of the right of local communities to self-governance. To organize functioning and development of the life and environment system at a territory, socio-economic planning and provision of social and cultural services to population, the following issues of local importance are under the jurisdiction of local governments: 1) economic development of its relevant territory, and attraction of investments and grants; 2) management of municipal property; 3) formulation, approval and execution of the local budget, etc.

The country has 40 Raions and 484 local self-governance bodies (LSG). The LSG includes two main cities (Bishkek and Osh), 29 other towns and 453 settlements (AyilOkmotu). Each LSG has its own Local Kenesh (parliament), executive bodies (city halls, AyilOkmotu) through which the budgets of LSG are executed. LSGs have limited responsibility for the provision of services; they are responsible for local infrastructure, but most of the costs of secondary education and healthcare is maintained by the central government (including the Mandatory Health Insurance Fund (MHIF)). Most of LSG revenues come from withholding tax revenues collected locally.

Equalizing transfers are calculated and distributed on the basis of formula approved by the KR Government Statement No.321 dated by June 16, 2011 “On Approval of the Procedure for Determining the Amount of Equalizing Transfers”. The equalizing transfer formula calculates the amount of revenue per capita that can be received by the local budget based on the level of economic development of the corresponding territory, taking into account differences in the population structure, socio-economic, climatic, geographical and other objective factors and conditions affecting the cost of provision of budgetary services per capita. It should be noted that when calculating an equalizing transfer, a unified approach is applied for all the local governments and is aimed at equalizing the minimum budgetary provision. A size of equalizing transfers from the Republican Budget is approved annually by the Law of the Kyrgyz Republic “On the Republican Budget of the Kyrgyz Republic for the corresponding year”.

The Law of the Kyrgyz Republic dated by July 9, 2013, No.127 "On the Procedure for Delegating Specific State Powers to Local Self-Government Bodies" defines the legal, organizational and financial basis for delegating state powers to local self-government bodies, as well as the procedure for the execution, suspension and termination of the execution of delegated state powers by local self-government bodies.

The KR Government Statement dated by December 19, 2014, No.715 determined the list of state bodies and powers delegated by them to local self-government bodies.

The KR Government Statement dated by March 17, 2014, No.145 approved a Model Agreement on delegating specific central government powers to local governments.

Accounting

The Regulation on **Accounting** in the Public Administration Sector (hereinafter referred to as the Regulation) establishes a unified procedure for the maintenance of accounting and preparation of financial statements for budgetary institutions. Accounting is maintained by budgetary institutions in accordance with the Regulations and funding sources with the mandatory use of Chart of Accounts (cash basis accounting, with partial use of the accrual basis).

The source of information for the preparation of financial statements of budgetary institutions is the data of accounting registers. The main administrators of budgetary funds, in agreement with the Ministry of Finance of the Kyrgyz Republic and taking into account the specifics of their activities, have the right to develop and approve internal documents regulating accounting.

The Instruction on the procedures of the authorized state body for forecasting and budget execution for accounting and reporting was approved by the Statement of the Government of the Kyrgyz Republic

dated by August 16, 2017, No.488. The Instruction establishes unified accounting procedures, as well as regulates the composition, procedure for preparing, consolidating and submitting reports on the execution of budgets of the budgetary system of the Kyrgyz Republic in accordance with requirements of international standards for public finance statistics.

Taxation

Taxation is regulated by the Tax Code, which entered into force in 2009. The Tax Code regulates relationship on development, implementation and collection of taxes in the Kyrgyz Republic and relationship arising in the process of implementing tax control. The tax legislation of the Kyrgyz Republic covers the entire territory of the Kyrgyz Republic, with exception of regulatory legal acts of Local Keneshes, operating at their respective territories.

Pensions and other long-term social benefits are mainly paid through the Social Fund, which is financed from salary payments (about 60% of income) and subsidies from the Republican Budget (about 40% of income). About three quarters of total government allocations on health services is administered through the MHIF, which receives 2 percentage points of 17.25% of employers' social contributions but is mainly financed through transfers from the Republican Budget (11,1 billion soms in 2019). The State Tax Service now collects social contributions, and MHIF operations are integrated into the national treasury system, but payments to the Social Fund are still made through the commercial banking system.

Procurement

The **Law "On Public Procurement"** dated by April 3, 2015, No.72 stipulate general legal and economic principles for public procurement and regulates the procedure for conducting public procurement. The Law does not regulate public procurement: related to the protection of state secrets, production and (or) personification of documents of state importance and special state forms, and hemodialysis services for patients with chronic renal failure of the fifth stage.

In addition, the Law does not regulate public procurement of the National Bank in relation to the procurement of goods, works, services and consulting services carried out within the framework of the implementation of investment and other projects financed in whole or in part by international organizations. Public procurement legislation is the responsibility of the Public Procurement Department under the Ministry of Finance of the Kyrgyz Republic. The Department is a subordinate unit of the Ministry of Finance of the Kyrgyz Republic that provides regulation of the public procurement system and is responsible for all procurement carried out by ministries, departments, local governments (including State owned enterprises) in accordance with the standard list of goods, services and works. The conclusion of many contracts passes through the state portal of public procurement, but the latter is not obligatory for use when making purchases from a single source, where the legislation provides for a wide range of exceptions from participation in a competitive environment. Complaints about government procurement decisions are subject to review by the Interdepartmental Independent Commission.

The Department of Public Procurement under the Ministry of Finance of the Kyrgyz Republic on an ongoing basis conducts selective monitoring of tenders at the web portal of public procurement. The main purpose of the monitoring is to assess the compliance with the legislation in the field of public procurement by procuring

organizations during public procurement. According to Article 48 of the Law "On Public Procurement", complaints must be submitted through the Official Public Procurement Portal (hereinafter referred to as the Portal). All complaints submitted through the Portal are publicly available. In 2019, there were 2877 complaints and 349 appeals in total. At the end of 2019, the Independent Interdepartmental Commission considered 1050 complaints, 1603 complaints were rejected, 33 are under consideration, 16 new and 175 complaints were withdrawn. At the end of 2019, 47 suppliers were included in the Database of Unreliable (Unscrupulous) Suppliers (Contractors).

Judicial system

According to the Constitution, **the judicial system** operates independently of the government. The judges of the Supreme Court and the Constitutional Chamber of the Supreme Court are appointed by the Parliament on the proposal of the President in accordance with the recommendations of the Council for Selection of Judges; local court judges are appointed by the President in accordance with the recommendations of the Council for Selection of Judges.

Main PFM laws and regulations

PFM area	Law/ regulation	Brief description and coverage
All	Constitution	<p>According to the Constitution of the Kyrgyz Republic, the President of the Kyrgyz Republic is the head of state, its highest official, determining main dimensions for domestic and foreign policy of the state and represents the Kyrgyz Republic within the country and in international relations. President is the Commander of the country's defense forces and appoints the chairman of the National Bank and one third of the members of the Accounts Chamber (the country's highest control body). Constitutional amendments, approved in 2010, provide for delegation of authorities and powers to Parliament and Government. President approves laws on budget and taxes passed by Jogorku Kenesh (Parliament). President can revoke any new law, except for budget and tax issues, which he must approve; and two-thirds majority is required to revoke his veto on other issues.</p> <p>In accordance with the Article 13 of the Constitution of the Kyrgyz Republic, the State Budget of the Kyrgyz Republic consists of the Republican and Local budgets, includes state revenues and expenditures. The procedure for formulation, adoption and execution of the Republican and Local budgets, as well as audit of their execution are determined by law. The Republican Budget is adopted by law, local budgets - by the decision of the relevant representative bodies.</p>
Planning	Budget Code of the Kyrgyz Republic	The Budget Code stipulate foundation for legal regulation of relations arising in the field of public finance management in the process of formulation, consideration, approval, revision and execution of Republican and Local budgets, budget investments, state and municipal debt, budgets of the Social Fund of the Kyrgyz Republic, Mandatory Health Insurance Fund under the Government of the Kyrgyz Republic,

PFM area	Law/ regulation	Brief description and coverage
		<p>and also determines the status of participants in the budget process and legal basis for responsibility at violation of budget legislation.</p> <p>The Budget Code provides for medium-term fiscal planning and the use of program budgeting in the planning and management of government agencies.</p>
Budgeting	Budget Code of the Kyrgyz Republic	<p>Budget Code establish basis for legal regulation of relations arising in the field of public finance management in the process of approval, revision and execution of the Republican and Local budgets. The execution of the approved budgets is carried out, respectively, by the Government, the Social Fund, state bodies and executive bodies of local self-governance. A by-law (normative legal act) on a budget for a next budget year empower state bodies and local self-government bodies to make expenditures and take budget commitments. Expenditures made within the process of budget execution are to be within the approved budgets. Republican and Local budgets are executed by authorized executive bodies on the basis of quarterly budget distribution in the order stipulated by the authorized state body.</p> <p>Expenditures for maintenance of activities of budgetary institutions are made on the basis of approved limits for budgetary commitments, and Government determine the procedures for establishing and approving those commitments. KR MoF ensure organization of execution of the Republican Budget and coordination of the activities of state bodies and local self-government bodies regarding execution of the Republican and Local budgets.</p>
Accounting	<p>1. Decree of the Ministry of Finance "On approval of the Regulation on accounting and financial reporting in the public administration sector" dated by December 25, 2018 No. 137.</p> <p>2. Statement of the KR Government "On approval of the Instruction on procedures of the authorized state body for forecasting and executing the budget on accounting and reporting" dated by August 16, 2017 No. 488.</p> <p>3. Decree of the KR MoF "On reporting about results of execution of the KR State Budget for a corresponding reporting period"</p>	<p>1. The Regulation on Accounting in the Public Administration Sector (hereinafter referred to as the Regulation) establishes a unified procedure for the maintenance of accounting and preparation of financial statements for budgetary institutions. Accounting is maintained by budgetary institutions in accordance with the Regulations, and is presented by funding sources with the mandatory use of the Chart of Accounts.</p> <p>The data of accounting registers is the source of information for preparation of financial statements of budgetary institutions. The main administrators of budgetary funds are entitled, in agreement with the KR MoF (hereinafter - MoF), and taking into account the specifics of its activities, to develop and approve internal documents regulating accounting.</p> <p>2. The instruction establishes unified accounting procedures, as well as regulates the composition, procedure for preparing, consolidating and submitting reports on the execution of budgets of the budgetary system of the Kyrgyz Republic in accordance with the requirements of international standards for public finance statistics.</p>

PFM area	Law/ regulation	Brief description and coverage
Audit	Law of the Kyrgyz Republic "On the Accounts Chamber of the Kyrgyz Republic" dated by August 13, 2004 No. 117.	External audit over formulation and execution of budgets of the budgetary system of the Kyrgyz Republic is undertaken by the Accounts Chamber. The Law define status, goals, objectives, principles, functions, powers, rights and responsibilities of the Accounts Chamber of the Kyrgyz Republic. The Accounts Chamber is responsible for auditing central government, local governments, Social Fund and MHIF, as well as Republican Budget.
Intergovernmental fiscal relations	<ol style="list-style-type: none"> 1. Budget Code of the Kyrgyz Republic 2. Law of the Kyrgyz Republic "On Local Self-Governance" dated by July 15, 2011 No. 101 3. Procedure for determining values for equalizing, approved by the Statement of the KR Government, dated by June 16, 2011, No.321 4. Law of the Kyrgyz Republic dated by July 9, 2013, No.127 "On the procedure for delegating specific state powers to local governments" 	<ol style="list-style-type: none"> 1. The Budget Code stipulate general provisions and principles of interbudgetary relations, distribution of revenues between the Republican and Local budgets, distribution of expenditure obligations between central and local governments. The following instruments of interbudgetary regulation are outlined: interbudgetary transfers, equalizing and targeted transfers of the central government for local governments in addition to local taxes and other revenues attributed for them. 2. Law of the Kyrgyz Republic "On Local Self-Governance" establishes principles of organizing local government at the level of administrative-territorial units of the Kyrgyz Republic, defines the role of local self-governance in undertaking public power, stipulates organizational and legal framework for their activities, establishes the competence and principles of relationship between local self-governance bodies and central authorities, state guarantees of the right of local communities to self-governance. According to the Law, the issues of ensuring the economic development of the relevant territory, attracting investments and grants, managing municipal property, formulation, approval and execution of local budget are referred to issues of local importance. 3. Equalizing transfers are calculated and distributed on the basis of formula approved by the KR Government Statement No.321 dated by June 16, 2011 "On Approval of the Procedure for Determining the Amount of Equalizing Transfers". The equalizing transfer formula calculates the amount of revenue per capita that can be received by the local budget based on the level of economic development of the corresponding territory, taking into account differences in the population structure, socio-economic, climatic, geographical and other objective factors and conditions affecting the cost of provision of budgetary services per capita. It should be noted that when calculating an equalizing transfer, a unified approach is applied for all the local governments and is aimed at equalizing the minimum budgetary provision. A size of equalizing transfers from the Republican Budget is approved annually by the Law of the Kyrgyz Republic "On the Republican Budget of the Kyrgyz Republic for the corresponding year". 4. The Law of the Kyrgyz Republic dated by July 9, 2013, No.127 "On the Procedure for Delegating Specific State Powers to Local Self-Government Bodies" defines the legal, organizational and financial basis for delegating state powers to local self-government bodies, as well as the procedure for the execution, suspension and termination of the execution of delegated state powers by local self-government bodies.

PFM area	Law/ regulation	Brief description and coverage
		<p>The KR Government Statement dated by December 19, 2014, No.715 determined the list of state bodies and powers delegated by them to local self-government bodies.</p> <p>The KR Government Statement dated by March 17, 2014, No.145 approved a Model Agreement on delegating specific central government powers to local governments.</p>
Parliament	<p>Constitution of the Kyrgyz Republic.</p> <p>Law of the Kyrgyz Republic "On the Regulations of the JogorkuKenesh (Parliament) of the Kyrgyz Republic" dated by November 25, 2011, No.223</p> <p>Law of the Kyrgyz Republic "On Local Self-Government" dated by July 15, 2011, No.101</p>	<p>1. The Constitution of the Kyrgyz Republic provides for the powers of the JogorkuKenesh (Parliament) of the Kyrgyz Republic.</p> <p>The Regulations of the JogorkuKenesh (Parliament) of the Kyrgyz Republic determine the order and procedures for undertaking by JogorkuKenesh (Parliament) of the Kyrgyz Republic of powers provided by the Constitution of the Kyrgyz Republic. Authorities of JogorkuKenesh (Parliament) include approval of the Republican Budget, approval of the Report on Execution of the Republican Budget, approval of the terms of any new external borrowings by the government, approval of legislation on other aspects of PFM. The Government and the Parliament members have the right to initiate legislation, propose new legislation, which are considered by the Parliament in three readings. Legislation increasing government expenditures can only be passed if the government has identified the source of funding. The draft budget proposed by the government must be agreed with the Parliament. The Parliament Committee on Budget and Finance reviews the Law on Annual Budget and legislation on other aspects of PFM, and this Committee can approve introduction of changes to the allocation of funds during budget execution.</p> <p>The constitutional composition of the JogorkuKenesh (Parliament) is represented by 120 deputies elected for a term of 5 years.</p> <p>2. In accordance with the Constitution and the Law "On Local Self-Governance", the system of local self-governance bodies is formed by local keneshes - representative bodies of local self-government (Parliament of LSG), AyilOkmotu, urban municipalities - executive bodies of local self-governance.</p> <p>Local Keneshes, in accordance with the Law, approve local budgets, control their execution, approve programs for the socio-economic development of the local community and social protection of population, introduce local taxes and fees, as well as establish privileges for them, resolve other issues of local importance.</p>
Internal Audit	<p>Law of the Kyrgyz Republic "On Internal Audit" dated by January 26, 2009 No. 25</p>	<p>The law regulates relations associated with the implementation of internal audit of state bodies and institutions, and states principles and bases of its conducting and functioning. This Law cover ministries, state committees, administrative departments, other state bodies, and other executive bodies, bodies of the state social insurance and pension system, local self-government bodies, their subordinate organizations, state enterprises.</p>
Internal control	<p>Law of the Kyrgyz Republic "On Internal Audit" dated by January 26, 2009, No.25</p>	<p>Each budgetary institution develops its own internal control system that meet its requirements and specifics in accordance with the Law of the Kyrgyz Republic "On Internal Audit" dated by January 26, 2009, No.25, and the Statement of the Government of the Kyrgyz Republic "On</p>

PFM area	Law/ regulation	Brief description and coverage
		establishment of internal audit services in state bodies and institutions, local governments of the Kyrgyz Republic" dated by March 13, 2009, No.177.
Procurement	Law of the Kyrgyz Republic "On Public Procurement" dated by April 3, 2015, No. 72	Public procurement legislation consists of the Law and other regulatory legal acts regulating public procurement processes. The Law establishes general legal and economic principles of public procurement and regulates the procedure for conducting public procurement. State bodies, budgetary institutions, local self-government bodies, state enterprises are obliged to undertake purchases in accordance with the Law. The Law does not regulate public procurement directly related to: 1) national security; 2) defense; 3) protection of state secrets; 4) natural disasters.
Public participation	1. Budget Code of the Kyrgyz Republic 2. Law of the Kyrgyz Republic "On access to information under the jurisdiction of state bodies and local self-government bodies of the Kyrgyz Republic".	1. The Budget Code stipulates requirements for timely publication of budgets and budget execution reports, including the preparation of the Citizens Budget. In accordance with the Code, consideration and approval of budgets of the budgetary system of the Kyrgyz Republic is carried out openly and publicly, with the exception of consideration of issues containing state or other secrets protected by law. Draft budgets of the budgetary system of the Kyrgyz Republic are subject to mandatory public discussion. The budget code applies to LSGs also. 2. The Law regulates access of individuals and legal entities to information under the jurisdiction of state bodies and local self-government bodies.

1.5.PFM Reform process

1.5.1. Approaches to PFM reform

Strategic objectives of budgetary policy for the medium term are formulated in the Strategy for the Development of Public Finance Management for 2017-2025 (Statement of the Government of the Kyrgyz Republic dated by December 22, 2016, No. 696)³. The goal of public financial management reform is to ensure a modern, effective, accountable, responsible management of public finances in the Kyrgyz Republic, able to provide main public services efficiently, effectively, fairly and equitably, ensuring comprehensive increase of population well-being.

The main objectives of the Strategy are: 1) improving the planning and execution of the state budget, including: increasing the transparency, completeness and reliability of the budget; 2) bringing the budget in line with state policy; 3) improving control over budget revenues and expenditures; 4) timeliness of accounting and financial reporting; 5) improvement of internal and external audit procedures.

The sequence of the ongoing reforms of the Strategy provides for 3 stages of implementation, characterized by guidelines, plans and approaches.

³ PFM Development Strategies for 2017-2025, The document is available at: <http://cbd.minjust.gov.kg/act/view/ru-ru/98725/10?mode=tekst#unknown>

Within the framework of the Stage I, a work will be undertaken to improve financial discipline. As a result of the implementation of the first stage of the Strategy, the current PFM system in the Kyrgyz Republic will reflect the observance of financial discipline: budget execution in accordance with the plan, which will contribute to the achievement of budget feasibility and reliability.

One of the main tasks of the Stage II of the implementation of the "Fiscal Sustainability" Strategy is to improve the accuracy and validity of forecasts, which will ensure fiscal sustainability and switch to medium-term planning. The expected result of this stage of the Strategy implementation: budget planning and execution in accordance with priority areas and realistic forecasts for the medium term, which will contribute to the implementation of a sustainable fiscal policy.

Stage III of the Strategy is aimed at improving the quality-of-service delivery. The expected result of the III stage of the Strategy "Effectiveness": is the management of budgetary resources, which will contribute to the quality delivery of services and rational use of funds.

As part of the implementation of the first stage, by the Decree of the Ministry of Finance, the "Medium-Term Action Plan for the Implementation of the PFM Development Strategy for 2017-2019" was approved. By the Decree of the Ministry of Finance of the Kyrgyz Republic dated by June 30, 2020 No. 70-p, the Medium-Term Action Plan for 2020-2022 (stage II) for the implementation of the Strategy for the Development of Public Finance Management in the Kyrgyz Republic for 2017-2025 was approved⁴.

In order to implement reforms in the development of local self-government and financial decentralization in the Kyrgyz Republic, improve the public finance management system, - the Concept for the development of interbudgetary relations in the Kyrgyz Republic for the period 2016-2019 and Action Plan for implementation of the Concept⁵ were adopted by the KR Government Statement dated by March 10, 2016, No. 116.

The purpose of the Concept is to create favorable and stable conditions for providing financial resources to local budgets of AyilAimaks and cities of the Kyrgyz Republic, regardless of the geographical location and characteristics of the development of the territory.

The main tasks of the Concept were: a) improving the interaction of state bodies, local self-government bodies in interbudgetary relations; b) development of motivational factors for local self-government bodies and local communities during the enlargement of AyilAimaks and districts as part of the implementation of the administrative-territorial reform in the Kyrgyz Republic; c) determination of the main directions for increasing the income potential of local self-government bodies; d) development of an effective mechanism for financing state programs at the local level at the expense of the Republican and Local budgets; e) improving the transfer policy based on the formation of incentives for local governments to increase their own revenues and optimize costs.

The reform of the public finance system and the development of the country's regions are among the important directions expressed in the National Strategic documents on sustainable development. In these documents, the

⁴Medium-term action plan for 2020-2022 (stage II). The document is available at: <http://www.minfin.kg/ru/novosti/novosti/utverzhen-srednesrochnyy-plan-deystviy-na-2020-20>

⁵ Concept for the development of interbudgetary relations in the Kyrgyz Republic for the period 2016-2019 and the Action Plan for the implementation of the Concept. The document is available at: <http://cbd.minjust.gov.kg/act/view/ru-ru/99087?cl=ru-ru>

President of the Kyrgyz Republic, the Jogorku Kenesh and the Government of the Kyrgyz Republic declare their **commitment to the process of transition to sustainable development** through various development elements, one of which is “Generation of a Sustainable Environment for Development”, which focuses on public finance reform and the sustainability of State External Debt. In addition, one of the development elements is "Development of the Country's Regions", which focuses on budgetary policy at the local government level, a clear distribution of functions and powers between local state administrations and local government bodies and strengthening of legislation regulating local government.

The National Development Strategy of the Kyrgyz Republic for 2018-2040⁶, as a vision in the areas of establishing a sustainable environment for development of the country's regions, determines that:

Generation of a sustainable environment for development

The economic policy will be focused on reforming with the formation of a new institutional structure and environment for the functioning of the economic system. Ensuring macroeconomic stability and the development of political and legal institutions is considered as a basic prerequisite for the success of the country's development, creating conditions for sustainable economic development. In the long term, minimization of macroeconomic risks and transaction costs will become a powerful factor in the growth of the country's investment attractiveness and motivation for business activity.

Development of regions in the country

There will be conditions developed when every citizen, community, organization will have an opportunity to implement their initiatives in order to develop their city, village, region. There will be conditions developed to attract investment and develop business in the regions of the country. The regions will receive necessary opportunities and resources to implement their own development programs.

The vision of “Generation a Sustainable Environment for Development” will be achieved through changes in the philosophy and principles of financing development with a gradual reduction of dependence from “donor’s” financial resources and mobilizing domestic resources. Another step will be a real transition to program budgeting and changes in the system of budget planning and execution, taking into account the program approach". The long-term debt policy of the state will be aimed at ensuring and maintaining the stability of the State External Debt. Priorities with regard to the structure of State Debt, including the need to diversify the portfolio, will be formulated by the government's medium-term debt management strategies based on regular analysis of the risks and costs of the debt portfolio. Close attention will be paid to the possibilities of borrowing in the domestic market, including with the aim of stimulating the development of the domestic financial market. The role of domestic borrowing instruments as an affordable and reliable source of financing budget needs will increase.

The vision for "Developing Regions of the Country" will be achieved through a clear distribution of functions and powers between local state administrations and local governments, strengthening the legislation governing local government, including in comparison with the sectoral legislative framework. The third element of the transformation should be a change in the national planning system and the principle of linking to the spatial development of specific territories should be ensured. The budgetary policy at the level of local self-government will be based on the need to meet the needs of the population, and not on a residual principle. A key characteristic of an effective budgeting process will be presence of a development budget. The system of splitting revenues between the Republican and Local budgets will be changed in accordance with the functions assigned to the relevant governing bodies. The methodology for calculating

⁶National Development Strategy of the Kyrgyz Republic for 2018-2040, pp. 109, 121 and 122. The document is available at: <http://www.president.kg/sys/media/download/52135/>.

equalizing grants will be revised in order to ensure a fair, understandable and effective equalization of local budget revenues. An important task affecting the effectiveness of interbudgetary relations is the informatization and automation of the planning processes and execution of local budgets.

Specific measures in the field of PFM and development of regions that need to be implemented during 2018-2022 are set out in the government program "Unity, Trust, Creation", approved by the Statement of the Jogorku Kenesh of the Kyrgyz Republic dated by 20.04.2018, No.2377-VI⁷. This was complemented by the Public Debt Management Strategy (2018-2020) published in February 2018. The implementation of improvements in PFM is currently supported by a second Capacity Development Program (CB2) funded by a multilateral trust fund managed by the WB. Other relevant actions are being undertaken under the program of the government "Digital Kyrgyzstan", which aims to increase the benefits to the Kyrgyz economy through the use of information technology. Since 2020, the implementation of Stage II of the Strategy, aimed at ensuring fiscal sustainability, has begun. By the Decree of the Ministry of Finance of the Kyrgyz Republic dated by June 30, 2020, No.70-p, the Medium-Term Action Plan for 2020-2022 (stage II) for the implementation of the Strategy for the Development of Public Finance Management in the Kyrgyz Republic for 2017-2025 was approved. The Covid 19 crisis inevitably delays progress on PFM reform initiatives. The situation was exacerbated by political instability following the failed parliamentary elections in October 2020.

1.5.2. Ongoing PFM Reforms

The PFM reform is currently being carried out in accordance with the "Strategy for the Development of Public Financial Management for 2017-2025 (Statement of the Government of the Kyrgyz Republic No.696 dated by December 22, 2016) and is supported by the Second Capacity Development Program (CB2), funded by a multilateral trust fund managed by the WB.

Within the implementation of Stage I, the "Medium-term Action Plan for the Implementation of the PFM Development Strategy for 2017-2019" was approved by the Decree of the Ministry of Finance and a work was undertaken to improve financial discipline.

Since 2020, the implementation of Stage II of the Strategy, aimed at ensuring fiscal sustainability, has begun. By the Decree of the Ministry of Finance of the Kyrgyz Republic dated by June 30, 2020, No.70-p, the Medium-Term Action Plan for 2020-2022 (stage II) for the implementation of the Strategy for the Development of Public Finance Management in the Kyrgyz Republic for 2017-2025 was approved. The Covid 19 crisis inevitably delays progress on PFM reform initiatives. The situation was exacerbated by political instability following the failed parliamentary elections in October 2020.

At the same time, within the framework of the implementation of the Medium-Term Action Plan for the implementation of the PFM Development Strategy for 2017-2019 and the Medium-Term Action Plan for 2020-2022, the following activities were carried out in three areas: A) improving the budget planning; B) improving budget execution; C) improved financial reporting and control.

⁷Program of development of the Kyrgyz Republic for the period 2018-2022 "Unity, Trust, Creation". The document is available at <http://www.kenesh.kg/ru/article/show/3678/2018-zhildin-20-aprelindegi-2377-vi-kirgiz-respublikasinin-okmotunun-ishinin-programmasin-bekituu-zhonundo>

1.5.2.1. Improve budget planning

In order to improve forecasting of budget revenues, the Law of the Kyrgyz Republic "On Amendments to the Law of the Kyrgyz Republic "On State Forecasting of Social and Economic Development of the Kyrgyz Republic" dated by April 6, 2018 No.36 was adopted. In order to improve the process of forecasting the socio-economic development of the Kyrgyz Republic and improve interaction between forecasting participants, the Government of the Kyrgyz Republic has developed and issued a Statement "On approval of the State Forecasting System in the Kyrgyz Republic and the Procedure for developing a forecast of socio-economic development of the Kyrgyz Republic" dated by May 17, 2018 No.239.

In order to prepare a unified and agreed macroeconomic forecast for the socio-economic development of the Kyrgyz Republic and provide timely recommendations on addressing macroeconomic stability issues, active joint actions are being carried out within the framework of the technical group on financial programming. Based on the results of the work of the technical group, a draft Medium-term forecast of socio-economic development of the Kyrgyz Republic for 2020-2022 was formed (KR Government Statement dated by June 3, 2019 No.270), a draft Medium-term forecast of socio-economic development of the Kyrgyz Republic for 2020-2022 was developed (KR Government Statement dated by September 10, 2019 No.465).

By the Statement of the Government of the Kyrgyz Republic dated by November 13, 2018 No. 532 "On Amendments to the Statement of the Government of the Kyrgyz Republic "On organizational issues of generation of the draft State Budget revenues" dated by August 26, 2015, No.604", the Guidelines for performing functions of administrators of budget resources of the Kyrgyz Republic were approved, Register of sources of budget revenues by administrators of budget resources of the Kyrgyz Republic in accordance with the Budget Classification of the Kyrgyz Republic, as well as amendments have been made to the Procedure for the formation of the state budget revenues. There is a work undertaken on automatization of forecasting state revenues.

Within the framework of improving accuracy of forecasts on collection for special funds, the Government of the Kyrgyz Republic issued a Statement "On Funds of Budgetary Institutions Accumulated in Special and Deposit Accounts of the Treasury" dated by September 29, 2017, No.626.

In order to develop and approve the list of budget resource administrators, by the Statement of the KR Government dated by November 13, 2018, No.532, the Guidelines for performing the functions of the KR budget resource administrators and the Register of sources for budget revenues by administrators of the Kyrgyz Republic budget resources were approved.

To improve the mechanisms of financial reporting of enterprises with a state share and an analysis of the associated risks of reducing budget revenues, work is being carried out to analyze the financial and economic activities of business entities with a state share.

In order to improve the administration of non-tax revenues, an inventory of regulatory legal acts is carried out on an ongoing basis, a draft Law of the Kyrgyz Republic "On Amendments to Legislative Acts of the

Kyrgyz Republic in the Field of Collecting Non-Tax Revenues" was developed, which was approved by the Government of the Kyrgyz Republic dated by June 27, 2019 No. 319. The Decree of the Ministry of Finance of the Kyrgyz Republic was issued: "On Approval of the Action Plan for the Management of Non-Tax Revenues for 2018-2020" dated by April 4, 2018, No.39-P was adopted, in order to identify ways to improve the administration of non-tax revenues for 2018-2020. The Law of the Kyrgyz Republic "On the Enactment of the Code on Non-Tax Incomes of the Kyrgyz Republic" and the Code of the Kyrgyz Republic on Non-Tax Income dated by August 10, 2018.

In order to improve forecasting of budget expenditures, the "The Procedure for Formulation of draft Republican Budget and Amendments to the Republican Budget of the Kyrgyz Republic" was developed and approved by the Statement of the KR Government No.723 dated by November 1, 2017, which defined unified rules for all participants of the budget process. The KR Government Statement "On the Procedure for Formulation and Execution of the Cash Plan of the Republican Budget of the Kyrgyz Republic" was developed and approved at October 2, 2017, No.632. "Methodological Guidelines for Compiling information on fiscal risks" were approved by the KR MoF Decree on January 26, 2016, No.9-p.

A work is being undertaken to automate the budget expenditure planning process within the FMIS. As part of improving public investment policies and procedures, starting from 2018, the draft "Main directions of fiscal policy for 2019-2021" in terms of forecasting public investment expenditures is developed in accordance with the newly developed format of the need for funds for the corresponding years.

The Process of Implementing Program Budgeting in the Kyrgyz Republic. Activation of the process on introduction of the program budgeting in the Kyrgyz Republic took place in 2011, when six-line ministries were included in the Pilot Project on Program Budgeting, which presented their budgets for 2012-2014. Since this period, the list of ministries and agencies presenting their budgets in a program format was gradually expanding, with full coverage of all ministries and agencies financed from the National Budget in 2014. Since 2014, the expenditures of the National Budget in the program format are presented by more than 85%. Program budgets for 2018-2020 are also presented by all ministries and agencies funded from the National Budget.

The Kyrgyz Republic Government issued a Statement "On Program Basis Budgeting" dated by December 30, 2017 No. 854, to enable implementation of the following Kyrgyz Republic Budget Code norms (Articles 82, 84, 86) in 2017: 1) Instructions on the procedure for the development, consideration and implementation of Medium-term strategies for budget expenditures; 2) Instructions on the procedure for the development, consideration and implementation of budgets on a program basis; 3) Instructions on developing indicators for determining budget programs and measures performance.

The Kyrgyz Republic Ministry of Finance with the purpose to introduce implementation on the basis of budget programs – introduced program classification to the automated system of Treasury. In 2017, a pilot project of financing was implemented among four ministries (the Ministry of Labor and Social Development of the Kyrgyz Republic, the Ministry of Education and Science of the Kyrgyz Republic, the Ministry of Healthcare of the Kyrgyz Republic, the Ministry of Agriculture, Food Industry and Melioration of the Kyrgyz Republic) and piloted collection of reports on execution of budget programs through the automated Treasury system.

In addition, from January 1, 2018, the Article 87 of the Budget Code of the Kyrgyz Republic entered its force, and it provides for an assessment of the effectiveness of budget programs of ministries and agencies based on the achievement of performance indicators. In this regard, the Statement of the Government of the Kyrgyz Republic of 2019 №17 "On monitoring and evaluating the effectiveness of budget programs", following was approved: 1) procedure for submitting reports on achievement of performance indicators of budget programs; 2) procedure for assessing effectiveness of budget programs.

Since 2018 the Automated Information System of Treasury "IS: Treasury. Budget" includes implementation of budget based on budget programs and measures.

In order to introduce program-based budgets (PBBs) at the level of local budgets, in 2017, an analysis and monitoring of international practice on the application of the methodology for the formulation of local budgets on a program basis was undertaken. An Instruction was developed on the procedure for the formulation, consideration and execution of budgets on a programmatic basis at the local level, which was approved by KR MoF Decree No. 69-P dated by July 23, 2018.

Considering the importance of regional development as well as limited budgetary resources, within the framework of the OSCE project "Environmental safety and sustainable management of natural resources" over the past few years, there is an expert assistance provided to local governments (hereinafter referred to as LSGs) in the development of local program budgets to identify areas for spending funds by local governments, including on environmental development issues. Such expert assistance in 2018-2019 was provided to the following cities: Naryn, Kochkor-Ata, Osh, Kant, Balykchi, Kochkor village. In 2020, expert assistance was provided to the city of Mailuu-Suu, the village of Min-Kush and the Sumsaraiylaimak.

The PFM reform is currently supported by a second Capacity Building Program (CB2) funded by a multilateral trust fund managed by the WB. A consultant from the Republic of Georgia is currently working on improving the medium-term planning of expenditure programs, including identifying specific results to be achieved within the specified time frame.

Within the framework of ensuring the completeness and transparency of the budget on an ongoing basis in accordance with the regulatory legal acts of the Government of the Kyrgyz Republic, amendments are introduced to the relevant sections of the budget classification of the Kyrgyz Republic. Format and presentation of budget for publicity is being improved. In accordance with the KR MoF Decree dated by July 11, 2019, No.12-1-6/217, the Action Plan of the Ministry of Finance of the Kyrgyz Republic for the implementation of the National Action Plan for Building an Open Government of the Kyrgyz Republic for 2018-2020 was approved.

In order to widely familiarize citizens of the Kyrgyz Republic with the budget and the budgetary process, the Civil Budget of the Kyrgyz Republic is formulated and published, and a public hearing of the draft budget is held annually. Press releases are periodically posted at the MoF website and press conferences are held to clarify new norms in budgetary legislation.

As part of the development of interbudgetary relations, work is currently being carried out on a stage-by-stage reform of the administrative-territorial structure of the Kyrgyz Republic. The above activities are carried out in accordance with the Resolution of the Government of the Kyrgyz Republic No. 461 dated by

December 28, 2018, which approved the roadmap for the phased reform of the administrative-territorial structure of the Kyrgyz Republic, with participation of ministries and departments of the Kyrgyz Republic.

In order to improve the legislative and regulatory framework on interbudgetary relations, the KR Government issued a Resolution No.235 dated by May 30, 2019, "On Amending the Resolution of the Government of the Kyrgyz Republic "On Approval of the Temporary Methodology for Calculating the Value of Transfers Provided to Local Budgets from the Republican Budget for Implementation separate delegated state powers" dated by December 19, 2014 No. 715". The changes introduced are aimed at increasing the list of state bodies and powers delegated to local self-government bodies.

As part of improving the legal framework of the budgetary process of LSG bodies in terms of providing them with information on transfers from the republican budget before the start of the financial year and improving the equalization transfer formula, the Government of the Kyrgyz Republic has developed and adopted a Statement dated by January 15, 2018, No.18 "On Amendments to the Statement of the Government of the Kyrgyz Republic "On approval of the Methodology for calculating equalization grants" dated by June 16, 2011, No.321"⁸ providing for the growth of the revenue potential of local budgets.

The Ministry of Finance of the Kyrgyz Republic, in order to implement the budgetary policy aimed at increasing the incomes of local self-government bodies, as well as the implementation of measures "Concept for the development of interbudgetary relations in the Kyrgyz Republic for the period 2016-2019", provides for the reform of the distribution of taxes between the Republican and Local budgets by introducing the principle "one tax, one budget".

As part of this, it is planned to gradually redistribute the rate of deductions from income tax in favor of local budgets and bring it to 100%, while increasing the rate of deductions from sales tax in favor of the Republican Budget.

In this regard, the Law of the Kyrgyz Republic "On the Republican Budget of the Kyrgyz Republic for 2020 and forecast for 2021-2022" provides:

- For 2020, an increase in the standard of income tax deductions to local budgets from 70% to 85%, while reducing sales tax deductions to the local budget from 50% to 25%. At the same time, given that the income tax relative to the sales tax is more tax-intensive, additional revenues to the local budget will amount to about 1.2 billion soms.
- For 2021, it is envisaged to increase the rate of income tax deductions to local budgets from 85% to 100%, at the same time establishing a rate of deductions of sales tax of 100% to the Republican Budget. At the same time, taking into account the tax intensity of the income tax relative to the sales tax, additional revenues to the local budget will amount to about 1.2 billion soms.

⁸ Statement of the Government of the Kyrgyz Republic of January 15, 2018 No. 18 "On Amendments to the Resolution of the Government of the Kyrgyz Republic "On Approval of the Methodology for the Calculation of Equalizing Grants" dated by June 16, 2011, No.321" The document is available at: <http://cbd.minjust.gov.kg/act/view/ru-ru/11683>

To ensure budget transparency at the level of local self-government, by the KR Government Statement dated by September 5, 2019, No.452, the "Methodology for assessing the municipal budget transparency index"⁹ was approved. When assessing the indicators of budgetary transparency, the reporting data on the execution of the local budget, statistical reporting, the audit report of the Accounts Chamber of the Kyrgyz Republic, and socio-economic development programs are used.

In order to ensure transparency in the registration, submission, selection and implementation of projects for obtaining stimulating (equity) grants through the use of information technologies, the software for this system has been developed and in accordance with the KR MoF Decree No.153-P dated by 30.11.2017, "On starting the Automated System for Registration, Submission, Selection and Implementation of Projects for Obtaining Stimulating (Equity) Grants" - this program was launched and the acceptance of projects is carried out through the website <https://stimgrant.okmot.kg> in electronic form in the online mode, which today operates smoothly.

1.5.2.2. Improving budget execution

Improving the expenses control system in budget execution. In order to provide more freedom for the main budget funds managers (MBFM), a rule has been included in the Budget Code of the Kyrgyz Republic: in the process of budget execution, the MBFM has the right to reallocate funds for the MBFM/recipients of budget funds within the general allocations of budget funds between the items of the economic classification of expenditures. MBFM in the process of budget execution have the right to reallocate funds between individual measures and articles of the economic classification. Changes have been made to the Budget Classification of the Kyrgyz Republic for the consolidation of items. In addition, MBFM estimates are made without quarterly breakdown.

Public Procurement Regulatory- Aiming at improvement of the regulatory legal framework in the field of public procurement, eliminate collisions, omissions and gaps, as well as in order to harmonize the Law of the Kyrgyz Republic "On Public Procurements" with the regulatory legal framework of the Eurasian Economic Union and bring it in compliance with other regulatory legal acts, the following changes were introduced:

- On introducing amendments to the Law of the Kyrgyz Republic "On Public Procurements" (adopted by the Jogorku Kenesh of the Kyrgyz Republic on December 6, 2018, signed by the President of the Kyrgyz Republic on January 11, 2019, No. 4).
- On introducing amendments to the Law of the Kyrgyz Republic "On Public Procurements" (adopted by the Jogorku Kenesh of the Kyrgyz Republic on June 20, 2019, signed by the President of the Kyrgyz Republic on June 26, 2019, No. 76).

In order to bring by-laws in the field of public procurement in accordance with the Laws mentioned above, the Ministry issued a Decree on approval of regulatory legal acts in the field of Public Procurement, dated by December 31, 2019, No. 150-P, - to be in accordance with the Statement of the Kyrgyz Republic

⁹Methodology for assessing the municipal budget transparency index. The document is available at: <http://cbd.minjust.gov.kg/act/view/ru-ru/157069?Cl=en-ru><http://cbd.minjust.gov.kg/act/view/ru-ru/157069?cl=ru-ru>

Government "On delegating certain policy-making powers of the Kyrgyz Republic Government to National Bodies and Executive Bodies of Local Self-Governance" dated by September 15, 2014, No. 530.

In particular, this Decree provides for the approval of the following regulatory acts in the field of Public Procurement: 1) Methodological instructions for the evaluation of bids; 2) Provision on the application of the framework agreement; 3) Standard tender documentation for procurement of goods, works and services by the one-stage bidding method; 4) Standard tender documentation for procurement of goods, works and services using the two-stage bidding method; 5) Standard tender documentation for procurement of goods, works and services using a simplified method.

In addition, this Decree also provides for amendments to the Methodological Instruction on the Application of Benefits to Internal Suppliers (Contractors) and to the Regulation on the Rules for Conducting Electronic Public Procurement, approved by the Decree of the Kyrgyz Republic Ministry of Finance dated by October 14, 2015, No. 175-P.

The Statement of the Kyrgyz Republic Government dated by September 13, 2019, No. 473 "On special terms for joint-stock companies, in the authorized capital of which 50 or more percent of shares belong to the state" - was approved.

In addition, in accordance with the Statement of the Kyrgyz Republic Government dated by April 15, 2019, No.162, the procedure for public procurement related to the production and (or) personification of documents of state significance and special state forms - was approved.

In accordance with the Statement of the Kyrgyz Republic Government dated by May 31, 2019, No.243, the Regulation on the Procedures for Conducting Public Procurement of Goods, Works and Services through the Electronic Catalogue of the Public Procurement Web Portal - was approved.

During 2020, in order to bring regulatory legal acts in line with the Law of the Kyrgyz Republic "On public procurement" (hereinafter referred to as the Law), the following have been **developed**:

- "Standard Tender Documentation for Consulting Services" (approved by the Statement of the KR Government dated by March 6, 2020, No.136).
- "On Amendments to the Regulations on the Procedure for the Operation of the Independent Interdepartmental Commission for Consideration of Complaints against the Actions of Procuring Organizations and the Inclusion of Unreliable Suppliers (Contractors) in the Database during Public Procurement" (approved by the KR MoF Decree dated by March 30, 2020, No.P).
- "On the allocation of funds within the framework of the digital transformation program of the Kyrgyz Republic to complete work on the introduction of an electronic signature on the web portal of public procurement, in order to fulfill obligations to ensure the mutual recognition of an electronic signature under the" Treaty on the Eurasian Economic Union "(approved by the KR Government Resolution dated by 05.06.2020, No.203-r).

According to the draft Law of the Kyrgyz Republic "On Amendments to the Law of the Kyrgyz Republic "On Public Procurement", initiated by the deputies of the Jogorku Kenesh of the Kyrgyz Republic, proposals were made to introduce changes in the Law regarding publishing information on beneficial owners at the public procurement web portal, publishing information on agreement (contract) in terms of the name of the

company to which the contract was awarded, the list of cases of applying the direct contracting method was expanded, which allows procurement under the exemption from the national regime for a period of two years, as well as a number of changes to eliminate gaps and collisions aimed at reducing corruption risks in the implementation of public procurement.

The Law mentioned above, on November 5, 2020, was adopted at a plenary session of the Jogorku Kenesh of the Kyrgyz Republic, on December 18, 2020, signed by the President of the Kyrgyz Republic, on December 29, 2020, published in the Erkin-Too newspaper, and came into force after 30 calendar days from the date of official publication.

In addition, in order to provide state support to domestic manufacturers (internal contractors), stimulate the domestic economy, increase their competitiveness and provide the population with jobs, as well as for the timely adoption of anti-crisis measures to reduce the negative consequences of the spread of COVID-19, there were amendments made to the Law in terms of establishing a fixed amount of benefits for internal suppliers and contractors, conducting operational purchases in high readiness mode (procurement under force majeure circumstances) (approved by the Law of the Kyrgyz Republic "On Amendments to the Law of the Kyrgyz Republic "On Public Procurement" dated by 20 April 2020, No.48)

The KR MoF Decree was developed and approved on October 2, 2020, No.99-P "On approval of the Instruction (Manual) for the administration of the electronic catalog of goods, works and services of the public procurement web portal". The KR MoF Decree dated by October 30, 2020, No.105-P "On approval of the general classifier of public procurement of the Kyrgyz Republic" was developed and approved.

According to the Article 48 of the Law "On Public Procurement", complaints must be submitted through the Official Public Procurement Portal (hereinafter referred to as the Portal). All complaints submitted through the Portal are publicly available. The total number for 2020 is 2877 complaints. On the basis of the 2020-year results, the Independent Interdepartmental Commission considered 764 complaints, 1321 complaints were rejected, 9 are under consideration, 103 complaints were withdrawn. At the end of 2020, 41 suppliers were included in the Database of Unreliable (Unscrupulous) Suppliers (Contractors).

To Reduce Risks of Corruption:

- Introduction of a two-package one-stage method for public procurement, where at the first stage the bids are assessed for compliance with the qualifications and technical requirements of the procuring entity, and at the second stage - the assessment of determining the winner is at the lowest estimated cost.
- Access to quotations through commercial banks was closed, so amendments have been made to the Law of the Kyrgyz Republic "On Public Procurements", where the guaranteed security of the tender application is made from the planned purchase amount, when it was previously made from the amount of the participant's tender application.
- The Kyrgyz Republic Ministry of Finance attracted technical assistance from USAID (United States Agency for International Development) in the Kyrgyz Republic to generate a database on all suppliers (contractors), consultants involved in public procurement with complete and reliable information.

Active work is underway to reform the public procurement system in order to support domestic producers, and at present a lot of attention is paid to procurement of goods within the framework of public procurement from domestic producers.

In order to develop small and medium-sized businesses in the regions, the Kyrgyz Republic Ministry of Finance is actively working on introduction of an Electronic Catalogue. At present time, the Kyrgyz Republic Government issued the Statement "On Approving the Procedure for State Procurement of Goods, Works and Services through Electronic Catalogue" dated by May 30, 2019, No. 243, and developed a platform for Electronic Catalogue of goods, works and services, which operates in pilot mode at the link <http://catalog.gov.kg>

In September 2019, the Catalogue (www.tandoo.zakupki.gov.kg) was launched and work began on filling the content. Procurements through the Catalog are not performed, since not all the processes are integrated with the Electronic Government Procurement Portal.

Improving the revenue control system in budget execution. In order to improve tax administration, analysis and collection of revenues during the year, by the Resolution of the Government of the Kyrgyz Republic dated by November 13, 2018, No.532 "On Amendments to the Resolution of the Government of the Kyrgyz Republic dated by August 26, 2015, No.604", in accordance with the Budget Classification of the Kyrgyz Republic there were approved: the Guidelines for implementation of functions of budget resource administrators of the Kyrgyz Republic, and the Register of sources of budget revenues by administrators of budget resources of the Kyrgyz Republic. The Resolution of the Government of the Kyrgyz Republic of December 31, 2018 No.648 was adopted on the full transfer from January 15, 2019 of the functions of administering insurance contributions from the Social Fund of the Kyrgyz Republic to the State Tax Service.

Since July 1, 2018, a project for the issuance of electronic patents (E-patent) was implemented, which enabled to significantly reduce time and labor costs of taxpayers, created favorable conditions for taxpayers, expanded reach of entrepreneurs by means of attractiveness and availability of the procedure for remotely obtaining patents and paying for them through technical infrastructure devices.

1.5.2.3. Improved financial reporting and control

Improving accounting and reporting standards By the KR MoF Decree "On Approval of Regulatory Legal Acts and Methodological Documents on Accounting and Reporting of Budgetary Institutions" dated by December 31, 2013, No.221-P, the accounting policy of the general government sector was approved (includes 11 standards of Financial Reporting Standards for the Public Sector).

Within the framework of the implementation of the Second project of CBPFM, the adopted standards of FRSPS will be elaborated further.

Improving internal audit and control procedures-The Statement of the Government of the Kyrgyz Republic dated by January 18, 2018, No.33 "On Amending the Statement of the Government of the Kyrgyz Republic "On the Creation of Internal Audit Services in State Bodies and Institutions, Local Self-Government Bodies of the Kyrgyz Republic" dated by March 13, 2009, No.177" was adopted. According to this resolution, Internal Audit Services were created (in 30 state bodies and institutions), qualification requirements for

internal auditors were established (today 84 internal auditors have qualification certificates for internal auditors in the public sector).

The Law of the Kyrgyz Republic of May 26, 2018, No.55 “On Amendments to Certain Legislative Acts of the Kyrgyz Republic on Non-Tax Revenues and Internal Audit Issues” was adopted. By Decrees of the Ministry of Finance of the Kyrgyz Republic, the Regulation on Certification of an Internal Auditor in the Public Sector was approved, and the Examination and Appeal Commission was established to certify internal auditors in the public sector. The program of the Qualification Exam was approved by the Minister of Finance of the Kyrgyz Republic.

Improving external control and audit procedures- As part of improving the methodological base of the Accounts Chamber of the Kyrgyz Republic in the field of state audit, the following documents were developed and approved by the Resolution of the Council of the Accounts Chamber of the Kyrgyz Republic:

- Methodological recommendations for ensuring quality control of the audit.
- Methodological recommendations for the application of audit sampling procedures.

In pursuance of the Decree of the Accounts Chamber of the Kyrgyz Republic dated by February 21, 2018, No.10-6/28 "On approval of the Procedure for organizing audits and ensuring their quality", the leaders of the audit teams are working to strengthen control over the quality of audits by filling out standard forms for controlling the quality of Audit Decisions. The system of the state audit is being improved further.

Detailed analysis of PFM performance

HLG-1 Transfers from a higher-level of Government (HLG)

This indicator assesses the extent to which transfers to the subnational government from a higher-level government are consistent with original approved high-level budgets, and are provided according to acceptable time frames. The indicator contains three dimensions, and uses the M1 (WL - weakest link) method for aggregating dimension scores.

Indicator/Dimension	Score
Transfers from a higher level of government	A
HLG-1.1 Outturn of transfers from higher-level government	A
HLG-1.2 Earmarked grants outturn	A
HLG-1.3 Timeliness of transfers from higher-level government	A

General description of the system in place in Kyrgyz Republic:

The relations within the budgetary system of the Kyrgyz Republic are regulated by establishing standards for deductions from the national revenues and inter-budgetary transfers (Article 53 of the Budget Code). The transfers to local budgets are in the form of: a) equalizing transfers; and b) targeted transfers. The equalizing transfers are provided from the republican budget to cover the financial gap between the level of income and the needs of the local government budgets. While the targeted transfers are provided from the national (central) level budget usually to the sub-national budget purposes. It should be noted that when calculating the equalizing transfers, a unified approach is applied for all local governments.

Equalizing transfers are calculated and distributed on the basis of a formula approved by the Decree of the Government of the Kyrgyz Republic No. 321 dated June 16, 2011 “On Approval of the Procedure for Determining the Amounts of Equalizing Transfers”, taking into account the differences in the structure of the population, socio-economic, climatic, geographical and other objective factors and conditions affecting the cost of providing budgetary services per capita. It should be noted that when calculating the equalization transfer, a unified approach is applied for all local governments and is aimed at equalizing the minimum budgetary provision.

The volume of equalizing transfers from the republican budget is approved annually by the Law on the Republican Budget of the Kyrgyz Republic for the corresponding year.

Recent or ongoing reform activities: Not reported

HLG-1. Outturn of transfers from higher-level government

Performance level and evidence for scoring:

The relations within the budgetary system of the Kyrgyz Republic are regulated by establishing standards for deductions from the national revenues and inter-budgetary transfers (Article 53 of the Budget Code). The transfers to local budgets are in the form of: a) equalizing transfers; and b) targeted transfers. The equalizing transfers are provided from the republican budget to cover the financial gap between the level of income and the needs of the local government budgets. While the targeted transfers are provided from the national (central)

level budget usually to the sub-national one, for specific purposes. The planned and actual transfers(both equalising and targeted) for the three years of assessment are in the table below.

Table HGL-1: Total transfers to Jalal Abad for FY 2017-2019 (the amounts are in `000 KGS)

Year	Budget	Actual	%
2017	626,962	625,767	100%
2018	624,776	622,620	100%
2019	557,596	555,116	100%

The volume of transfers from the Republican Budget is approved annually by the Law of the Kyrgyz Republic “On the republican budget of the Kyrgyz Republic for the corresponding year”. The planned volume of transfers to Jalal Abad for the period 2017-2019 was the actual performance. Transfers have been 100 percent of the original budget estimate in the three years of assessment.

Dimension score- A

Possible causes of PFM performance identified during the PEFA assessment: The clear rules and strict application to the relevant legal acts contribute to predictability in the assessed and provided annual transfers from the national government of KR to the local self government of Jalal Abad.

HLG-2.Earmarked grants outturn

Performance level and evidence for scoring:

The earmarked (also referred to hereafter as targeted) transfers are defined in Article 55 of the Budget Code. They are made available from the republican budget to Jalal Abad for the following purposes: i). compensation for less revenue in local budgets during the budget year, as well as additional expenses or losses resulting from the adoption of regulatory legal acts; ii). financing of local budget expenditures when certain powers of the national government are delegated to the local self-government bodies on the basis of a law or an agreement; iii). joint financing of expenditure from the republican and local budgets.

The planned and actual earmarked (targeted) transfers for the three years of assessment are in the table below.

Table HGL-2: Total earmarked transfers to LSG Jalal Abad for FY 2017-2019 (amounts in `000 KGS)

Year	2017	2018	2019
Budget	200,870	197,517	111,166
Actual	199,676	196,021	108,868
Deviation	99%	99%	98%

Source: MoF Jalal Abad

The funds approved in the local budget for earmarked transfers in 2017 are received to compensate for the shortfall of local income in FY 2016. The legislation requires returning the amount that remains unabsorbed

at year-end. Thus, in 2017 and 2018, Jalal Abad had to return to the Republican Budget an insignificant amount of funds. The difference between the original budget estimate and actual earmarked transfers was less than 5 percent in each of the last three years 2017-2019.

Dimension score = A.

Possible causes of PFM performance identified during the PEFA assessment: The difference between the budgeted and the actual outturn of earmarked grants was nearly 100% in the three years of assessment and the funds were absorbed as intended.

HLG-3 Timeliness of transfers from higher-level government

Performance level and evidence for scoring:

There are two types of transfers: i) equalizing - funds provided from the Republican Budget to cover the financial gap between the revenues and the needs of the local budgets .and ii). targeted - funds provided as grants for specific purposes. Both are subject to approval with the issue of the Republican budget every year.

Article 95 of the Budget Code stipulates that the Ministry of Finance of the Kyrgyz Republic send budget calendar, no later than July 15 of the year preceding the next budget year, to the local governments together with the revenue estimate and the inter-budgetary transfers (equalizing transfers).

After the approval of the Republican budget, the Ministry of Finance of the Kyrgyz Republic, within 10 days, send to the local self-government bodies the amount of inter-budgetary transfers (equalizing transfer).

In accordance with the procedure for the volume of equalization transfers, they are distributed by the Ministry of Finance of the Kyrgyz Republic to the local budgets through their territorial offices in accordance with the established methods and formula. Equalizing transfers are provided in accordance with the quarterly distribution of budget revenues and expenditures for the next financial year.

Alltransfers are provided by the Ministry of Finance on a month-by-month basis. The transfers should be requested by the local government by the 20th day of the current month. Based onthe submitted applications of the local governments, the transfers are disbursedby the end of the current month.

Information about the timeliness of alltransfers was provided for all three FY2017-2019. The transfers were provided to Jalal Abad monthly within the month of request. The only exception makes the transfers of Aprilin FY 2019provided in the subsequent month (8 May 2019). There is no disbursement timetable agreed with MoF at national level. The actual requested amount is transferred within the month. Actual transfers have been distributed evenly across the year in each of the last three years.

Possible causes of PFM performance identified during the PEFA assessment: The organization of providing transfers is regulated in a way that allows transfers to be made available to the requesting local government within the same month. Therefore, there are no preliminarily agreed disbursement timetable with MoF at national level. Evidence of transfers for 2917, 2918 and 2019 was provided

Dimension score – A

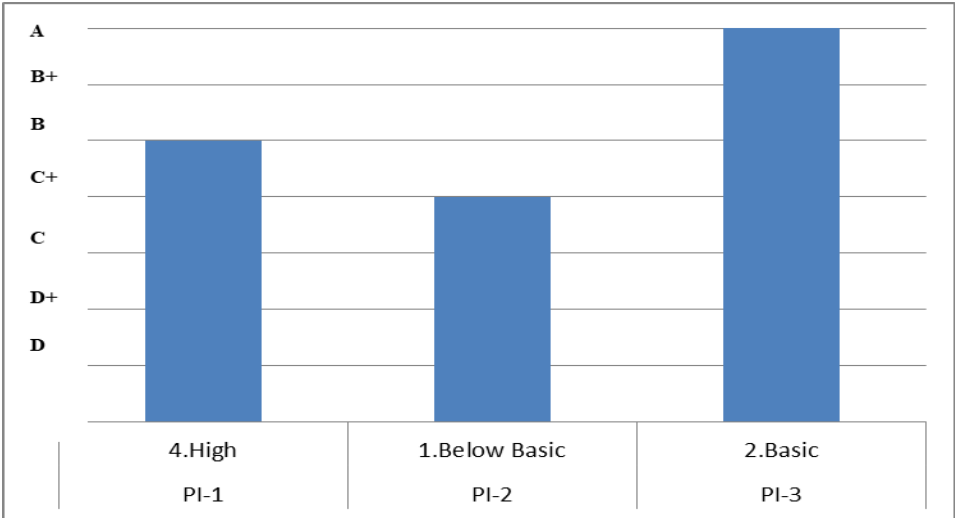
PILLAR ONE: Budget reliability

What does Pillar I measure? The government budget is realistic and is implemented as intended. This is measured by comparing actual revenues and expenditures (the immediate results of the PFM system) with the original approved budget.

Overall performance: key strengths and weaknesses:

While revenue budget is reliable at both aggregate and composition levels (PI-3), expenditure budget is not reliable at both aggregate (PI-1) and composition levels (PI-2). Tax and non-tax revenues were not significantly deviated from the budget in all the three years. The continuous budget reallocations on expenditures raise questions about budget credibility as well as the delivery of government services based on its original policy intent. Nevertheless, the contingency budget is reliable with less than 1% of the total budget. Figure 2.1 below shows the aggregate scores per indicator for this pillar.

Figure 2.1: Pillar 1-Summary of PEFA scores



PI-1. Aggregate expenditure outturn

What does PI-1 measure? This indicator measures the extent to which aggregate budget expenditure outturn reflects the amount originally approved, as defined in government budget documentation and fiscal reports. There is one dimension for this indicator.

Coverage: Subnational government (SNG).

Time period: Last three completed fiscal years.

Indicator/Dimension	Score
PI-1. Aggregate expenditure outturn	B
1.1. Aggregate expenditure outturn	B

General description of the system in place in LSG Jalal-Abad: In accordance with the Article 95 of the Budget Code, drafts of local budgets for the following/next budget year and the forecast period are developed

in accordance with the procedure and terms established by the relevant local keneshes. The Budget Code clearly sets out the conditions for budget adjustment including increasing of the total budget.

Recent or ongoing reform activities: None

1.1 Aggregate expenditure outturn

Performance level and evidence for scoring (KGS thousands)

Year	Budget	Actual	%Outturn
2017	382,940.5	310,254.2	81%
2018	399,913.0	433,371.7	108.4%
2019	465,675.6	507,660.7	109%

Source: Resolution of the City Kenesh of LSG Jalal-Abad (Parliament) on the budget and annual budget performance reports 2017, 2018 and 2019.

Comparison of the actual total expenditures with the initially approved budget of the Jalal-Abad city show that the actual performance of the expenditure side of the budget in 2017 deviated from the original budget by 19 percent. And in 2018 and 2019, the deviation was less than 10 percent. The detailed calculation on which the above table is based is given in Annex 5. Hence, the score for the present dimension is B

Possible causes of PFM performance identified during the PEFA assessment: Aggregate expenditure outturn was between 90% and 110% of the approved aggregate budgeted expenditure in two of the three years.

PI-2. Expenditure composition outturn

What does PI-2 measure? This indicator measures the extent to which reallocations between the main budget categories during execution have contributed to variance in expenditure composition. It contains three dimensions and uses the M1 (WL) method for aggregating dimension scores.

Coverage: Subnational government (SNG).

Time period: Last three completed fiscal years.

Indicator/Dimension	Score
PI-2. Expenditure composition outturn (M1)	C+
2.1. Expenditure composition outturn by function	C
2.2. Expenditure composition outturn by economic type	C
2.3. Expenditure from contingency reserves	A

General description of the system in place in LSG Jalal-Abad: The conditions for amendment and redistribution of funds from Republican and Local budgets in the process of their execution are clearly stipulated in the Budget Code. Article 109 of the Budget Code states that the total value of redistributed funds throughout a financial year should not exceed 5 percent of the total expenditures for each main budget unit (unit, recipient) of budget funds separately.

Recent or ongoing reform activities: None.

2.1. Expenditure composition outturn by function

Performance level and evidence for scoring: The composition variance by functional classification was less than 15% in the two years under assessment. As shown in Table 2.1 below, the variance was 24%, 9% and 11% in 2017, 2018 and 2019. The detailed calculation on which the above table is based is given in Annex 5. Hence, the score for this dimension is C.

Possible causes of PFM performance identified during the PEFA assessment: Even though the LSG Jalal-Abad fiscal discipline in terms of respecting aggregate budget (PI-1) is generally good, in-year adjustments within the government agencies' budget and across agencies is frequent resulting in high composition variance.

2.2. Expenditure composition outturn by economic type

Performance level and evidence for scoring: The expenditure composition outturn by economic classification has shown significant improvement in assessment period. As shown in Table 2.1 below, the composition outturn decreased from 28% in FY 2017 to 12% in FY 2019. Even though the composition variance has shown an improvement, the score for this dimension will be C since it was more than 10% in two of the three years.

Possible causes of PFM performance identified during the PEFA assessment: Even though the LSG Jalal-Abad's fiscal discipline in terms of respecting aggregate budget (PI-1) is generally good, in-year adjustments within the government agencies' budget and across agencies is frequent resulting in high economic variance. This has however shown an improvement over the years.

Table 2-1: Expenditure composition outturn

Variance	2017	2018	2019
Functional classification	24%	9%	11%
Economic classification	28%	12%	12%

Data source: Resolution of the City Kenesh of LSG Jalal-Abad (Parliament) on the budget and annual budget performance reports 2017, 2018 and 2019.

2.3. Expenditure from contingency reserves

Performance level and evidence for scoring:

Table 2.3: Contingency share of original budget, FYs 2017- 2019

Year	Contingency share of original budget	Average contingency share
2017	0,5%	0.6%
2018	0.7%	
2019	0.7%	

Data source: Resolution of the City Kenesh of LSG Jalal-Abad (Parliament) on the budget and annual budget performance reports 2017, 2018 and 2019.

Reserves for contingencies are provided for in the initially approved budget, both in the National Budget and in the Local Level Budgets. Despite the fact that the city of Jalal-Abad allocates budgetary funds to the

“Reserve” to cover unforeseen expenses, these allocations represent a very small amount. The actual expenditure charged to contingency reserves for the last three years averaged 0.6% of total expenditure. Please see table 2.3 above. *Hence, the score for this dimension is A.*

Possible causes of PFM performance identified during the PEFA assessment: During the last three years, actual expenditures accrued for unforeseen expenses were less than 1% of the total expenditures.

PI-3. Revenue outturn

What does PI-3 measure? This indicator measures the change in revenue between the original approved budget and end-of-year outturn. It contains two dimensions and uses the M2 (AV) method for aggregating dimension scores.

Coverage: BCG.

Time period: Last three completed fiscal years.

Indicator/Dimension	Score
PI-3. Revenue outturn	A
3.1. Aggregate revenue outturn	A
3.2. Revenue composition outturn	A

General description of the system in place in LSG Jalal Abad: There is a regional territorial office of the State Tax Service only in Soin Jalal Abad City. The average percentage of collected tax revenue by STS in Jalal Abad for the period of assessment is 74%, the non-tax revenue, collected from rents, fees and penalties is 26% (PI-19). The main source of tax revenue is from income and profits. The remaining is collected from property tax and tax on goods and services. The City of Jalal Abad prepares revenue forecast for three years as part of the main fiscal indicators. This forecast includes revenues by type.

Recent or ongoing reform activities: None

3.1. Aggregate revenue outturn

Performance level and evidence for scoring: Actual revenue outturn was in excess of budget between 97% and 106% of budgeted revenue in at least two of the last three years. As shown in Table 3.1, the revenue outturn was 102.5%, 104% and 106.6% for the years 2017, 2018 and 2019 respectively. As per the PEFA guideline, transfers from the national government are excluded from the computation. The calculations upon which the Table is based are reported in Annex 5. *Hence, the score for the present dimension is A.*

Table 3.1: Comparison of Budgeted & Actual Revenue (KGS thousands)

Year	Budget	Actual	Outturn (%)
2017	375,359.00	384,810.20	102.5
2018	402,825.80	419,005.20	104
2019	474,675.60	491,532.70	106.6

Source: Execution of the revenue side of the budget for January-December 2017, 2018 and 2019 in Jalal-Abad according to economic classification (Appendix 5).

Possible causes of PFM performance identified during the PEFA assessment: Both tax and non-tax revenue was not deviated significantly from the budget in all the three years.

3.2. Revenue composition outturn

Performance level and evidence for scoring: This dimension measures the variance in revenue composition during the last three years. It includes actual revenue by category compared to the originally approved budget. The composition variance in two of the three years was less than 5% as shown in Table 3.2. The calculations upon which the Table is based are reported in Annex 5. *Hence, the score for the present dimension is A.*

Table 3.2: Revenue Composition Outturn FYs 2017-2019

Years	Composition Variance
2017	3.3%
2018	3.3%
2019	5.4%

Source: Execution of the revenue side of the budget for January-December 2017, 2018 and 2019 in Jalal-Abad according to economic classification (Appendix 5).

Possible causes of PFM performance identified during the PEFA assessment: Both tax and non-tax revenue was not deviated significantly from the budget in all the three years.

PILLAR TWO: Transparency of public finances

What does Pillar II measure? Information on public financial management is comprehensive, consistent, and accessible to users. This is achieved through comprehensive budget classification, transparency of all government revenue and expenditure including intergovernmental transfers, published information on service delivery performance and ready access to fiscal and budget documentation.

Overall performance: key strengths and weaknesses

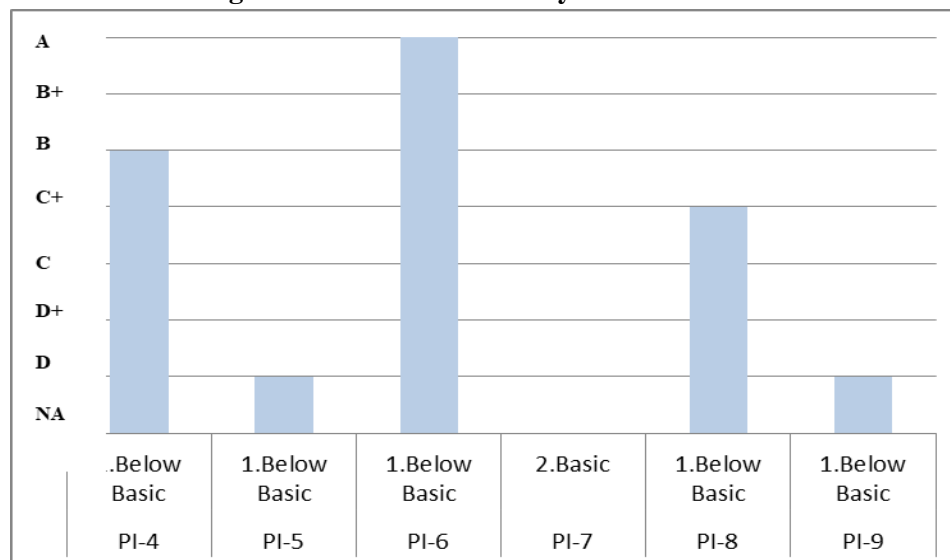
The Budget Classification of the Kyrgyz Republic currently allows the aggregation of expenditures up to two (2) digits, revenues - up to three (3) digits, and for the purposes of microanalysis - disaggregation is possible up to eight (8) digits, both in terms of expenditures and revenues of the budget. (PI-4) scores 'B'. The classification of the Charts of Accounts (CoA) allows full comparison to the budget for the recurrent and capital expenditures and hence, full coverage and comparability of reports (PI-28.1) scores 'A'.

Budget documentation is found to be the weakest (PI-5) scores D, where only 2 basic elements out of 4 and 1 additional element out of 8. Strong point is that there are no expenditures or revenues outside financial reports (PI-6) scores A. Extra budgetary units do not exist at LSG Jalal Abad. Since there are no subnational governments at LSG Jalal Abad, PI-7 is not applicable.

Main weaknesses identified in the transparency of public finances are related with performance information for service delivery, where information is not published annually on the activities to be performed under the policies or programs of ministries or a framework of performance indicators relating to the outputs or outcomes of ministries is not in place. A strong point to note that information on resources received by frontline service delivery units is collected and recorded for all budgetary institutions, disaggregated by source of funds. A report compiling the information is prepared annually (PI-8).

Public access to fiscal information remains to be poor (PI-9) score D. out of the required five basic and four additional elements, the government makes available to the public one basic element and none of the additional elements in accordance with the specified timeframe. Figure 2.2 below shows the aggregate scores per indicator for this pillar. Figure 2.2 below shows the aggregate score per indicator for this pillar.

Figure 2.2: Pillar 2-Summary of PEFA scores



PI-4. Budget classification

What does PI-4 measure? This indicator assesses the extent to which the government budget and accounts classification is consistent with international standards. There is one dimension for this indicator.

Coverage: BCG.

Time period: Last completed fiscal year.

Indicator/Dimension	Score
PI-4. Budget classification	B
4.1. Budget classification	B

General description of the system in place in Jalal Abad City: The Jalal Abad City’s Chart of Accounts (COA) reflects administrative, economic and functional classifications for formulation, execution, and reporting. The classifications can be, and are, easily mapped to international standards, such as GFS and COFOG.

Recent or ongoing reform activities:

Currently, the program classification is used in budgetary institutions, financed by the republican budget. The Ministry of Finance of the Kyrgyz Republic since 2018 is undertaking a pilot project in some LSGs for implementation of a program budget (cities of Osh, Kochkor-Ata, Kant, Naryn, etc.). Upon results of the pilot project, the program budget and program classification will be implemented in all LSGs.

4.1. Budget classification

Performance level and evidence for scoring: Jalal Abad currently applies the Budget Classification of the Kyrgyz Republic, which was developed and implemented in 2007 in accordance with the Government Finance

Statistics Manual 2001 (GFSM 2001). Prior to the transition to the GFS 2001, the Kyrgyz Republic used the budget classification developed according to GFS 1986.

Changes and additions are made to the budget classification in the course of budget execution. So, in connection with the implementation of the program budget in the Kyrgyz Republic, the current classification was supplemented with a new section: "Program classification" (Decree of the Kyrgyz Republic Ministry of Finance No. 161-P dated by December 21, 2017). Currently the budget classification includes the following sections:

- Revenue classification.
- Expenditure classification.
- Classification of operations with assets and liabilities.
- Functional classification (COFOG).
- Departmental classification.
- Program classification.

At present, the Budget Classification of the Kyrgyz Republic allows the aggregation of expenditures up to two (2) digits, revenues - up to three (3) digits, and for the purposes of microanalysis - disaggregation is possible up to eight (8) digits, both in terms of expenditures and revenues of the budget.

In addition, the Chart of Accounts for accounting in budgetary institutions in the Kyrgyz Republic is integrated with the Budget Classification, which ensures comparability and transparency of the budget.

Consequently, in Jalal Abad City, budget preparation, its execution, accounting and reporting of the **local budget** is undertaken by classification corresponding to the GFS/COFOG standards. *Hence, the score for the present dimension is B.*

PI-5. Budget documentation

What does PI-5 measure? This indicator assesses the comprehensiveness of the information provided in the annual budget documentation, as measured against a specified list of basic and additional elements. There is one dimension for this indicator.

Coverage: BCG.

Time period: Last budget submitted to the legislature.

Indicator/Dimension	Score
PI-5. Budget documentation	D
5.1. Budget documentation	D

General description of the system in place in Jalal Abad City: In accordance with the Article 95 of the Budget Code, drafts of local budgets for the following/next budget year and the forecast period are developed in accordance with the procedure and terms established by the relevant local keneshes, in compliance with the requirements of the Budget Code, taking into account the calendar plan for development of the draft republican budget approved by the Government.

Recent or ongoing reform activities: None

5.1. Budget documentation

Performance level and evidence for scoring: The last budget submitted to the legislature was for FY 2020 and the requirements are met for 2 basic elements out of 4 and 1 additional element out of 8. The detail is shown in Table 3.3 below. *Hence, the score for the present dimension is D.*

Table 3.3 Information in Budget documentation for 2020

Elements required	Fulfilled	Explanation
Basic Elements		
1. Forecast of the fiscal deficit or surplus or accrual operating result.	Yes	The projected budget balance is the difference between tax, non-tax revenues plus targeted transfer from the Republican Budget and total operating and capital expenditures. However, the information provided allows estimate a difference between total revenues and total expenditures.
2. Previous year's budget outturn, presented in the same format as the budget proposal.	No	This information is not included in the documentation submitted to City Kenesh.
3. Current fiscal year's budget (revised budget or estimated outturn) in the same format as the budget proposal.	No	This information is not attached to the budget documents submitted to the City Kenesh.
4. Aggregated budget data for both revenue and expenditure according to the main heads of the classifications used, including data for the current and previous years.	Yes	Information for all three years together on different classifications are included in the budget documents
Additional elements		
5. Deficit financing, describing its anticipated composition.	No	This information is not provided.
6. Macro-economic assumptions, including at least estimates of GDP growth, inflation, interest rates and the exchange rate.	NA	GDP growth, inflation and other forecasts for the main macroeconomic indicators are the responsibility of the National Government.
7. Debt stock, including details at least for the beginning of the current year presented in accordance with GFS or other comparable standard.	No	Government debt data corresponding to GFS is published monthly and budget documents do not include the required information.

Elements required	Fulfilled	Explanation
Basic Elements		
8. Financial assets, including details at least for the beginning of the current fiscal year presented in accordance with GFS or other comparable standard.	Yes	These are included in the financial reports.
9. Summary information on fiscal risks, including contingent liabilities such as guarantees, and contingent obligations such as those arising from PPP contracts.	No	This is not presented and there is no information if there is a legal requirement to perform the function on monitoring and reporting of contingent liabilities and other fiscal risks.
10. Explanation of budget implications of new policy initiatives and major new public investments, with estimates of the budgetary impact of all major revenue policy changes and/or major changes to expenditure programmes.	No	The budget documentation does not include explanations about an impact made by main political initiatives and others on the budget.
11. Documentation on the medium-term fiscal forecasts.	No	This is not presented.
12. Quantification of tax expenditures	No	This is not presented

Source: Letter from Kyrgyz Republic Ministry of Finance, Jalal Abad Department to Jalal Abad City Mayor dated: 17 June 2019 № 03-031 106

Possible causes of PFM performance identified during the PEFA assessment: The Government of the City of Jalal Abad does not submit most of the basic and additional elements with the budget document.

PI-6. Central government operations outside financial reports

What does PI-6 measure? This indicator measures the extent to which government revenue and expenditure are reported outside government financial reports. It contains three dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

Coverage: CG.

Time period: Last completed fiscal year.

Indicator/Dimension	Score
PI-6. Central government operations outside financial reports	A
6.1. Expenditure outside financial reports	A
6.2. Revenue outside financial reports	A
6.3. Financial reports of extrabudgetary units	A

General description of the system in place in LSG Jalal Abad: There are no government operations outside financial reports in the City of Jalal Abad. All operations are part of the financial statements.

Recent or ongoing reform activities: None

6.1. Expenditure outside financial reports

There are no expenditures outside financial report. *Hence, the score for the present dimension is A.*

Possible causes of PFM performance identified during the PEFA assessment: All expenditures are reported in the financial statements.

6.2. Revenue outside financial reports

Performance level and evidence for scoring: There are no revenues outside financial reports. *Hence, the score for the present dimension is A.*

Possible causes of PFM performance identified during the PEFA assessment: All revenues are reported in the financial statements. *Hence, the score for the present dimension is A.*

6.3. Financial reports of extrabudgetary units

Performance level and evidence for scoring: There are six municipal enterprises in LSG Jalal-Abad and three of them are financed from the local budget, hence, qualify to be classified as EBUs. The revenue and expenditure of all these three municipal EBUs are covered in the financial report of Jalal Abad City.

Table 6.1 provides a complete listing of the EBUs with short description of their nature of activities and financing. Their financial statements were all audited by the Audit Chamber and their contingent liabilities, if any, are included in the annual budget execution report of the LSG.

Table: 6.1: List of EBUs of Jalal Abad (all amounts in ‘000)

<i>Public corporations (EBUs)</i>	<i>Description</i>	<i>Date of audited financial statements</i>	<i>Total expenditure</i>	<i>Are contingent liabilities of the public corporation disclosed in the financial report? (Y/N)</i>
1. Enterprise planting of greenery (budget enterprise)	- Landscape design; - Financed by the budget of LSG	Account Chamber performed audit in June 2019 for the period FY 2017-2018.	19,495	yes
2. Municipal enterprise "Jalal-Abad Tazalyk" - waste management (budget enterprise)	- Garbage collection and disposal ; - Fully financed by the budget of LSG	Audit performed in 2019 covering the period FY 2017-2018	49,328	yes
3. Department of Market Place and Services (budget enterprise)	- Municipal enterprise fully financed by the budget of LSG; - implements a policy in the area of trade	Audit Chamber performed in 2019 financial audit of FY 2017-2018	13,450	yes

<i>Public corporations (EBUs)</i>	<i>Description</i>	<i>Date of audited financial statements</i>	<i>Total expenditure</i>	<i>Are contingent liabilities of the public corporation disclosed in the financial report? (Y/N)</i>
	(regulates prices in the market), retail sale, ensuring sanitary standards for public catering			
Total	-		82,273	

The reports of these EBU's are provided quarterly to the tax and statistics regional services. The financial reports of these EBU's are covered in the annual budget execution report of the LSG Jalal Abad.

Possible causes of PFM performance identified during the PEFA assessment: Detailed financial reports of all extrabudgetary units are submitted to government quarterly. *Hence, the score for the present dimension is A.*

PI-7. Transfers to subnational governments

What does PI-7 measure? This indicator assesses the transparency and timelines of transfers from central government to subnational governments with direct financial relationships to it. It considers the basis for transfers from central government and whether subnational governments receive information on their allocations in time to facilitate budget planning. It contains two dimensions and uses the M2 (AV) method for aggregating dimension scores.

Coverage: CG

Time period: Last completed fiscal year.

Indicator/Dimension	Score
PI-7. Transfers to subnational governments	NA
7.1. System for allocating transfers	NA
7.2. Timeliness of information on transfers	NA

General description of the system in place in the City of Jalal Abad: There are no subnational governments in the City of Jalal Abad.

Recent or ongoing reform activities: None

7.1. System for allocating transfers

This dimension is not applicable.

7.2. Timeliness of information on transfers

This dimension is not applicable.

PI-8. Performance information for service delivery

What does PI-8 measure? This indicator examines the service delivery information in the executive's budget proposal or its supporting documentation, and in year-end reports or performance audits or evaluations, as well as the extent to which information on resources received by service delivery units is collected and recorded. It contains four dimensions and uses the M2 (AV) method for aggregating dimension scores.

Coverage: CG.

Time period: Dimension 8.1: Performance indicators and planned outputs and outcomes for the next fiscal year. Dimension 8.2: Outputs and outcomes of the last completed fiscal year. Dimensions 8.3 and 8.4: Last three completed fiscal years.

Indicator/Dimension	Score
PI-8. Performance information for service delivery	C+
Performance plans for service delivery	C
Performance achieved for service delivery	D
Resources received by service delivery units	A
Performance evaluation for service delivery	C

General description of the system in place in LSG Jalal Abad: According to the current legislation of the Kyrgyz Republic, certain issues of education, health care, cultural institutions, social security and the state services provided by them are fully funded from the Republican Budget. Buildings and structures of educational institutions, cultural institutions, incl. ongoing and major repairs and arrangement of the adjacent territories are maintained at the expense of the local budget.

In this connection, planning of the provision of services and the achieved efficiency of the provision of services by the sectoral institutions of LSG is carried out within the framework of program budgets of relevant ministries and agencies, financed from Republican Budget.

Recent or ongoing reform activities: Within the framework of training activities for consolidation of PBB methodology and maintaining a required level of skills in working with PBB at the level of local budgets, the Training Center of KR MoF, together with Department of Budget Policy of the KR MoF, in 2019, organized and conducted a seminar on generation and execution of a budget on program basis for 55 employees of budgetary institutions and municipal enterprises. For 32 employees of KR MoF, subordinate and territorial departments of KR MoF, representatives of local self-government bodies, an online course was held on the topic “Program budgeting, using DLT” (distance learning technologies), and 16 persons were trained during this course and registered.

As a result of the pilot project, the program budget and program classification will be introduced across all the LSGs. At the same time, given that certain issues of education, health care, cultural institutions, social security and the public services provided by them are fully funded from the Republican Budget, while local budget maintains buildings and structures of educational institutions, including current and major repairs and development of the adjacent territories; that is the program budget of LSG include only those establishments, which are within the competence of those LSGs.

8.1. Performance plans for service delivery

Performance level and evidence for scoring: Introduction of program budgeting in the Kyrgyz Republic was active in 2011, when six-line ministries were included in the pilot project for program budgeting. These six-line ministries presented their budgets for 2012-2014. Starting from this period, the list of ministries and agencies presenting budgets in a programmatic format has gradually expanded, with full coverage of all ministries and agencies financed from the Republican Budget. Since 2017, budgets on a programmatic basis are submitted by all ministries and agencies financed from the Republican Budget.

In 2017, in the implementation of the norms of the Budget Code of the Kyrgyz Republic (Articles 82, 84, 86), approved by the Statement of the KR Government dated December 30, 2017 No. 854 "On budgeting on a program basis", instructions were issued:

- On the procedure for generation, consideration and implementation of Medium-term strategies for budget expenditures.
- On the procedure for generation, consideration and implementation of budgets on a programmatic basis.
- On procedure for determining indicators of effectiveness of budget programs and measures.

In the same year, a pilot project was implemented on financing of 4 ministries (Ministry of Labor and Social Development of the Kyrgyz Republic, Ministry of Education and Science of the Kyrgyz Republic, Ministry of

Health of the Kyrgyz Republic, Ministry of Agriculture, Food Industry and Melioration of the Kyrgyz Republic) and there were reports received on piloting budget programming through the automated treasury system.

In addition to this, the Article 87 of the KR Budget Code became effective from January 1, 2018, and it stipulated an assessment of the effectiveness of budget programs of ministries and agencies based on the achievement of performance indicators. In this regard, the 2019 KR Government Statement No. 17 "On monitoring and evaluating the effectiveness of budget programs" approved the following: 1) procedure for submitting reports on achievement of budget program performance indicators; and 2) procedure for assessing the effectiveness of budget programs. The implementation of the budget on the basis of budget programs and measures is undertaken within the Treasury automated information system "IS: Treasury (Kazna). Budget" since 2018.

In order to introduce program-based budgets (PBBs) at the level of local budgets, in 2017 an analysis and monitoring of international practice on applying a methodology for generation of local budgets on program basis was undertaken. An Instruction was developed on the procedure for the generation, consideration and execution of budgets on a programmatic basis at local level, which was approved by the Decree of the Ministry of Finance of the Kyrgyz Republic No. 69-P of 23.07.2018. Since 2018, program budgeting has been gradually introduced at the level of local budgets in pilot local governments. Over the past 3 years, the MoF, together with the OSCE Program Office, has provided expert assistance to local governments in the development of local program budgets to identify areas for expenditures for local governments. Such assistance was provided to the following cities and towns: Naryn, Kochkor-Ata, Osh, Kant, Balykchi and Kochkor village. In 2020, expert assistance was provided to the city of Mailuu-Suu, village of Min-Kush and Sumsaraiylaimak (rural area). Program budgets and indicators of efficiency and effectiveness of service delivery were developed for the above-mentioned LSGs.

Annually in the resolution of the city kenesh "About approval of the city budget" the annual plans of the budget organizations providing paid services (receipt on the special account) are approved. This includes the receipt of pre-school institutions (parental payment for kindergartens), the receipt of "Jalal-Abad cleanliness" from the garbage, the provision of services by the Department of Consumer Market and Services, etc. however, this information is not published.

All budgetary institutions (100%) providing paid services in their activities are accountable to the relevant structural divisions of the administration of the mayor's office of Jalal-Abad, the City Kenesh. All institutions prepare reports that contain the planned results of activities, a report on the work done in quantitative and qualitative terms.

For example: The department of social sphere of the city hall controls the activities of educational institutions, social protection. In 2019, the Jalal-Abad City Education Department served 23 preschool institutions with 125 groups, covering 4393 children. The rate of parental payment for the maintenance of children in preschool institutions is established by order of the City Department of Education of the Ministry of Education and Science (GOO) No. 10 of 01.24.2014. In the amount: for children staying in a group of 10.5 hours - 800 soms per month. GOO also serves school institutions.

The city education department reports on a daily basis to the mayor's office of Jalal-Abad, which reflects the results of the activities of educational institutions (coverage of children with preschool and school education, the level of knowledge, prizes taken by schoolchildren at the Olympiads, material security of educational institutions, etc.). *Hence, the score for this dimension is C.*

Possible causes of PFM performance identified during the PEFA assessment: A framework of performance indicators relating to the outputs or outcomes of ministries is in place.

8.2. Performance achieved for service delivery

Performance level and evidence for scoring: In accordance with the requirements of the Budget Code of the Kyrgyz Republic, Decree of the KR MoF No.128, budgetary institutions prepare annual reports on their activities, but they are not published. *Hence, the score for the present dimension is D.*

Possible causes of PFM performance identified during the PEFA assessment: Budgetary institutions prepare annual reports on their activities and performances achieved, but they are not published.

8.3. Resources received by service delivery units

Performance level and evidence for scoring: The automated treasury system collects monthly and annual reports from each institution (especially healthcare, education) on expenditures from budget funds and from "special funds" (i.e., from their resources generated by fees collected for services rendered and other revenue collection activities). Health and education were selected based on the budget allocation to these sectors. The report contains information such as: Planned and actual revenues disaggregated by source, planned and actual expenditures and cash flow. *Hence, the score for the present dimension is A.*

Possible causes of PFM performance identified during the PEFA assessment: Information on resources received by frontline service delivery units is collected and recorded for all budgetary institutions, disaggregated by source of funds. A report compiling the information is prepared annually.

8.4. Performance evaluation for service delivery

Performance level and evidence for scoring: Independent evaluations of the efficiency and effectiveness of service delivery have not been carried out. However, performance reports are prepared and reviewed by the city council annually, which is responsible for approval of the plan and budgets and evaluation of the implementation. But these are not published. *Hence, the score for the present dimension is C.*

Possible causes of PFM performance identified during the PEFA assessment: Performance evaluations are prepared but not published.

PI-9. Public access to fiscal information

What does PI-9 measure? This indicator assesses the comprehensiveness of fiscal information available to the public based on specified elements of information to which public access is considered critical. There is one dimension.

Coverage: BCG.

Time period: Last completed fiscal year.

Indicator/Dimension	Score
PI-9. Public access to fiscal information	D
9.1. Public access to fiscal information	D

General description of the system in place in the City of Jalal Abad: Public access to fiscal information is primarily through public annual meetings held with residents of the city. Some information is also disclosed in the city's website: www.jacity.kg.

Recent or ongoing reform activities: None.

9.1. Public access to fiscal information

Performance level and evidence for scoring: The table below shows the information for the completed fiscal year 2019 against the five basic and four additional elements required. The government makes available to the public one basic element only, and none of the additional elements in accordance with the specified timeframe. *Hence, the score for the present dimension is D.*

No.	Element/Requirements	Met (Yes/No)	Evidence Used/Comments
Basic Elements			
1	Annual Executive Budget Proposal Documentation.	No	
2	Enacted Budget.	No	
3	In-Year Budget Execution Reports.	No	
4	Annual Budget Execution Report.	Yes	The budget execution report is disclosed in the city's website: www.jacity.kg .
5	Audited Annual Financial Report, Incorporating or Accompanied by the External Auditor's Report.	No	The territorial office of the Chamber of Accounts located in Osh is responsible for the external audit of LSG Jalal Abad. The report is presented to the executive and legislature of Jalal Abad.
Additional Elements			
6	Pre-budget Statement.	No	

No.	Element/Requirements	Met (Yes/No)	Evidence Used/Comments
7	Other External Audit Reports.	No	The territorial office of the Chamber of Accounts located in Osh is responsible for the external audit of LSG Jalal Abad. The report is presented to the executive and legislature of Jalal Abad.
8	Summary of the Budget Proposal.	No	
9	Macroeconomic Forecasts.	NA	This is the responsibility of the National Government.

Possible causes of PFM performance identified during the PEFA assessment: Budget information is made available to the public basically through the discussion with city residents. The city does not have the practice of posting fiscal information on the website.

PILLAR THREE: Management of assets and liabilities

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

Overall performance: key strengths and weaknesses

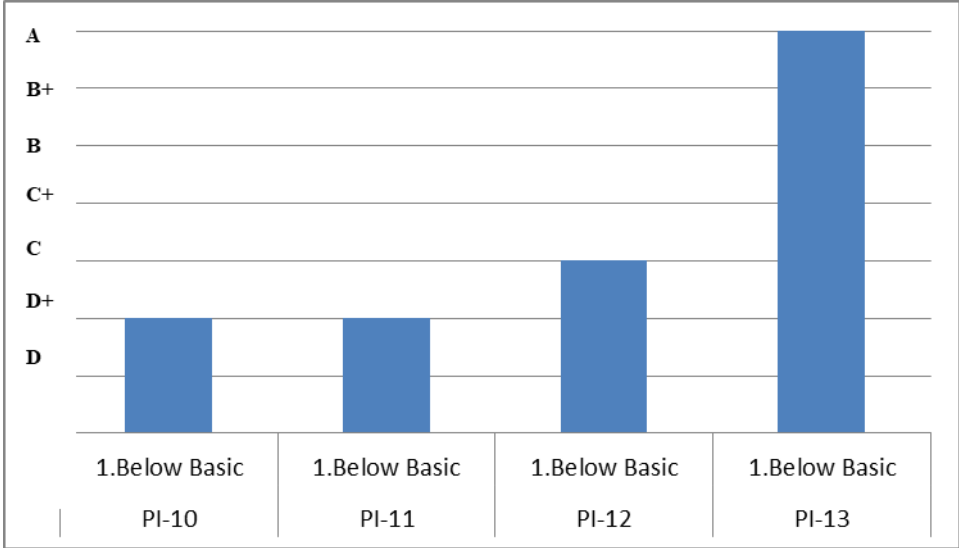
The assessment shows that fiscal risks are not well managed (PI-10). The financial reports of the public corporations are part of the consolidation financial report of LSG Jalal Abad, they are not published but they are subject to annual audit. The contingent liabilities of government are not reported. Even if they are not expected to have huge impact on the overall fiscal discipline, such risks may have potential impact on the local government and should be closely monitored and reported.

The key weak point of process of public investment management (PI-11) is that there are no approved economic selection criteria for capital investment projects and all documentation relevant to the selection and monitoring of investment projects is not published.

The assessment shows that the management of assets is not very effective (PI-12). There is a record of financial assets and liabilities registered at acquisition value. The records of non-financial assets are rather detailed on land, rents, equipment and vehicles; however, the information about these assets is not public. Additionally, the budget documentation does not cover information on transfers and disposals of assets, even if the procedures and rules for transfer and disposal of assets are well established. The lack of transparency in general may expose to risk the efficient and effective use of the resources owned and controlled by the government. The debt management is generally performed at national level, but it is also supported by monitoring and reporting by the LSG.

Figure 2.3 below shows the aggregate scores per indicator for this pillar.

Figure 2.3: Pillar 3-Summary of PEFA scores



PI-10. Fiscal risk reporting

What does PI-10 measure? This indicator measures the extent to which fiscal risks to central government are reported. Fiscal risks can arise from adverse macroeconomic situations, financial positions of subnational governments or public corporations, and contingent liabilities from the central government's own programs and activities, including extra-budgetary units. They can also arise from other implicit and external risks such as market failure and natural disasters. This indicator contains three dimensions and uses the M2 (AV) method for aggregating dimension scores.”

Indicator/Dimension	Score
PI-10. Fiscal risk reporting	D+
10.1. Monitoring of public corporations	C
10.2. Monitoring of subnational governments	N/a
10.3. Contingent liabilities and other fiscal risks	D

General description of the system in place in Kyrgyz Republic:

Article 62 in the Law of the Kyrgyz Republic "On Local Self-Government" (2011) No. 101 empowers local governments to establish and control municipal enterprises and non-profit organizations, as well as to own shares, (Закон КР от 15 июля 2011 года № 101 "О местном самоуправлении" (minjust.gov.kg). with purpose of achieving targets of local and operational significance as well as to encourage economic development. Local governments establish such enterprises in order to render services, which are inherent in the functions and operation of the local government.

Recent or ongoing reform activities: Not reported

10.1. Monitoring of public corporations

Performance level and evidence for scoring:

The Law of the Kyrgyz Republic "On Local Self-Government" (2011) No. 101 empowers local governments to establish and control municipal enterprises and organizations. Public corporations are being monitored and controlled by different government bodies; but each body monitors different issues, for instance: i). general reporting to State Competitiveness Committee; ii). reporting to the MoF to use cost information for pricing policies; iii). reporting to Ministry of Economy for analysing the sector developments.

There are six municipal enterprises in LSG Jalal-Abad: three of them are financed from the local budget (budget enterprises or extra budgetary units) and three are self-sufficient (commercial enterprises). By decision of the local Parliament, there are subsidies extened to two of the self-sufficient enterprises in 2019.The revenue and expenditure of all six municipal enterprises are covered in the financial report of Jalal Abad City.

Table 10.1. provides a list of the three self-sufficient municipal enterprises with short description of nature of activities and financing. Their financial statements were all audited by the Audit Chamber and their contingent liabilities, if any, are included in the annual budget execution report of the LSG.

The municipal enterprise "Jalal-Abadvodokanal" is one of the largest self-sufficient enterprises. It received a loan in the amount of EUR 3 million and an EBRD grant of EUR 0.4 million, as well as a grant from SECO in the amount of Euro 4.85 million in March 2011. The purpose being the reconstruction of the water supply and sewerage system in the city of Jalal-Abad. The total cost of the project is Euro 8.25 million with a term of 15 years. The executive agency is the City Hall of Jalal-Abad, the implementing agency is Jalal-Abadvodokanal. It reports and is monitored by the Mayor's office of Jalal Abad.

Table: 10.1: List of self-sufficient municipal enterprises of Jalal Abad (all amounts in '000)

<i>Public corporations</i>	<i>Description</i>	<i>Date of audited financial statements</i>	<i>Total expenditure</i>	<i>As a % of total expenditure of public corporations</i>	<i>Are contingent liabilities of the public corporation disclosed in the financial report? (Y/N)</i>
4. Municipal Passenger Public Transport Company (commercial enterprise)	<ul style="list-style-type: none"> - Provides public transport at prices lower than the marketing ones; - accounting and reporting of activities in accordance with own accounting policies; - Subsidised by the City budget of Jalal Abad 	Audit performed in 2019 covering the period 01.01.17 - 31.12.18r	7,756	4%	yes
5. Water utilities Management of Jalal-Abad-Vodokanal (commercial enterprise)	<ul style="list-style-type: none"> - Received subsidy in 2019 for tariffs were not updated to cover inflation rates, - not financed from the local budget; - reports quarterly to the Mayor of Jalal Abad City; - accounting and reporting of activities in accordance with own accounting policies 	Audit performed in March 2019 covering 2017-2018	90,384	50%	yes
6. Children's Summer Camp - recreational sports and health centre "AltynBalalyk" operating in summer time only (commercial enterprise)	<ul style="list-style-type: none"> - fully financed by the LSG JalalAbad; - reporting to the Government of LSG Jalal Abad 	Audit performed in 2019 for FY 2018	746	0.4%	yes

The reports of commercial enterprises are provided quarterly to the tax and statistics regional services. The financial reports of these enterprises are not published as stand-alone documents but their financial data is covered in the annual budget execution report of the LSG Jalal Abad.

Possible causes of PFM performance identified during the PEFA assessment: The reports of the public companies are included in the consolidated report of the city budget of Jalal Abad.

Dimension score- C

10.2. Monitoring of subnational governments

Performance level and evidence for scoring: There are no lower government levels in the local self government of Jalal-Abad. **The dimension is non-applicable.**

Possible causes of PFM performance identified during the PEFA assessment: N/a

10.3. Contingent liabilities and other fiscal risks

Performance level and evidence for scoring: The City received loans in relation to urban transport project: i) a loan from the International Development Association (World Bank) in US dollars, and 2) a loan for reconstruction of the water supply and sewerage system from the EBRD in Euro. The obligations to repay the funds create a risk of fluctuating exchange rate, which will entail additional costs at repayment.

There is no monitoring and publishing of information on contingent liabilities (these are guarantees for loans, state insurance schemes, private pension fund insurance, financial implications of ongoing litigations and court cases, guarantees in Public Private Partnerships) and fiscal risks in the financial reports of the local self government of Jalal-Abad. On the other hand, the LSG reported that the contingent liabilities are covered.

Possible causes of PFM performance identified during the PEFA assessment: There is no information if there is a legal requirement to perform the function on monitoring and reporting of contingent liabilities and other fiscal risks.

Dimension score – D

PI-11. Public investment management

What does PI-11 measure? This indicator assesses the economic appraisal, selection, costing, and monitoring of public investment projects by the government, with emphasis on the largest and most significant projects. It contains four dimensions and uses the M2 (AV) method for aggregating dimension scores.

Indicator/Dimension	Score
PI-11. Public investment management	D+
11.1. Economic analysis of investment projects	D
11.2. Investment project selection	C
11.3. Investment project costing	C
11.4. Investment project monitoring	C

General description of the system in place in Kyrgyz Republic:

Article 28 and 29 of the Budget Code (see Chapter 5) set the general conditions for public investment. They are made for setting and development of infrastructure, innovation systems, support of social sector through institutional reconstruction as a result of investment projects. There are four types of investments: i) capital investment; ii) budget crediting; iii). stimulating (incentive) grants and iv). regional development funds. Public investments are meant to be external investment projects or public-private partnerships.

The Incentive (equity) grants are provided from the republican budget to the executive bodies of local self-government in order to support efficient spending of budgetary funds, increase local budget revenues and more fully mobilize local sources of revenue. They are also extended to the local governments on competitive basis. The local governments are supposed to apply, in accordance with the conditions stipulated by the Regulations and Instructions for Preparation and Implementation of Investment Projects, in order to receive funds.

The regulation on the selection and financing of projects from the incentive grants fund is approved by a Resolution of the Government of Kyrgyzstan dated April 21, 2015 No. 230. The rule is that the maximum amount allocated from the Republican Budget for one project should not exceed KGS three million. The competition is held in two stages: i) collection and registration of applications and ii) assessment, selection and approval of projects for co-financing. The assessment of projects goes at different levels by a) commission for the selection of projects at the district level; b) a commission for the selection of projects at the level of cities of regional significance; c) commission for the selection of projects at the level of cities of republican significance - Bishkek and Osh; d) commission for approval of projects. Local governments carry out procurement tenders in order to assign contractors. The local governments submit signed procurement contracts in order to justify the receipt of incentive (equity) grants financing.

Recent or ongoing reform activities: Not reported

11.1. Economic analysis of investment projects

Performance level and evidence for scoring:

In the city of Jalal-Abad, public investments are carried out through four sources of funding: i). external investments; ii). budgetary investments in the form of capital investments from the republican budget; iii). incentive (shared) grants from the republican budget and own investments from the city budget of Jalal-Abad; iv). capital investments at the expense of the city budget. Capital investment projects financed by the Republican Budget are assessed according to approved economic criteria by the funding body of the project, but they are not published. The incentive grants are evaluated by the project selection committee. There are no established economic analysis and selection criteria for capital investment projects funded by the local budget of Jalal-Abad.

Projects are selected in accordance with the priorities set by the forecast of socio-economic development of JalalAbad City. The main administrator of capital investment projects is the Territorial Department of Capital Construction under the State Agency for Architecture, Construction and Housing.

Within the framework of capital investments, there were 27 projects approved in the amount of 77,174.9 thousand soms in FY 2019.

Table 11.1. Major investment projects of SNG Jalal Abad for period 2017-2019 (amounts in `000 KRS)

<i>Project name</i>	<i>Total expenditure</i>	<i>Expenditure for the period 2017-2019</i>
1. Expansion of Pushkin Street from J. Bakiev Street to Dostoevsky Street (PC-0 - PK6 + 20)	92,244,279	19 600,3
2. Expansion of Chekhov Street from Lenin Street to T. Baizakov Street	35,366,455	5154,1
3. Connection to water pipeline of apartment buildings and municipal facilities of the city (at the expense of the European Bank for Reconstruction and Development to	13,392,746	3996,
4. Construction of a sports palace for 11 secondary schools (final stage)	3,786	3,786
5. Completion of Barpy Park		1340
6. Reconstruction of T. Baizakov Street (from Abdrakhmanov Street to Kurmanbek Street)	5000	5000
7. Completion of construction of a kindergarten in the small town of Zhenish	24,192	24,192
8. Construction of an underground passage on N. Aitmatova Street	19,437	19,437
9. Preparation, examination and commencement of construction and cost accounting for the construction of a building for 50 (fifty) places for 8 -6 kindergartens	2000	2000
10. Closing the roof of the municipal construction market	estimate 30, 461,079	10,000
Total expenditure	141,057,895	65,755

Incentive grants, in the period 2016-2018, were mainly focused on the reconstruction and overhaul of schools and kindergartens. For three years, there were 15 objects financed in the amount of KGS 10,946.9 or 1% of the total expenditures of the republican budget on incentive grants.

Possible causes of PFM performance identified during the PEFA assessment: There are no established economic analysis and selection criteria established by SNG for capital investment projects funded by the local budget of Jalal Abad.

Dimension score - D

11.2. Investment project selection

Performance level and evidence for scoring:

Incentive grants projects are selected by a commission according to central level approved project selection criteria. For capital investment projects financed from the local budget, projects are selected in accordance with the priorities established by the forecast of socio-economic development of the region. The major investment projects are subject to appraisals before including them in the draft budget submitted to the subnational legislature. However, there are no standard criteria for project selection. There are different approaches to prioritising and deciding on a project

according to the source of funding. There are no published criteria for project selection concerning the projects, which are funded by the decision of the local government.

Possible causes of PFM performance identified during the PEFA assessment: The major investment projects are subject to appraisals before including them in the draft budget submitted to the subnational legislature. The external investment projects are selected based on published project selection criteria. SDG projects are selected by the commission according to approved project selection criteria

For capital investment projects financed by the local budget, projects are selected in accordance with the priorities established by the Socio-economic Development Plan. Generally, there are specific standard criteria for project selection. There are different approaches to prioritising and deciding on a project according to the source of funding.

Dimension score - C

11.3. Investment project costing

Performance level and evidence for scoring:

The Department of Capital Construction under the Mayor's Office of Jalal-Abad was established by the order of the Mayor of Jalal-Abad No. 22 dated 12.06.2016. Their function is to organize the construction and repair work of all infrastructure and facility. The Department, also, prepares estimates for the works included in the city construction plan.

The budget documentation of SNG Jalal Abad includes total capital current cost and life-cycle cost for the entire implementation period of each project. There is costing information included in subnational budget documents; these are partially integrated in the budget documentation – for the next year, only.

Possible causes of PFM performance identified during the PEFA assessment: The organisation and practice of work concerning reporting of public investment in LSG Jalal Abad.

Dimension score - C

11.4. Investment project monitoring

Performance level and evidence for scoring: The implementation of the selected investment projects is monitored by the Capital Construction Department, in particular costs and physical progress. It prepares annual information on the implementation of projects and work done. They submit the information in a report to the Mayor's Office of Jalal-Abad and Jalal-Abad City Kenesh.

Monitoring of projects is carried out by the Department of Local Economic Development of the City Hall of Jalal-Abad. The Mayor's Office for the implementation of projects is accountable to the City Kenesh, the local community, the territorial department of the Ministry of Economy and Finance of the Kyrgyz Republic in Jalal-Abad and the Department of Incentive (share) grants of the Ministry of Economy of Finance of the Kyrgyz Republic.

There are two levels of monitoring and evaluation of project implementation: (i) territorial administration of the Ministry of Economy and Finance of the Kyrgyz Republic monitoring the fulfillment of the requirements of the

Regulations and Instructions for the preparation and implementation of projects; (ii) the City Kenesh monitors and evaluates the implementation of projects by the executive body of local self-government (mayor's office of Jalal-Abad).

Control over the quality of the work performed, the compliance to the design and technical documentation is assigned to the Mayor's Office of Jalal-Abad. For this purpose and in accordance with the Instructions for the Preparation and Implementation of Projects Approved by the Resolution of the Government of the Kyrgyz Republic No. 230 dated April 21, 2015, a Monitoring and Evaluation Group is established within the Mayor's Office. The work of the M&E group is considered at the session of the City Kenesh with public hearings.

The implementation of the selected investment projects, within the framework of capital investments from the local government budget, is controlled by the Department of Capital Construction, Transport and Communication of the Mayor's Office of Jalal-Abad, in particular, costs and physical progress. The reports are considered in quarterly meetings with the participation of all budgetary organizations of the city. The Mayor's Office for the implementation of projects is accountable to the City Kenesh and the local community.

Possible causes of PFM performance identified during the PEFA assessment: There are different monitoring arrangements depending on the source of funds for public investment. Total cost and the physical progress of projects are monitored, but information on implementation of investment project is not published.

Dimension score - C

PI-12. Public asset management

What does PI-12 measure? This indicator assesses the management and monitoring of government assets and the transparency of asset disposal. It contains three dimensions and uses the M2 (AV) method for aggregating dimension scores.

Indicator/Dimension	Score
PI-12. Public asset management	C
12.1. Financial asset monitoring	B
12.2. Nonfinancial asset monitoring	C
12.3. Transparency of asset disposal	D

General description of the system in place in Kyrgyz Republic:

Ministry of Finance monitors financial assets in accordance with the Budget Code and the developed State Accounting Standards -2001. The chart of accounts applied in the accounting is integrated into the budget classification.

Recent or ongoing reform activities: An Interagency Commission was established in 2017 in accordance with a Parliamentary Resolution in May 2016 of the national government of Kyrgyzstan to develop an inventory of the country’s tangible and intangible assets. In February 2017, the State Property Fund issued Regulations setting out how the Single State Property Register was to be established and maintained. The Government Decree of 18 August 2017 on the Interagency Automated Information System “Unified State Property Register of the Kyrgyz Republic”

gave the overall responsibility for the Register to the State Property Fund. The Interagency Commission established two action plans for 2017-18 and 2019-21 to gather the data. This task for the state property was completed in October 2020. Regarding LSG Jalal Abad, the MoF is currently updating the Property Register.

12.1. Financial asset monitoring

Performance level and evidence for scoring:

Ministry of Finance monitors financial assets in accordance with the Budget Code and the developed State Accounting Standards 2001. The chart of accounts applied in the accounting is integrated into the budget classification. The major categories of financial assets, bank deposits and current receivables, are covered in the budget execution reports. For example, the reports on the execution of the budget of Jalal-Abad for 2017-2019 covers a dedicated section on assets and liabilities. The LSG of Jalal Abad maintains a record of financial assets, they are registered at acquisition cost, monitored and appear in the annual budget execution report.

Possible causes of PFM performance identified during the PEFA assessment: Information on the performance of portfolio of financial assets is published annually.

Dimension score – B

12.2. Nonfinancial asset monitoring

Performance level and evidence for scoring:

The Department of Municipal Property of the Jalal-Abad City is responsible for the effective management of municipal property, including maintaining the register of municipal assets and reporting on municipal property transferred or disposed; legal regulation of municipal property, organizing tenders for the sale of lease rights and ownership of land plots, provides land plots for fixed and perpetual use, outdoor advertising, municipal markets, parking lots and parking lots, use of municipal property.

The municipal property of LSG Jalal Abad includes 196 objects, such as schools, kindergartens, sports facilities, health care buildings and infrastructure facilities (roads, parks, squares, water supply facilities, canals, etc.). According to a Government Decree No. 608 of October 8, 2001, 137 objects were transferred to Jalal-Abad, the rest of the objects were transferred, purchased and built-in accordance with the decisions of the Government of the Kyrgyz Republic, the Jalal-Abad State Property Fund, the City Kenesh, the Mayor's Office and in accordance with the purchase and sale agreements.

Currently, out of 196 objects, 20 objects have been leased, 101 objects have been transferred to operational management of municipal institutions and enterprises, 9 objects are undergoing legal proceedings, 4 objects are not used, 2 objects are empty, 1 object is housing stock, 1 object is in need of emergency repair.

According to the Register of Vehicles, there are 90 service vehicles and special equipment with a total value of 101.1 million soms, of which 6 service vehicles belong to the administration of the Mayor's Office of Jalal-Abad, the rest are transferred to the operational management of municipal enterprises and organizations.

As of 01.01.2020, the total land area of Jalal-Abad is 8,821.0 hectares, of which the volume of municipal land is 672.0 hectares, 21.8 hectares of land plots have been leased for shops, food pavilions, kiosks, retail outlets and etc.

Information on assets is available to the general public on the website of the Jalal-Abad City Hall, including such about state property offered for sale and land leases (<http://jacity.kg/main/2858-zher-tilkesi-5-zhylga-izharaga-berilet.html>). The annual budget execution reports for FY 2017-2019 cover under non-financial assets the following categories: i) buildings and facilities; ii). machines and equipment; iii) land and iv). other.

Information was provided on land lease by Jalal-Abad Municipal Property Department. The municipal land area is 7.6% of the total Jalal Abad City land. The land leased in 2020 is about 3% and is leased for 9.354.000 soms. An excel file being the register of municipal property was provided as evidence. It covers very detailed information on the type of assets, ownership, size but no information on age. The register of motor vehicles contains information on the year of manufacture where age is easily calculated but there is no cost of acquisition or depreciation information.

In summary, Jalal Abad City maintains a register of fixed (non-financial) assets with information on usage.

Possible causes of PFM performance identified during the PEFA assessment: There is no specific legal requirement how to keep the asset register and what details it should cover. Regarding the ongoing reforms of developing an electronic “Unified State Property Register of the Kyrgyz Republic”, it is completed and available on <https://fgi.gov.kg/state-property>. However, the register covers only state property and not municipal. The evidence provided shows data as maintained before the launch of the current reform.

Complete information on all land, buildings and other assets owned by LSG Jalal Abad is available to the general public as part of the annual budget execution report. The government register contains information on usage and partial information on age.

Dimension score – C

12.3. Transparency of asset disposal

Performance level and evidence for scoring:

The sale or lease of assets is regulated by the Law "On municipal ownership of property" dated March 15, 2002 N 37, article 29 of the Land Code of the Kyrgyz Republic, as well as by other three legal acts. The Department of Municipal Property publishes an announcement of a tender, an auction on the website of the Jalal-Abad City Hall (<http://jacity.kg/main/2857-zher-tilkeler-izharaga-berilet.html>), for assets that are offered for sale or for renting. Asset prices are published on the website, but information about buyers or tenants is not published, it is considered by law as commercial and confidential information. The procedure and rules for the transfer or disposal of non-financial assets are established. General information about transfers and disposals is included in budget documents, financial or other reports.

Activity report of the Department of Municipal Property of Jalal-Abad City Hall for 2019 was provided as evidence. It covers information on the achieved plan, on tenders and leases, and on appeals and complaints filed in relation to assets sale, as well as reports on transferred assets. The report on nonfinancial assets is not published. However, the annual budget execution documentation contains information on nonfinancial assets without specifying categories

of transfers and disposals. Procedures and rules for the transfer and disposal of nonfinancial assets are established but partial information on transfers and disposals is included in internal reports of the Ministry of Finance.

Possible causes of PFM performance identified during the PEFA assessment: The procedures and rules for transfer and disposal of assets are established in the legislation. There is no practice of covering detailed assets disposal information in budget documentation, general information on newly acquired assets and revenue from sale exist in the annual budget report. Budget documentation should cover the original purchase cost and the disposal value.

Dimension score - D

PI-13. Debt management

What does PI-13 measure? This indicator assesses the management of domestic and foreign debt and guarantees. It seeks to identify whether satisfactory management practices, records, and controls are in place to ensure efficient and effective arrangements. It contains three dimensions and uses the M2 (AV) method for aggregating scores.

Indicator/Dimension	Score
PI-13. Debt management	A
13.1. Recording and reporting of debt and guarantees	A
13.2. Approval of debt and guarantees	NA
13.3. Debt management strategy	NA

General description of the system in place in Kyrgyz Republic:

Articles 65, 66 and 67 of the Budget Code of the Kyrgyz Republic stipulate that local governments have the right to borrow by issuing municipal securities on their behalf, as well as receiving budget loans. The issue of municipal securities is carried out in order to implement priority investment projects targeted in the local development plans. This aims at ensuring a balanced budget and to repayment of existing municipal debt.

In accordance with Articles 60-64 of the Budget Code, the functions of public debt management are assigned to the Ministry of Economy and Finance of the Kyrgyz Republic. They determine and administer servicing of the state debt indicating creditors and borrowers, conditions for provision and repayment, as well as the relevant agreements concluded between the borrower and the lender. External debt data is stored in an automated system operated by the Public Debt Office of the Ministry of Economy and Finance. It calculates all interest and principal payments. The data on external debt is reconciled with the Central Treasury, the National Bank and the Public Debt Department on a monthly basis, and the volume of debt is also published monthly.

The local self-government is responsible to issue the municipal securities once decision is made by the local parliament in the manner prescribed by the KR Government. The specific type and volume of the municipal securities are determined by the local kenesh (Parliament). Generally, the local governments are prohibited from borrowing if the debt obligations exceed 20 percent of the annual income of the respective local government. Such income would be excluding any funds raised from loans and intergovernmental transfers.

Recent or ongoing reform activities: Not reported

13.1. Recording and reporting of debt and guarantees

Performance level and evidence for scoring: Chapter 14 of Budget Code contains the provisions on borrowing by local government. The Mayor's Office of Jalal-Abad borrowed two loans in 2000, through IDA. A loan in the amount of 1,983,734 US dollars (principal debt) was received from the World Bank for the reconstruction of city roads, the maturity date is October 1, 2020. The cash flow report for 2017-2019, the city of Jalal-Abad is reflected in the section: "Obligations: 704-Economic issues". 105,015,000 soms were repaid at the beginning of 2020.

The second loan with beneficiary "Jalal-Abadvodokanal" on agreement dated March 5, 2011 with the EBRD for the reconstruction of the water supply and sewerage system in the city of Jalal-Abad. The loan received is in the amount of 3 million Euros and an EBRD grant of 0.4 million Euro, plus a SECO grant in the amount of EUR 4.85 million. Two loans are currently being repaid. Both are regularly serviced. Detailed reports on the debt servicing have been provided as evidence showing, debt stock, date and amount of repayment over the year. The recording and reporting of debt is complete, updated and reconciled on a monthly basis. Reports covering debt stock, debt servicing and debt-related operations are produced and how often. There are monthly reconciliation of debt data with the Central Treasury, the National Bank and the borrower. Monthly information on the repayment of debts on budget loans is published on the website of the Ministry of Economy and Finance of the Kyrgyz Republic. Information is available on the website: <http://www.minfin.kg/ru/novosti/deyatelnost-gfre>.

The LSG Jalal-Abad fully repaid the debt agreement under the IDA (WB) loan. The loan repayment process for the EBRD loan is being completed. The Territorial Administration of the Ministry of Economy and Finance of the Kyrgyz Republic for Jalal-Abad also monitors and controls the above debt obligations.

Dimension score - A

Possible causes of PFM performance identified during the PEFA assessment: The reported and evidenced practice shows that debt management records are complete, updated and reconciled monthly.

13.2. Approval of debt and guarantees

Performance level and evidence for scoring:

In accordance with Articles 60-62 of the Budget Code of the Kyrgyz Republic, the Ministry of Economy and Finance of the Kyrgyz Republic is responsible for public debt management. The decision to obtain an external loan is made by the Government of the Kyrgyz Republic in agreement with the Jogorku Kenesh of the Kyrgyz Republic (Parliament). Agreements on the provision of loans to the Kyrgyz Republic, which are international treaties, are subject to ratification in accordance with the Law of the Kyrgyz Republic "On international treaties of the Kyrgyz Republic". Article 63 of the Budget Code prohibits the issue of government guarantees when there is external borrowing undertaken to finance investment projects.

The projects of LSG of Jalal-Abad, financed through budget lending, were developed by the mayor's office of Jalal-Abad in agreement with the City Kenesh (parliament) and were considered at meetings of the mayor's office and sessions of the City Kenesh.

The subnational governments cannot borrow, issue debt or loan guaranteed on their own. Therefore, this dimension is considered non-applicable. Score: NA

Possible causes of PFM performance identified during the PEFA assessment:

13.3. Debt management strategy

Performance level and evidence for scoring:

The Fiscal Policy Guidelines of the Kyrgyz Republic, approved by the Council on Fiscal Policy and published at the beginning of the budget preparation process, contain clear statements of the government debt management strategy and the risks associated with fluctuations of exchange rate and interest rates. The debt management strategy is being developed by the Ministry of Economy and Finance of the Kyrgyz Republic.

LSG Jalal Abad does not develop own debt management strategy. In addition, in accordance with Articles 65 and 67 of the Budget Code of the Kyrgyz Republic, the local self-governments are not entitled to provide guarantees on behalf of local self-government. The executive bodies of local self-government can keep records of loans and submit information to the central level Ministry of Economy and Finance of the Kyrgyz Republic. Local governments are prohibited to borrow if the debt obligations exceed 20 percent of the annual income of local governments, excluding the funds raised as loans and inter-budget transfers.

Debt management strategy is not prepared by local governments.

Score: NA

Possible causes of PFM performance identified during the PEFA assessment:

PILLAR FOUR: Policy based fiscal strategy and budgeting

What does Pillar IV measure? The fiscal strategy and the budget are prepared with due regard to government fiscal policies, strategic plans, and adequate macroeconomic and fiscal projections.

Overall performance: key strengths and weaknesses

The City of Jalal Abad prepares forecasts of the main fiscal indicators, including revenues (by type), aggregate expenditure, and the budget balance, for the budget year and two following fiscal years. These forecasts, together with the underlying assumptions, are included in budget documentation submitted to the legislature. However, macro-economic forecasts are not prepared at the level of subnational government (PI-14).

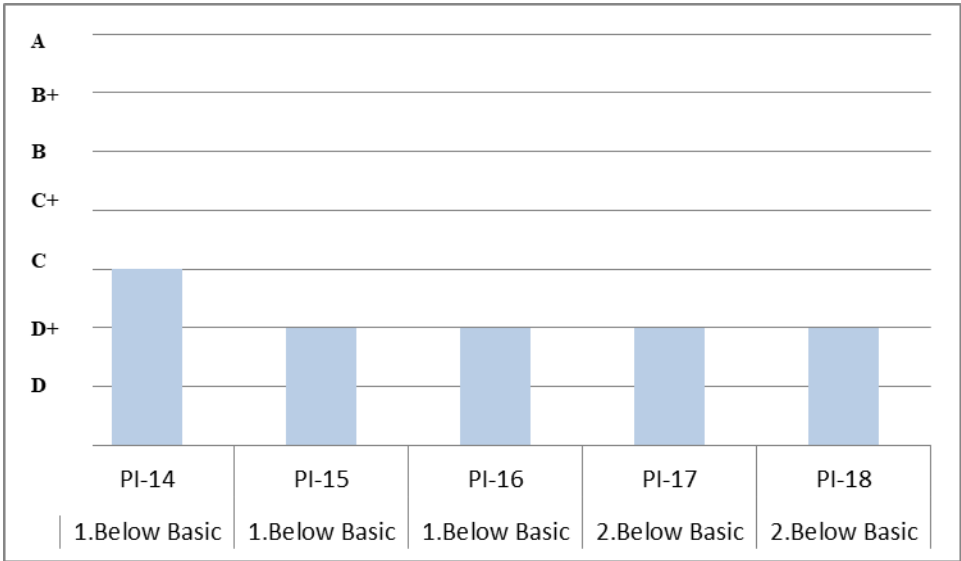
The government has adopted and submitted to the legislature a current fiscal strategy that includes quantitative or qualitative fiscal objectives for at least the budget year and the following two fiscal years but it is not published. According to the existing practice of LSGs, macroeconomic scenarios are not developed at the local level. The LSG does not prepare an estimate of fiscal implications and revenue and expenditure policies for three years or one fiscal year.

The annual budget presents an estimate of expenditure for the budget year and the two following fiscal years allocated by administrative and economic classification. At present, Medium-term strategic plans are developed in ministries and departments of the Republican Budget only, not at the level of subnational governments.

A clear budget calendar exists but allows budgetary units only two weeks to prepare their budget. A budget circular is issued to the budgetary units but this doesn't consist the budget estimates (PI-17).

The executive has submitted to annual budget proposal to council after the start of the New Year (PI-18). This has led to the delay in budget approval by the council, where approval is done after more than one month into the budget year. Figure 2.4 below shows the aggregate score per indicator for this pillar.

Figure 2.4: Pillar 4-Summary of PEFA scores



PI-14. Macroeconomic and fiscal forecasting

What does PI-14 measure? This indicator measures the ability of the government to develop robust macro-economic and fiscal forecasts, which are crucial to developing a sustainable fiscal strategy and ensuring greater predictability of budget allocations. It also assesses the government's capacity to estimate the fiscal impact of potential changes in economic circumstances. It contains three dimensions and uses **M2(AV)** for aggregating dimension scores.

Coverage: Dimension 14.1: the whole economy. Dimensions 14.2 and 14.3: CG.

Time period: Last three completed fiscal years.

Indicator/Dimension	Score
PI-14. Macroeconomic and fiscal forecasting	C
14.1. Macroeconomic forecasts	NA
14.2. Fiscal forecasts	B
14.3. Macrofiscal sensitivity analysis	D

General description of the system in place in the City of Jalal Abad: The KR MoF, in accordance with the Law of the Kyrgyz Republic "On state forecasting of socio-economic development of the Kyrgyz Republic" dated by February 20, 2009 No. 61 and the Procedure for developing a forecast of socio-economic development (SED) of the Kyrgyz Republic dated by May 17, 2018 No. 239, on the basis of the forecast data of the sectoral ministries and departments, develops annually a draft Medium-term forecast of the KR SED for the medium-term period, reflecting main macroeconomic parameters (GDP, inflation, etc.).

The Draft Statement of the GKR "On Medium-Term Forecast of Socio-Economic Development of the Kyrgyz Republic" undergoes an official procedure of coordination with the interested state bodies and the agreed draft forecast after this is to be submitted to the KR Government Office for consideration and approval.

A forecast on the exchange rate of US dollar is developed by the interdepartmental working group on macroeconomic policy of the Kyrgyz Republic, created by the Statement of the KR Government dated by April 4, 2011 N 94-r.

The forecasts of the socio-economic development of the Kyrgyz Republic for the medium term, prepared in 2016-2019, respectively, are posted on the official website of the KR Ministry of Justice (<http://minjust.gov.kg>) in the section "NLA database" (Normative legal acts):

- Statement of the KR Government dated by July 14, 2016 No. 395 "On the Forecast of socio-economic development of the Kyrgyz Republic for 2017 and 2018-2019".
- Statement of the KR Government dated by June 13, 2017 No. 368 "On the Medium-term forecast of socio-economic development of the Kyrgyz Republic for 2018-2020".
- Statement of the KR Government dated by August 23, 2018 No. 393 "On the Medium-term forecast of socio-economic development of the Kyrgyz Republic for 2019-2021".
- Statement of the KR Government dated by September 10, 2019 No. 465 "On the Medium-term forecast of socio-economic development of the Kyrgyz Republic for 2020-2022".

The KR Ministry of Economy, together with the KR Ministry of Finance, the KR National Bank, the KR National Statistical Committee (interdepartmental working group on macroeconomic policy of the Kyrgyz Republic, established by the Resolution of the KR Government dated by April 4, 2011 N 94-r) develop scenario of macroeconomic framework with the subsequent choice of at least three macroeconomic scenarios of the baseline

scenario and generation on its basis of target parameters for forecasting the socio-economic development of the Kyrgyz Republic for the forecasted three-year period. These scenarios have to undergo a procedure of consideration at the meeting of the Coordinating Council for Macroeconomic and Investment Policy under the Government of the Kyrgyz Republic.

The approved scenario of the Medium-Term Forecast of Socio-Economic Development of the Kyrgyz Republic is the basis for development of the draft Main Directions of Fiscal Policy of the Kyrgyz Republic for the medium-term period and the draft Law of the Kyrgyz Republic on the Republican Budget.

Medium-term forecast indicators for development of regions of the Kyrgyz Republic for 2019-2021 are presented in Appendix 14 to the Statement of the Decree of the Kyrgyz Republic Government dated by August 23, 2018 No. 393 "On the Medium-term forecast of socio-economic development of the Kyrgyz Republic for 2019-2021." This appendix presents the macroeconomic dimensions of development for 2019-2021 in the context of the regions of the republic, such as: Gross regional product, Average monthly wages, subsistence minimum, etc. When developing medium-term programs and strategies for the development of regions, city halls, local governments, these approved macroeconomic development dimensions should be taken as a basis.

The KR MoF annually develops Main Directions of Fiscal Policy (MDFP) of the Kyrgyz Republic for the next 3 years.

The Medium-term forecast of the KR socio-economic development prepared by the KR Ministry of Economy serves as a basis for the development of the draft KR MDFP for the medium-term period and for the development of the draft KR Law on the Republican Budget.

The MDFP gives a holistic view of the resources of the state budget and takes into account macroeconomic development, factors affecting the economy, the results of structural and administrative reforms, resources and commitments of the state.

The parameters of the MDFP are taken as the basis for development of the Republican Budget. As part of the budget documentation of the draft Law on the Republican Budget, - an explanatory note is submitted to the KR Jogorku Kenesh with medium-term forecast of socio-economic development, including quantitative benchmarks and measures of socio-economic policy, medium term policy measures on revenues and expenditures.

Recent or ongoing reform activities: None

14.1. Macroeconomic forecasts

Performance level and evidence for scoring: The Budget Code stipulates adoption by local Keneshes of the Program of socio-economic development of territories and control over their implementation (Articles 78, 80, 88). The Methodological manual "Development and implementation of local budgets of the Kyrgyz Republic", approved by the Decree of the KR MoF dated by October 13, 2018 No.312 (paragraph 3.3. Section 3) regulates the development of the draft local budget on the basis of the program for socio-economic development.

Pursuant to the Statement of the Government of the Kyrgyz Republic "On the Program for the Development of Local Self-Government of the Kyrgyz Republic for 2018-2023" dated by October 31, 2018 No.513, Jalal Abad City approved "On the results of socio-economic development of Jalal-Abad in 2019, the implementation of the "Concept of Regional Policy of the Kyrgyz Republic for 2018-2022" and the tasks for 2020".

Strategic documents are the basis for planning the draft budget for the medium term. Documents contain quantitatively defined goals tied to specific terms of indicators, tasks and measures of socio-economic development, defining the main dimensions and priorities of fiscal policy for the forthcoming period. However, they contain only forecasts on expenditure of the Local Budget for medium term. The documents do not include estimates of GDP growth, inflation and other forecasts for the main macroeconomic indicators, which are the responsibility of the National Government. *Hence, the score for the present dimension is NA.*

Possible causes of PFM performance identified during the PEFA assessment: Macroeconomic forecast is not prepared at the level of LSG.

14.2. Fiscal forecast

Performance level and evidence for scoring: Every year, the Ministry of Economy and Finance issues an Order on the development of a draft budget for the next budget year and a forecast for the next 2 years on the basis of the “Main Directions of the Financial Policy of the Kyrgyz Republic” adopted by the Government of the Kyrgyz Republic. The local budget of the city of Jalal-Abad for the last three completed fiscal years were developed in accordance with the adopted Orders of the Ministry of Finance. *Hence, the score for the present dimension is B.*

Possible causes of PFM performance identified during the PEFA assessment: The City of Jalal Abad prepares forecasts of the main fiscal indicators, including revenues (by type), aggregate expenditure, and the budget balance, for the budget year and two following fiscal years. These forecasts, together with the underlying assumptions, are included in budget documentation submitted to the legislature.

14.3. Macroeconomic sensitivity analysis

Performance level and evidence for scoring: LSG Jalal Abad does not prepare scenarios of unexpected changes to macroeconomic assumptions including those prepared at the national level as well as other external factors that will impact on subnational revenues (including transfers from the national government), expenditure (including expenditure related to conditional grants and loans), and debt. *Hence, the score for the present dimension is D.*

Possible causes of PFM performance identified during the PEFA assessment: LSG Jalal Abad does not prepare macroeconomic sensitivity analysis.

PI-15. Fiscal strategy

What does PI-15 measure? This indicator provides an analysis of the capacity to develop and implement a clear fiscal strategy. It also measures the ability to develop and assess the fiscal impact of revenue and expenditure policy proposals that support the achievement of the government’s fiscal goals. It contains three dimensions and uses the M2(AV) method for aggregating dimension scores.

Coverage: CG.

Time period: Dimension 15.1: Last three completed fiscal years. Dimensions 15.2 and 15.3: Last completed fiscal year.

Indicator/Dimension	Score
PI-15. Fiscal strategy	D+
15.1. Fiscal impact of policy proposals	D
15.2. Fiscal strategy adoption	B
15.3. Reporting on fiscal outcomes	D

General description of the system in place in City of Jalal Abad: The budget documentation submitted to the Jogorku Kenesh of the Kyrgyz Republic by the Ministry of Finance of the Kyrgyz Republic includes an Explanatory Note to the draft republican budget of the Kyrgyz Republic. The estimations in the draft budget are based on the dimensions of the Main Directions of Fiscal Policy of the Kyrgyz Republic, approved by the Government Statement. The Explanatory Note contains a medium-term forecast of socio-economic development, including quantitative benchmarks and measures of socio-economic policy, policy measures in revenues and expenditures for the medium term:

- macroeconomic development prospects in 2019-2021.
- description of the budget revenue.
- description of budget expenditure.
- costs of servicing the KR State Debt.
- information about projects of local budgets.
- information about the MHIF KR.
- information about the KR Social Fund.
- information on general government expenditure (government programs, activities and payments).
- impact of new policy proposals on budget expenditures.
- budget deficit.
- risks of execution of the republican budget of the Kyrgyz Republic for 2019.
- program budgeting

An Explanatory Note as part of the budget documentation of the draft law of the republican budget is submitted to the JK KR for its consideration and published on the official website of the KR MoF. At the same time, the Explanatory Note cover only the Republican Budget, because it is developed for the Draft Law on the Republican Budget. The section of the Explanatory Note on local budgets contains brief information on the system of interbudgetary relations, and on the total values of local budgets, including: own revenues of the local budget, the size of equalizing and targeted transfers.

The Ministry of Finance annually prepares a Report on implementation of the State Budget for the previous year and submits it to the KR Parliament. Annually, the Accounts Chamber of the Kyrgyz Republic conducts an audit of budget execution and submits a conclusion on the results of budget execution to the KR Parliament. The report includes an Explanatory Note containing analytical information on the economic situation and the main directions of fiscal policy, objective and subjective variations in budget execution (in terms of budget revenue and expenditure). The section on the macroeconomic situation describes the implementation of the medium-term forecast of socio-economic development. In addition, the report includes a report on the execution of the Local Budget in a tabular format, which provides general performance indicators by type of budgets: cities of the Republican Budget, cities of Oblast subordination, cities of Raion subordination and Ayil Okmotu.

Recent or ongoing reform activities: None

15.1. Fiscal impact of policy proposals

Performance level and evidence for scoring: The explanatory note of the draft budget contains only quantitative data by functions of expenditures. There is no description of policy measures regarding budget revenues and expenditures, and their assessment for medium term period. In addition, in this explanatory note there is not any explanation of how the draft budget correlates with the goals of the local community according to the social and economic development plan, indicating main changes in revenues and expenditures in comparison with the current financial year and the reasons for their variations. Therefore, it is not possible to assess the fiscal implications of the proposed policy measures on budget revenues and expenditures over the medium-term period. *Hence, the score for the present dimension is D.*

Possible causes of PFM performance identified during the PEFA assessment: The LSG does not prepare an estimate of fiscal implications and revenue and expenditure policies for three years or one fiscal year.

15.2. Fiscal strategy adoption

Performance level and evidence for scoring: The Government and LSG bodies pursue a unified fiscal policy. The KR Budget Code regulates the relationship between the Republican and local budgets. The KR Tax Code defines general legal norms for local taxes.

The adoption by local Keneshes of the Program of socio-economic development of territories and control over their implementation are provided for in the Budget Code (Articles 78, 80, 88). In addition, development of the Draft Local Budget on the basis of the program of socio-economic development is regulated by the Methodological manual "Development and Implementation of KR Local Budgets", approved by the Decree KR MoF dated by October 13, 2018 No.312 (paragraph 3.3. Section 3).

Accordingly, "on the results of socio-economic development of Jalal-Abad in 2019, the implementation of the "Concept of Regional Policy of the Kyrgyz Republic for 2018-2022" and the tasks for 2020" is prepared and submitted to the legislature. It contains qualitative and quantitative fiscal objectives. *Hence, the score for the present dimension is B.*

Possible causes of PFM performance identified during the PEFA assessment: The government has adopted and submitted to the legislature a current fiscal strategy that includes quantitative or qualitative fiscal objectives for at least the budget year and the following two fiscal years. However, it is not published.

15.3. Reporting on fiscal outcomes

Performance level and evidence for scoring: LSG Jalal Abad did not prepare a report on the implementation of the Plan for Socio-Economic Development of AyilOkmotu as part of the annual report, which includes the implementation of fiscal strategy and explanations of reasons for variation from the approved goals and objectives for the medium-term period. *Hence, the score for the present dimension is D.*

Possible causes of PFM performance identified during the PEFA assessment: A report on the implementation of the Strategic Plan for the Development has not been prepared together with the Annual Budget.

PI-16. Medium-term perspective in expenditure budgeting

What does PI-16 measure? This indicator examines the extent to which expenditure budgets are developed for the medium term within explicit medium-term budget expenditure ceilings. It also examines the extent to which annual budgets are derived from medium-term estimates and the degree of alignment between medium-term budget estimates and strategic plans. It contains four dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

Coverage: BCG.

Time period: Dimensions 16.1, 16.2 and 16.3: Last budget submitted to the Legislature. Dimension 16.4: Last budget approved by the Legislature

Indicator/Dimension	Score
PI-16. Medium-term perspective in expenditure	D+
16.1. Medium-term expenditure estimates	B
16.2. Medium-term expenditure ceilings	D
16.3. Alignment of strategic plans and medium-term	D
16.4. Consistency of budgets with previous year's estimates	D

General description of the system in place in the City of Jalal Abad: The KR MoF develops the draft Republican Budget (draft budget) for the next budget year and the forecast period. All budget administrators are involved in the process of forming the draft budget for the revenue and expenditure side of the budget. Chief Budgetary Units (CBU) and Budgetary Units (BU) must submit draft budgets (budget applications) to the Ministry of Finance with the breakdown by departmental, functional and economical classifications. In addition, they also present draft budgets with program classifications. The Ministry of Finance in the process of reviewing budget applications of the CBU and/or the BU:

- Check compliance of the amounts of expenditures included in the budget requests with the forecasted dimensions of the Main Directions of Fiscal Policy (MDFP) and their validity.
- Check correctness of the developed Payroll Fund and application of norms and prices for estimation of material and monetary expenditures.
- Assess need in expenditures, check for presence of justified estimations to budgetary requests.
- Clarify applications for budget allocations, make amendments to them, if necessary, based on the results of consideration.

After reviewing and clarifying the assessment of the expenses of the CBU, the Ministry of Finance develop a Draft Law of the Kyrgyz Republic on the Republican Budget of the Kyrgyz Republic for three years and submits it to the Government of the Kyrgyz Republic and the KR Parliament for its further consideration and approval. According to current practice, when changes are made to the approved budget, one budget year is adjusted, but the figures for the two forecast years remain unchanged.

The territorial bodies of the KR MoF and the financial and economic divisions of local self-government bodies consider the submitted draft expenditures (applications) for the coming year in the presence of the heads of the relevant institutions of the cities of Republican, Oblast and Raion subordination, and the executive bodies of local self-government, through their financial and economic departments, consider the draft expenditures of AyilAimaks.

At the same time, they are obliged: to ensure full compliance of the production indicators of the draft estimates with the macroeconomic indicators for the planned year, not to allow the adoption of cost estimates in the draft, not confirmed by calculations and justifications, and others.

Upon completion of consideration of draft expenditures (applications) for the coming year and on the basis of interbudgetary transfers planned for the Republican Budget, as well as revenues of local budgets, the territorial bodies of the KR MoF and executive bodies of local self-government:

- determine the amount of allocations related to the corresponding budget and make appropriate adjustments to them, if necessary.
- determine the size of funding according to the estimates of institutions.
- consolidate requests for expenses for each section, paragraphs and articles of economic classification.
- compile forecast indicators across the network, stuff and quotas for budgetary institutions in accordance with the budget classification.
- compile draft budgets of special funds.

In accordance with Article 81 of the Budget Code, the KR MoF, in accordance with the Statement of the KR Government dated by January 30, 2020, 22-r, circulated to the ministries and departments the draft (preliminary) control figures for estimating draft expenditures by April 27, 2020. By May 10, 2020, there were working meetings held to resolve differences in opinions involving representatives of ministries and departments.

To implement the provisions of the KR Government Statement, mentioned above, the Ministry of Finance sent draft (preliminary) target figures at the start of the annual budget preparation cycle to ensure that expenditures outside the budget year are aligned with the government's fiscal policy and budgetary objectives.

By May 20, 2020, a draft Main Directions of Fiscal Policy (MDFP) was prepared and submitted, including general control figures for the expenditures of ministries and departments for consideration by the KR Government Council on Fiscal and Investment Policy.

Draft local budgets for the next budget year and the forecast period are developed in accordance with the procedure and terms established by the relevant local Keneshes, in compliance with the requirements of the Budget Code (Article 81, 95), taking into account the calendar plan for the development of the draft Republican Budget approved by the Government.

Recent or ongoing reform activities: None

16.1. Medium-term expenditure estimates

Performance level and evidence for scoring: The Draft Budget of the LSG Jalal Abad is generated for the budget year and two following years with a break down to economic and functional classifications. *Hence, the score for the present dimension is B.*

Possible causes of PFM performance identified during the PEFA assessment: The annual budget presents estimates of expenditure for the budget year and the two following fiscal years allocated by administrative and economic classification.

16.2. Medium-term expenditure ceilings

Performance level and evidence for scoring: Aggregate and ministry-level expenditure ceilings for the budget year and the two following fiscal years are not prepared. *Hence, the score for the present dimension is D.*

Possible causes of PFM performance identified during the PEFA assessment: Aggregate expenditure ceilings for the budget year and the two following fiscal years are not prepared.

16.3. Alignment of strategic plans and medium-term budgets

Performance level and evidence for scoring: Expenditure policy proposals are the responsibility of the national government. Medium-term strategic plans are developed in ministries and departments of the Republican Budget only, not at the level of subnational governments. *Hence, the score for the present dimension is D.*

Possible causes of PFM performance identified during the PEFA assessment: Institutions of LSG Jalal Abad do not develop Medium-term strategies for budget expenditures.

16.4. Consistency of budgets with previous year's estimates

Performance level and evidence for scoring: The budget of LSG Jalal Abad is prepared without regard to those made in the previous year. The budget is prepared each year without due consideration of the estimates made in the previous years and no explanations are provided of the changes to expenditure estimates between the second year of the last medium-term budget and the first year of the current medium-term budget. *Hence, the score for the present dimension is D.*

Possible causes of PFM performance identified during the PEFA assessment: The budget documents provide an explanation of some of the changes to expenditure estimates between the second year of the last medium-term budget and the first year of the current medium-term budget at the aggregate level.

PI-17. Budget preparation process

What does PI-17 measure? This indicator measures the effectiveness of participation by relevant stakeholders in the budget preparation process, including political leadership, and whether that participation is orderly and timely. It contains three dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

Coverage: BCG.

Time period: Dimension 17.1 and 17.2: Last budget submitted to the Legislature. Dimension 17.3: Last three completed fiscal years.

Indicator/Dimension	Score
PI-17. Budget preparation process	D+
17.1. Budget calendar	C
17.2. Guidance on budget preparation	D
17.3. Budget submission to the legislature	D

General description of the system in place in the City of Jalal Abad: In accordance with the Article 91 of the Budget Code, the draft Republican Budget of the Kyrgyz Republic is generated in accordance with the procedure and calendar plan approved by the Government. The calendar plan is approved annually by the Statement of the Kyrgyz Republic Government in accordance with the Article 81 of the Budget Code for the corresponding period no later than February 1 of the year preceding the following budget year. In accordance with this Statement, the Decree of the KR MoF approves the calendar for developing a draft budget of the Kyrgyz Republic in order to regulate budget planning, timely and quality preparation of the draft Main Directions of the Fiscal Policy of the Kyrgyz Republic, as well as the draft Law of the Kyrgyz Republic "On the Republican Budget of the Kyrgyz Republic".

In accordance with the Article 95 of the Budget Code, drafts of local budgets for the following/next budget year and the forecast period are developed in accordance with the procedure and terms established by the relevant local Keneshes, in compliance with the requirements of the Budget Code, taking into account the calendar plan to formulate a draft republican budget approved by the Government.

Therefore, in accordance with the Article 81 of the Budget Code, it is necessary to approve the budget calendar with the corresponding local Keneshes to formulate draft local budgets, taking into account the approved calendar plan to formulate draft Republican Budget.

In this connection, the KR MoF annually inform territorial bodies with a budget calendar, approved by the Decree of the Minister, in order to inform about deadlines in generating local budgets.

Recent or ongoing reform activities: None

17.1. Budget calendar

Performance level and evidence for scoring: The norm of the Budget Code (Article 95) "On formulation of draft local budgets in accordance with the procedure and terms established by the relevant local Keneshes, taking into account the calendar plan to formulate the draft republican budget approved by the Government". A clear budget calendar exists for LSG Jalal Abad and allows budgetary units enough time to prepare their budget. The budget calendar and circular for the preparation of the budget for 2020 and the forecast for 2021-2022 was sent to the budgetary units on June 17, 2019 and requests the budget proposals to be submitted until July 2019, i.e. the budgetary institutions are allowed only two weeks to prepare their budgets. Accordingly, all budgetary institutions submitted their budget proposals until July 1, 2019. Hence, the score for this dimension is C

Possible causes of PFM performance identified during the PEFA assessment: The budget calendar allows budgetary institutions only two weeks to complete their budget proposals and this is complied with by all.

17.2. Guidance on budget preparation

Performance level and evidence for scoring: A budget circular is issued to the budgetary units but this doesn't consist the budget estimates. Hence, the score for the present dimension is D.

Possible causes of PFM performance identified during the PEFA assessment: The budget circular issued to budgetary units, does not include ceilings for administrative or functional areas.

17.3. Budget submission to the legislature

Performance level and evidence for scoring: The executive have submitted the annual budget proposal to council after the start of the New Year. The date of submission for the last three years is shown on table 17.1 below. According to the Budget Code of the Kyrgyz Republic (Article 102), local budgets are approved within one month after the approval of the national budget. The national (republic) budget was approved on December 28, 2017, December 28, 2018 and December 23, 2019 for the years 2018, 2019 and 2020 respectively. Due to this, submission of the budget by the executive to the council was not able to be made before the start of the new fiscal year. Hence, the score for the present dimension is D.

Table 17.1: Date of budget submission to the legislature

Budget year	Date of submission to legislature
2018	January 9, 2018
2019	January 11, 2019
2020	January 27, 2020

Source: MoF

Possible causes of PFM performance identified during the PEFA assessment: The executive have submitted the annual budget proposal to council after the start of the New Year.

PI-18. Legislative scrutiny of budgets

What does PI-18 measure? This indicator assesses the nature and extent of legislative scrutiny of the annual budget. It considers the extent to which the legislature scrutinizes, debates, and approves the annual budget, including the extent to which the legislature's procedures for scrutiny are well established and adhered to. The indicator also assesses the existence of rules for in-year amendments to the budget without ex-ante approval by the legislature. The indicator contains four dimensions and uses the **M1 (WL)** method for aggregating dimension scores.

Coverage: BCG.

Time period: Dimension 18.1, 18.2 and 18.4: Last completed fiscal year. Dimension 18.3: Last three completed fiscal years.

Indicator/Dimension	Score
PI-18. Legislative scrutiny of budgets	D+
18.1. Scope of budget scrutiny	C
18.2. Legislative procedures for budget scrutiny	C
18.3. Timing of budget approval	D

General description of the system in place in LSG Jalal Abad: The procedure for the consideration and approval of local budgets is provided for in the Budget Code (Article 102) and the Methodological Guide "Formulation and Execution of KR Local Budgets" (section 3).

Recent or ongoing reform activities: None.

18.1. Scope of budget scrutiny

Performance level and evidence for scoring: The procedure for reviewing and approving local budgets is provided in the Budget Code of the Kyrgyz Republic (Article 102) and the methodical manual "Formation and implementation of local budgets of the Kyrgyz Republic"(section 3). The Jalal-Abad letter dated December 12, 2019 No.14-2-2/15301 was submitted include:

- Assessment of local budget revenues for 2020, in terms of IAS bodies.
- Forecast of state-wide taxes of local budgets for 2020.
- Approved standards of deductions from national revenues to local budgets for 2020.

Forecast of the income part of the year for 2020-2022 was presented by the types of income, assets and liabilities (detailed by economic classification). Budget documents approved by Jalal-Abad City Kenesh MPs on March 9, 2020 No.12 "On the approval of the budget of the City of Jalal-Abad for 2020 and forecast for 2021-2022" includes:

- Annex 1: City Budget Revenues for 2020 and forecast for 2021-2022.
- Annex 2: Budget expenditures for the city budget for 2020.
- Annex 2a: Budget estimates for the city budget for special accounts 2020.
- Annex 3: City budget expenditures from budget balances (surplus) as of 01.01.2020.
- Annex 4: City budget expenditures from the balances in special accounts as of 01.01.2020.

The budget documentation of the city's draft budget does not include an explanatory note explaining how the draft budget relates to the goals of the local community according to the approved program of socio-economic development, indicating major changes in income and expenditures compared to the current financial year and the reasons for their changes.

Hence, the score for the present dimension is C

Possible causes of PFM performance identified during the PEFA assessment: The legislature's review covers details of expenditure and revenue.

18.2. Legislative procedures for budget scrutiny

Performance level and evidence for scoring: Procedures for reviewing and approving local budgets are established in Section IV of the G-Orodsky Regulation of the City of Jalal-Abad. The regulation of the city kenesh Jalal-Abad was approved by the resolution of the City Kenesh No.1 of June 29, 2017 at an extraordinary session of deputies VIII convocation (VIII Chakirystin Keseksiz I Yuesturuu Sessions - Tokt No.1 " Jalal-Abad Shaardykh Municipality (jacity.kg). This resolution amended the Regulations of Jalal-Abad City Kenesh, approved by the decree of the City Kenesh No. 1 of 13.03.2013.

The regulation has approved the general procedure for considering the issues, documents and materials included in the City Kenesh, including issues related to finance. In accordance with the Regulation, draft decisions of the city kenesh should be considered by the permanent committees of the city kenesh, as well as discussed at public hearings and hearings with the participation of deputies.

Budget Committee of the City kenesh (parliament) of Jalal-Abad.

The composition and number of the standing committee of the city kenesh on budget, economy, finance and taxes was approved by the resolution of the City Kenesh on October 2, 2018, No.4 (2.10.2018- No.4 tokt. 5.10.2018-yils of heat-and-alyyalangan. "Jalal-Abad Shaardyk Municipality (jacity.kg). In accordance with the resolution, the commission consists of 9 deputies. In accordance with the approved work plan for 2020, the meeting of the budget committee on the draft budget for 2020 took place on 21.02.2020 and seven members of the budget committee were present at the meeting. As a result of the meeting, the Protocol of the Standing Committee on Budget, Economy, Finance and Taxes was drawn up and the decision was made to approve the revenue and expenditure part of the budget for 2020 and recommended to send for consideration at the session of the City Kenesh.

Also, according to the Budget Code of the Kyrgyz Republic (Article 79,127) during the formation of the city budget by the executive bodies of local government, the city kenesh held a public hearing. As a result of the discussion, a report was drawn up of the public hearings of the city hall and the city of Kenesh.

Hence, the score for the present dimension is C

18.3. Timing of budget approval

Performance level and evidence for scoring: Table 18.3 shows the date of approval for the budget of the last three approved budgets. The legislature has approved the annual budget within two months of the start of the year in 2018 and 2019 and within three months in 2020. *Hence, the score for the present dimension is D.*

Table 18.3 The Parliament’s approval of the budget for the past three approved budgets.

Approved budget	Date of approval by the Parliament
2018	February 20, 2018
2019	February 14, 2019
2020	March 2020

Source: MoF

Possible causes of PFM performance identified during the PEFA assessment: The legislature has not approved the annual budget at least within one month of the start of the year in the last three fiscal years.

18.4. Rules for budget adjustments by the executive

Performance level and evidence for scoring: Clear rules exist for in-year budget adjustments by the executive. The rules set strict limits on the extent and nature of amendments and are adhered to in all instances.

- According to the Budget Code of the Kyrgyz Republic, Art. 109, paragraph 2, the total volume of redistributed funds during the financial year should not exceed 5 percent of the total volume of expenditures for each main manager (manager, recipient) of budget funds separately.

- The redistribution of local budgets in the process of their execution within the established limit (in accordance with part 2 of Article 109 of the Budget Code of the Kyrgyz Republic) does not require amendments and additions to the regulatory legal act on the budget.
- The executive body of the LSG submits the order of the head of the LSG to the Jalal-Abad department of the Ministry of Finance of the Kyrgyz Republic, which makes the appropriate changes to the automated treasury system.
- In case of exceeding the established limit (5%), the executive body of LSG submits to the Jalal-Abad department of the Ministry of Finance of the Kyrgyz Republic a regulatory legal act on amendments to the local budget, which was approved by the city kenesh (decision of the city kenesh / parliament).

The in-year budget adjustments for the year 2019 were 4%. *Hence, the score for the present dimension is A.*

Possible causes of PFM performance identified during the PEFA assessment: Clear rules exist for in-year budget adjustments by the executive. The rules set strict limits on the extent and nature of amendments and are adhered to in *all* instances.

PILLAR FIVE: Predictability and control in budget execution

What does Pillar V measure? The budget is implemented within a system of effective standards, processes, and internal controls, ensuring that resources are obtained and used as intended.

Overall performance: key strengths and weaknesses

The LSG Jalal Abad provides functions at regional level for the practices related to revenue administration, procurement and internal audit. The process of predicting and controlling the budget execution has both strengths and weakness. The assessment of revenue administration indicates that the function is rather developed at regional and national level and very few, if any is resultant from PFM organization in LSG Jalal Abad. As long as accessibility of information is concerned, the tax administration is smooth and clear; the public is well informed about tax legislation and there are various media employed to reach the taxpayer. This is all evident from the website of the State Tax Service. Risk management and formalized compliance improvement plan exist. The practice indicates that regular tax audits are carried out with particular effect on improving tax collection. A good point to note is the practice of monitoring revenue arrears and keeping their level low. The daily inflow of revenue collection into Central Treasury facilitates the reconciliation of accounts in real time. The revenue administration function is shared between the regional office of STS in Jalal Abad collecting tax revenue (74%) and the SNG Jalal Abad collecting non tax revenue (26%).

An area that needs development is the fact that there is no cash planning in the local government (PI-21), however this is compensated by a rigorous budget spending discipline with no adjustments to the budget made in the last FY.

Expenditure arrears (PI-22) is generally contributing to budget credibility by monitoring and clearing payables. The sound internal control system benefits also from the organization of payroll and personnel records (PI-23), which are updated in time for salary payment. The payroll audit is carried out once in three years, as is the practice in most local governments.

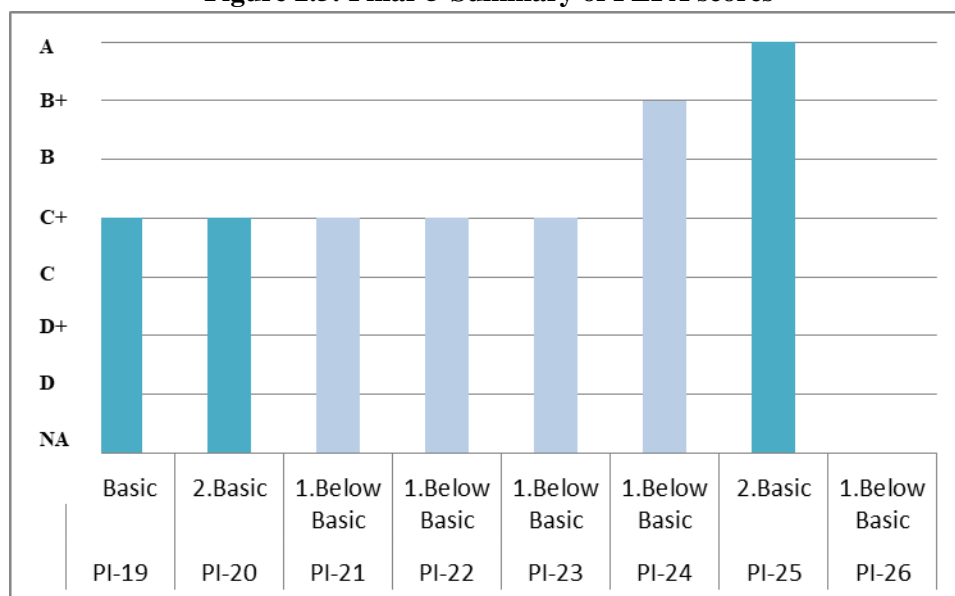
Procurement practice (PI-24) shows good performance. The key strength is the high volume of services contracted through competitive tenders (80%). Another strength to note is that all procurement information including complaints mechanism is accessible to the public. However, this is the achievement of the processes set on national level rather than on local government.

The assessment of PI-25 shows the next strength in the PFM system. The internal control for non-salary payment is strong ensuring clear responsibilities; segregation of duties; expenditure commitment controls and strict application of payment rules and procedures. This setting contributes to sound internal control system assuring that transactions are performed as intended. The resources are used only when the authority has been verified. The overall effect in the PFM system is that fiscal discipline is maintained at all levels.

There is no established internal audit function for the budgetary organizations of the LSG Jalal Abad.

Figure 2.5 shows the scores per indicator for this pillar.

Figure 2.5: Pillar 5-Summary of PEFA scores



PI-19. Revenue administration

What does PI-19 measure? This indicator covers the administration of all types of tax and non-tax revenue for central government. It assesses the procedures used to collect and monitor central government revenues. It contains four dimensions and uses **M2 (AV)** method for aggregating dimension scores.

Indicator/Dimension	Score
PI-19. Revenue administration	NA
19.1. Rights and obligations for revenue measures	NA
19.2. Revenue risk management	NA
19.3. Revenue audit and investigation	NA
19.4. Revenue arrears monitoring	NA

General description of the system in place in Kyrgyz Republic:

The main legal document is the Tax Code of October 17, 2008 N 230. The Tax Code defines the basis on which the various tax liabilities are calculated. The Code clearly sets out the rights and obligations of taxpayers and tax agents, including information on the procedures for appealing against decisions of tax authorities, actions and inaction of their officials.

On non-tax payments, the main legal document is the Code of the Kyrgyz Republic on Non-Tax Payments, which was enacted by the Law of the Kyrgyz Republic of August 10, 2018 N 89 on January 1, 2019. The STS monitors and checks the correct collection and safety of institutions and organizations of funds received in payment of the state duty and other non-tax payments, checks local authorities (ayilokmotu, local keneshes, etc.) regarding compliance with the established requirements when accepting from the population of funds on account of taxes, insurance premiums and other payments. The tax appeal procedures against decisions of tax authorities are provisioned in Chapter 20, Section VI (Articles 146-152) of the Tax Code of the Kyrgyz Republic.

There is a regional territorial office of the State Tax Service in Jalal Abad City collecting 74% of the tax revenue of the SNG.

The central government collects revenues through its regional revenue authority and has sharing arrangements with the subnational revenue authority. There is only one tax inspector within the administrative staff of the local government, with responsibility to collect tax, pay off arrears on local taxes and fees. The tax inspector is on the staff list and paid from the local budget.

Recent or ongoing reform activities: During the time of assessment, the structure of the Government of the Kyrgyz Republic has been changed in compliance to a resolution of the Government of February 2021, No. 38. According to the new structure, the Ministry of Economy, State Tax Service, State Customs Service and seven other institutions became part of the new Ministry of Economy and Finance.

19.1. Rights and obligations for revenue measures

Performance level and evidence for scoring: There are two institutions responsible for tax matters. Tax policy and tax legislation is handled by the Tax Policy Department of the Ministry of Economy of the Kyrgyz Republic, whereas tax administration is the competence of the State Tax Service under the Government of the Kyrgyz Republic and its territorial offices (STS). There is a territorial office of STS in Osh covering LSG Jalal Abad. The regional STS provide the taxpayers with access to all applicable laws and regulations in their websites, as well as in the centralized legal information database of the Kyrgyz Republic, which is administered by the Ministry of Justice. The revenue administration service uses various channels to reach to the taxpayer with information on rights and obligations, rates and benefits.

There are 8354 taxpayers registered in the State Tax Service of Jalal-Abad, including 3003 legal entities, 5351 individuals. The implementation of the revenue plan in FY 2019 is 100%, while the growth rate compared to 2018 was 106.2% or there were KGS 46 493.9 more collected.

Table: 19.1 Breakdown of total revenue of LSG Jalal Abad for FY 2017-2019 (all amounts in KGS)

	FY 2017	Share	FY 2018	Share	FY 2019	Share	Average
Tax revenue	290,276.20	75%	239,317.8	69%	378,300.0	77%	74%
Non-tax revenue	94,534.00	25%	105,543.4	31%	113,232.3	23%	26%
Total local revenue	384,810.2		344,861.2		491,532.3		

Source: author's calculation based on PI-3 data

The average percentage of collected tax revenue by STS in Jalal Abad for the period of assessment is 74%, the non-tax revenue, collected from rents, fees and penalties is 26%.

In addition, the regional STS provides information on tax legislation in information stands and brochures, through television and radio, seminars and meetings for taxpayers. Comprehensive information on tax obligations and redress

process is published on the tax website (sti.gov.kg). There is a clear appeal procedure stipulated in Chapter 20, Section VI (Articles 146-152) of the Tax Code of the Kyrgyz Republic (applies) -<http://cbd.actjview.gov-ru/202445>.

Possible causes of PFM performance identified during the PEFA assessment: Tax information is clear and comprehensive. The website of the STS, collecting the majority of revenue, publishes information on key obligations and rights. The revenue-collecting administration has a redress system allowing complaints to be filed and resolved. The central government collects revenues through its regional revenue authority and has sharing arrangements with the subnational revenue authority of Jalal Abad. Due to the shared organisation of revenue administration with the national level, it is considered that this dimension is not applicable

Dimension score - NA

19.2. Revenue risk management

Performance level and evidence for scoring:

The legislation stipulates revenue collection procedures, depending on the categories of taxpayers (large, medium, small). According to the Tax Code of the Kyrgyz Republic (Article 153, paragraphs 44 and 45), payment to the budget will be made on the categories and size of the volume of production. Small- and medium-sized taxpayer, with KGS 8000 and 30,000 of turnover, respectively, pay their due tax quarterly, whereas the large taxpayers, with more than KGS 30,000 turnover, pay tax monthly or according to provisions the Tax Code. There are 8,354 taxpayers registered in the regional office of State Tax Service of Jalal-Abad, of which legal entities - 3003, individuals 5351. In FY 2019, 21 large taxpayers paid KGS 537,157.

In Jalal-Abad In 2019, the state budget received taxes and other payments in total KGS 796,396 from the plan, the implementation was 100.0%, while the growth rate compared to 2018 was 106%. Monthly receipts increased from KGS 5,100 to 11,000.

Revenue risks are managed differently depending on the type of tax. Taxpayers are selected for audit based on risk analysis, which evaluates the consistency of information from different sources. There is a special software product "Information system of tax administration of Kyrgyzstan" known as ISNAC (ITAS), created on the basis of the experience of the leading countries of Europe and the CIS. The system singles out for tax control the taxpayers with the highest level of risk. This process is determined in accordance with risk analysis and assessment procedure. The system covers an "Audit" module that would analyze the criteria for the risk of non-payment of taxes and would draw up a schedule of an on-site audit only for those taxpayers who have the greatest risk of non-payment of taxes.

The risk criteria that are used in the system of the audit module are divided for field audits separately and for desk audits separately. For on-site inspections, the risk criteria were developed based on the risk factors provided for in the Tax Code (Article 101 of the Tax Code of the Kyrgyz Republic), which were introduced into the system at its establishment.

The authorities that collect most of the revenue use a structured and systematic approach to assess and prioritise the risks of non-compliance with the legislation for some categories of income and.

Possible causes of PFM performance identified during the PEFA assessment: STS obviously use a structured and systematic approach of assessing risks of non-compliance, details and evidence on risk management were provided. The information on risk management is relevant to the central level State Tax Service having a shared function with SNG Jalal Abad, therefore this dimension is not applicable.

Dimension score – NA

19.3. Revenue audit and investigation

Performance level and evidence for scoring:

The legal framework covering revenue and audit investigation is defined in the provisions of the Tax Code, Section IV. It deals with tax control, risk management and tax audit. Specific types of tax controls specified in the law include tax inspection, taxpayer registration, tax monitoring of major taxpayers, and tax audit.

The tax audit is carried out by the staff of the regional office of State Tax Service. The tax audit is divided into two types: i) on-site audit and ii) desk audit (remote). The desk type of audit is subdivided into 6 subtypes for which certain conditions are to be in place. The usual audit is the on-site audit.

Planning and conducting tax audits are carried out in accordance with an audit plan and schedule approved by the State Tax Service. In 2019, the office of the Tax Service of Jalal-Abad planned 345 tax audits, however only 219 or 64% were performed. According to the results of inspections, additional taxes were charged for KGS 120,088, of which KGS 41,271 were transferred to the budget. In addition, in 2019, 44 desktop inspections were carried out, as a result of which additional taxes were charged in the amount of KGS 9,673, of which KGS 7,644 were transferred to the budget. An action plan is prepared annually to monitor the compliance with the tax legislation. A copy of this action plan was not provided.

There is a plan for compliance control approved in February 2019. It consists of 9 sections and 101 activities in the areas of (i) tax control; (ii) collect and reduce tax arrears; (iii) methodological work on the provisions of the Tax Code; (iv) accounting of income, verification of declarations, analysis and forecasting and others. In summary, inspection has been the usual mechanism of control at the STS. The execution of the planned audits at the office of Jalal Abad were 64% in FY 2019 applying risk-based approach.

Possible causes of PFM performance identified during the PEFA assessment: There is a good practice of carrying out planned and ad hoc audits that appear to contribute to higher tax legislation compliance. There is a very substantial programme of tax audits, but there is no documented compliance improvement plan. There is a very substantial programme of tax audits, but there is no documented compliance improvement plan. In any even, due to the sharing arrangements with the national level revenue authority, the dimension is considered not applicable.

Dimension Rating – NA

19.4. Revenue arrears monitoring

Performance level and evidence for scoring:

The Tax Code stipulates obligations of tax payment. The legislation recognises the tax arrears as a due amount, which is not paid within deadline. It is also referred to as the so called ‘hopeless’ arrears – that is an overdue amount,

which cannot be paid due to bankruptcy or liquidation acknowledged by court, death or overdue payment claim. Non-payment of due tax implies imposing of financial sanctions.

Article 68 of the Tax Code defines the circumstances in which the tax liability is terminated. The stock of revenue arrears at the end of the last completed fiscal year (FY 2019) is KGS 15,501,400. The total revenue collection for the same year is KGS 491,742.8 soms, and the revenue arrears older than 12 months for the same period is KGS 3,273,900. Therefore, the percentage of revenue arrears is 3.2% or less than 10% and the rate of arrears older than 12 months is 1%.

Table: 19.4.1 Revenue arrears of LSG Jalal Abad for FY 2019 (all amounts in KGS)

	FY 2019	Share
Revenue arrears (year-end)	15,501	3.2%
Older than 12 months	3,273	1%
Total revenue	491,743	

Source: author's calculation based on PI-3 data

Possible causes of PFM performance identified during the PEFA assessment: There is specific data on revenue arrears of LSG Jalal Abad. The information is collected by the regional office of STS monitoring the tax arrears. Due to the sharing arrangements with the national level revenue authority, the dimension is considered not applicable.

Dimension score – NA

PI-20. Accounting for revenue

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

Indicator/Dimension	Score
PI-20. Accounting for revenue	C+
20.1. Information on revenue collections	B
20.2. Transfer of revenue collections	A
20.3. Revenue accounts reconciliation	C

General description of the system in place in Kyrgyz Republic:

Central Treasury based on the "IS: Treasury (Kazna). Budget" receives on daily and monthly basis, as well as on an accrual basis, the revenue collected from all STS offices. This information on a daily and monthly basis is submitted to the relevant departments of the Central Treasury, departments of the Ministry of Finance, the department of the Ministry of Finance in Jalal Abad.

A report "On the execution of state budget revenue" is prepared monthly on a cumulative basis reflecting the revenue collected in all levels of budget in the country as a whole, and in the context of regions and local governments.

Another report is drawn up on a daily and monthly basis, as well. It covers the collected customs and duties. It is relevant only for the national government level.

The revenue administration situation in Jalal Abad corresponds to a case where the subnational revenues are collected on behalf of the subnational government by a higher-level revenue authority, STS in Jalal Abad for tax revenue (74%) and the non-tax revenue (26%) is collected by SNG Jalal Abad.

Recent or ongoing reform activities: Not reported

20.1. Information on revenue collections

Performance level and evidence for scoring: Data of planned and actual revenue by months is received. Information on all categories of revenue is collected daily. Revenue collection reports were provided for all months of FY 2019 and such are prepared for all months in 2020 (cut-off date being end Dec 2020). Daily information is received by revenue type in Treasury via the TSA. This information is disaggregated by income type and consolidated in a report.

Possible causes of PFM performance identified during the PEFA assessment: The organization of process and the information system used in the territorial offices of the tax service allows information on collected revenue to be available on daily basis.

Dimension score - B

20.2. Transfer of revenue collections

Performance level and evidence for scoring: The treasury electronic system known as "IS: Treasury (Kazna). Budget" is where all revenue collection transfers flow in on daily basis, except for the funds of Social Contribution. Revenue collections are transferred directly into the Treasury Single Account controlled by the Treasury and their regional offices.

Possible causes of PFM performance identified during the PEFA assessment: The organization of the process on revenue administration and the functionality of the Treasury information system permit daily transfers of all revenue into the Single Treasury Account.

Dimension score - A

20.3. Revenue accounts reconciliation

Performance level and evidence for scoring: There are monthly reconciliations between Treasury records and those of the regional office of the State Tax Services. Individual taxpayers' accounts are updated as revenue is received.

The following reconciliations take place as regulated by legal framework: i) reconciliation of tax and non-tax payments to the State Budget between the Central Treasury of the Ministry of Finance of the Kyrgyz Republic and

the State Tax Service; ii). reconciliation of the receipt of fines for violation of traffic rules in the Republican Budget between the Central Treasury of the Ministry of Finance of the Kyrgyz Republic and the Main Directorate for Road Safety; iii) reconciliation of the receipt of repayment of budgetary loans and foreign loans received from economic entities to the Republican Budget between the Central Treasury of the Ministry of Finance of the Kyrgyz Republic and the State Agency for the Management of Budgetary Loans under the Ministry of Finance of the Kyrgyz Republic; iv). reconciliation of funds received from compensation for damage caused to the state in criminal cases on economic and official crimes budget to the republican budget between the Central Treasury of the Ministry of Finance of the Kyrgyz Republic and law enforcement agencies.

According to the joint order of the Ministry of Finance of the Kyrgyz Republic and the State Tax Service dated 03/12/2015 with No. 66 and 43-P, a reconciliation report for all taxes and other payments is drawn up monthly between the regional treasury and the State Tax Service.

The City of Jalal-Abad submits to the Central Treasury an act of reconciliation on revenue collected and transferred into STA by type on monthly basis.

Possible causes of PFM performance identified during the PEFA assessment: The organization of the revenue administration processes at STS and the real-time connection to Central Treasury facilitates the reconciliation of accounts allowing revenue arrears tracking.

Dimension score - C

PI-21. Predictability of in-year resource allocation

What does PI-21 measure? This indicator assesses the extent to which the central MoF is able to forecast cash commitments and requirements and to provide reliable information on the availability of funds to budgetary units for service delivery. It contains four dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

Indicator/Dimension	Score
PI-21. Predictability of in-year resource allocation	A
21.1. Consolidation of cash balances	NA
21.2. Cash forecasting and monitoring	NA
21.3. Information on commitment ceilings	NA
21.4. Significance of in-year budget adjustments	A

General description of the system in place in Kyrgyz Republic:

In accordance with Article 105 of the Budget Code, there is a Treasury Single Account was created with the National Bank of the Kyrgyz Republic, which is a centralized account for consolidation of all government owned bank accounts. It stored the funds of the budgetary system of the Kyrgyz and traces all operations of the budget bodies on cash execution. The TSA procedure is regulated and approved by a resolution of the Government of the Kyrgyz Republic dated July 24, 2017 No. 444. The procedure establishes the management procedures for the authorized state body represented by the Ministry of Finance (Central Treasury) for forecasting and executing the budget with funds for the TSA and general rules for cash services for the execution of budgets of the budgetary system of the Kyrgyz Republic.

All cash operations related to the budget execution are carried out by the Central Treasury and its territorial offices applying the procedures on cash receipts to the budget and the distribution of income received within the budgetary system of the Kyrgyz Republic. Treasury territorial offices do not manage the TSA but rather participate in the cash service of budget execution.

The current practice shows that cash planning takes place only at the level of the Republican Budget and the budgets of cities of republican and regional significance.

The relevant resolution of the Government of the Kyrgyz Republic is known as "On approval of the Regulation on the procedure for the formation and maintenance of the cash plan of the republican budget of the Kyrgyz Republic" dated October 2, 2017 No. 632.

Recent or ongoing reform activities: The recent development on this matter is the Government Decree of December 17, 2020 No. 618 amending the above-mentioned resolution. Thus, from 2021 the cash plans will be also prepared by the Ministry of Finance or the local self-government bodies.

21.1. Consolidation of cash balances

Performance level and evidence for scoring:

The local budget of Jalal Abad is forecasted, executed and reported in accordance with a government instruction approved in 2017 with reference number 488. All revenue and expenditure items related to the cash budget execution are entered in the Central Treasury accounts in national currency. Cash operations are recorded and reported daily. Cash records are generated automatically based on the primary cash operations, such as cash request, bank statement, treasury orders, etc. The territorial branches of the Central Treasury provide cash operations records in the unified electronic system. Paper documents and records are kept in the territorial office of STS. With the establishment Treasury Single Account (TSA), the Treasury function has been developed to cover and monitor all bank accounts of budgetary organisations. The TSA is a system of domestic currency bank accounts controlled by the Treasury and applies to all expenditures. The TSA is in the Central Bank.

The territorial offices of the Treasury are not involved in the management of TSA. This dimension is considered **non applicable for local governments.**

Possible causes of PFM performance identified during the PEFA assessment: NA

21.2. Cash forecasting and monitoring

Performance level and evidence for scoring:

In accordance with Article 108 of the Budget Code of the Kyrgyz Republic, the Resolution of the Kyrgyz Republic approved the Regulation "On the procedure for the formation and maintenance of the cash plan of the republican budget of the Kyrgyz Republic" dated October 2, 2017 No. 632, cash forecasting and monitoring is carried out by the Central Treasury. The cash plan is approved by the Deputy Minister of Finance, who is also a Director of the Central Treasury, in agreement with the Minister of Finance of the Kyrgyz Republic.

According to current practice, a cash plan at the local budget level is not established.

In order to bring it in line with the norms of the Budget Code of the Kyrgyz Republic, amendments and additions were made to the current resolution of the Government of the Kyrgyz Republic "On approval of the Regulation on the procedure for the formation and maintenance of the cash plan of the republican budget of the Kyrgyz Republic" dated October 2, 2017 No. 632. Nevertheless, starting from 2021 the cash plan will be also drawn up by the local governments.

Dimensione – NA

Possible causes of PFM performance identified during the PEFA assessment: Cash plan at the local budget level is not established.

21.3. Information on commitment ceilings

Performance level and evidence for scoring:

Commitment ceilings, known as well as permission for expenditure payment (known in Russian language as 'разрешениенаоплатуразходов'). The amounts fixed in the commitment ceilings cannot change in the course of the financial year. The Treasury applies commitment and payment controls to commitments and payments made by the budgetary organisation. Once agreed the commitment ceilings are entered in the management information system and automatically limit the volume of legal obligations and transactions a given budget organization could make. Such control mechanism effectively manages in a reliable and predictable manner the cash expenditure. The information entered in the system includes the expenditure commitments on contracts, planned spending and actual payments of the budget entity. The procedure provides budget organizations with sufficient information to make expenditure commitments at least six months in advance. The procedure effectively limits and controls the approved availability of funds necessary for budget units to plan activities and procurement commitment and to implement them without disruption.

Dimension score - NA

Possible causes of PFM performance identified during the PEFA assessment: The current practice is that budget allocations are assigned the budget entities by the Central Treasury on a monthly basis during the financial year in accordance with the cash plan. The commitment ceilings are not defined by SNG Jalal Abad.

21.4. Significance of in-year budget adjustments

Performance level and evidence for scoring:

According to Article 115 of the Budget Code of the Kyrgyz Republic, amendments to approved budget during the budget year can be made no more than two times: the first - before 1st June, the second - before 1st November of the current budget year. This is the rule of the Budget Code applicable to all levels of governments in the country unless they have a local rule.

Evidence on in-year budget adjustments was obtained from the Treasury providing details on reallocation of revenue and expenditure for the FY 2019. The data shows that the volume of budget adjustment is within 10% in each one of the three years. The approved budget of FY 2019 has been amended during execution twice. The amendment requests were submitted to the local Parliament and were approved on 30 May 2019 and 29 October 2019. Therefore, there are no significant in-year adjustments to budget allocations in the last completed fiscal year. The in-year budget

adjustments are done in a transparent and predicatable way by being done in compliance with documented procedures (evidence provided). There are clearly defined rules for in-year adjustments and evidence was provided that rules are being complied with (decisions from the local parliament provided).

The two 2019 adjustments were documented as follows:

- Resolution of the Jalal-Abad City Kenesh of Deputies dated May 30, 2019 on amendments and additions to the Resolution No. 1 dated February 14, 2018 "On approval of the budget of the city of Jalal-Abad for 2019 and forecast for 2020-2021";
- Resolution of the Jalal-Abad city Kenesh of deputies dated October 29, 2019 on amendments and additions to the Resolution dated February 14, 2018 No. 1 "On approval of the budget of the city of Jalal-Abad for 2019 and forecast for 2020-2021."

Possible causes of PFM performance identified during the PEFA assessment: The practice of strict application of Budget Code on all levels of government generally results in strong internal control and fiscal discipline.

Dimension score -A.

PI-22. Expenditure arrears

What does PI-22 measure? This indicator measures the extent to which there is a stock of arrears, and the extent to which a systemic problem in this regard is being addressed and brought under control. It contains two dimensions and uses the M1 (WL) method for aggregating dimension scores.”

Indicator/Dimension	Score
PI-22. Expenditure arrears	C+
22.1. Stock of expenditure arrears	B
22.2. Expenditure arrears monitoring	C

General description of the system in place in Kyrgyz Republic:

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

Recent or ongoing reform activities: The Regulation on Accounting and Financial Reporting in the Public Administration Sector (December 25, 2017 No.137-p) defines the information on payables and receivables as mandatory to be disclosed in the balance sheet. The Regulation was amended on September 16, 2019, No.107 in terms of disclosure of the concepts of current and overdue payables and receivables.

22.1. Stock of expenditure arrears

Performance level and evidence for scoring:

According to the Budget Code of the Kyrgyz Republic, an overdue debt is an obligation for which the payment deadline specified in the agreement has been exceeded. The established payment deadline is 30 days from the date of receipt of the invoice for payment. The arrears incurred in LSG Jalal Abad cover salary payments and utilities.

The MoF in Jalal Abad monitor and manage accounts payable, accounts receivables and the related arrears. The arrears monitoring is supposed to be centralised in the Treasury where the accounts payable or the overdue invoices are recorded. The data on composition of arrears is updated on six, nine and 12 months. There is no information if arrears data is consolidated in any report.

Table 22.1. - Stock of Arrears and total Budget Expenditure of JalalAbad

	FY 2017	FY 2018	FY 2019
Stock of Arrears	8,388	13,024	11,375
Share	2.12%	3.07%	2.31%
Total budget Expenditures	395,479.00	423,814.00	491,743.00

Source: Jalal Abad MoF

Possible causes of PFM performance identified during the PEFA assessment: The stock of expenditure arrears is not more than 6% of the total expenditure in all three years.

Dimension score – B

22.2. Expenditure arrears monitoring

Performance level and evidence for scoring: Data on expenditure arrears monitoring was provided as of FY 2019. They are monitored by the accountant and employees of the financial department of LSG who are also responsible for the preparation of the financial statements and balance sheets. The report on the annual expenditure arrears is prepared by January, 10th of the following year. The report covers stock and composition. The composition of expenditure arrears show that they are on utilities bills (water, gas, coal and electricity), food supplies, as well as payment for repair work and acquisition of equipment in sector of Education and Economy.

The expenditure arrears appear in the annual financial statements under payables. The debt report is displayed in the institution's annual balance sheet and in the annual budget execution report in Appendix 2 "Information on receivables and payables for all items." The head of each budgetary institution ensures compliance with the limits of budgetary obligations and bears personal responsibility for the state of accounts payable and receivable and the overdue debt.

Table 22.2: Composition of Arrears for FY 2017-2019

Stock of Arrears	FY 2017	FY 2018	FY 2019
1. Salary (including social contributions)	58.2	219.3	228.3
2. Community bills (telecommunications, rents, transport)	156.0	-463.5	-774.5

3. Utilities and Services (repair works, water supply, electricity, heating, gas)	8,174.5	13,268.7	11,921.7
Total Arrears	8,388	13,024	11,375

Source: Jalal Abad MoF

Possible causes of PFM performance identified during the PEFA assessment: There are unpaid utilities bills, and repair work as of year end. Arrears are usually repaid within a month after the annual arrears report is made.

Dimension score – C

PI-23. Payroll controls

What does PI-23 measure? This indicator is concerned with the payroll for public servants only: how it is managed, how changes are handled, and how consistency with personnel records management is achieved. Wages for casual labor and discretionary allowances that do not form part of the payroll system are included in the assessment of non-salary internal controls, PI-25. This indicator contains four dimensions and uses the M1 (WL) method for aggregating dimension scores.”

Indicator/Dimension	Score
PI-23. Payroll controls	C+
23.1. Integration of payroll and personnel records	B
23.2. Management of payroll changes	A
23.3. Internal control of payroll	C
23.4. Payroll audit	B

General description of the system in place in Kyrgyz Republic:

The regulatory framework for the management of payroll is defined in a variety of Acts, Decrees and Regulations. These are the Act of 15 June 2011 No.45 "On the limit of staffing and conditions of remuneration of state and municipal employees of the Kyrgyz Republic" and the Decree of the President of the Kyrgyz Republic of January 31, 2017 No.17 "On the approval of the Register of State and Municipal Posts of the Kyrgyz Republic". In accordance with the above-mentioned regulations each public body approves a full-time structure within an approved list of staff positions. In accordance with the staffing schedule, a salary fund is planned and the annual budget of the state body is approved. Each public body is responsible for ensuring that its payroll is accurate and within its approved Salary Fund.

Recent or ongoing reform activities: not reported

23.1. Integration of payroll and personnel records

Performance level and evidence for scoring:

The MoF Department of Jalal-Abad monitors and controls the number of personnel of municipal institutions and enterprises financed from the city budget, and the payroll of these institutions. The data of the Jalal-Abad Department of the Ministry of Finance of the Kyrgyz Republic showed that the approved staffing table and the payroll are directly related to each other, which allows control of the budget, consistency of data and their monthly reconciliation. The municipal enterprises of Jalal-Abad are responsible for the development, operation and maintenance of their system of management of payrolls and personnel. They are also responsible to reconcile monthly all changes. They provide such information to the Jalal-Abad Department of the Ministry of Finance. The personnel database and payroll system are manually controlled and monthly reconciled to ensure that changes made in the personnel data are immediately reflected in the payroll system. There are no automatic (without human intervention) links between personnel records and the payroll as required in the second edition of the PEFA Assessment Fieldguide (issued December 2018). Data consistency and monthly reconciliation is ensured also by the confirmation of the Accounts Chamber.

Possible causes of PFM performance identified during the PEFA assessment: Strict application of legal framework and local government rules and procedures.

Dimension score – B

23.2. Management of payroll changes

Performance level and evidence for scoring: The necessary changes to personnel register and payroll are made on a monthly basis, prior to next month's payroll. Changes are made promptly (at least once a month). Attendance is monitored and recorded, by means of timesheets, which is maintained by specially authorised official. The head of the respective budget organisation approves these sheets and submits them to the accounting by the end of each month. Data is updated every month in time for salary payment. Retroactive adjustments have been reported to be a few, but there is no evidence provided to justify the volume of these corrections. Therefore, the data is not sufficient to assess the dimension.

According to the Resolution of the Government of the Kyrgyz Republic No. 451 of August 5, 2011 "On Approval of the Typical Structure and Staffing of the Executive Body of Local Self-Government of the Kyrgyz Republic" in the LSG of Jalal-Abad, a table of staff is approved. Based on this, the staffing table of each budgetary institution is approved annually at the session of the City Kenesh (local parliament). During the year, no adjustments are made to the table of staff. In the event of a change in the composition of employees, dismissal or rotation, changes are made to the monthly table of records of employees and sent to the accounting department for payroll. If savings are made at the end of the year due to staff vacancy, then these funds remain at the disposal of the LSG of Jalal-Abad. Such funds are spent in accordance with the decision of the City Kenesh.

Possible causes of PFM performance identified during the PEFA assessment: Changes to the payroll are updated monthly. There were no corrections of payroll in FY 2019.

Dimension score - A

23.3. Internal control of payroll

Performance level and evidence for scoring:

According to the regulatory legal acts, any changes in the data on personnel and the payroll are made based on the decision (order) of the head of the budget entity. The personnel management and payroll services do not have the right independently to make changes in staffing and wages without a corresponding decision (order) of the head of the state body. If necessary, an internal audit is performed by decision of the head of the state body. To ensure the integrity and relevance of data, a clearly documented control is maintained. The information is not sufficient to assess the dimension.

All databases used in the financial and accounting departments of Jalal-Abad LSG are protected by individual passwords which are regularly changed. There is no automated system for managing personnel and payroll, yet. Excel sheets are currently used which do not track changes.

The head of the Financial and Economic Department and the head of the budgetary institution are responsible for making changes to the data on personnel and wages. According to regulatory legal acts, any changes in personnel

and payroll data are made on the basis of a decision (order) of the head of a state body, in accordance with the staffing table approved by the local kenesh (parliament) and the approved staffing.

The head of the Financial and Economic Department or the accountant of a budgetary institution has access to the timesheets and payroll. Sample signatures of the head of the Financial and Economic Department and the head of the institution are provided to the bank for payment. Documents signed by other persons are not accepted by the bank.

Possible causes of PFM performance identified during the PEFA assessment: There is sufficient control ensuring integrity of payroll data. The system does not currently allow tracking of who and when changes were made.

Dimension score – C

23.4. Payroll audit

Performance level and evidence for scoring: Over the past three years, there is one payroll audit performed by the State Personnel Service and the Accounts Chamber. The usual payroll audit covers (i) documentation check, to ensure that everyone on the payroll is appropriately documented and authorized to receive a salary, and (ii) a physical check that the payment recipients exist. The Accounts Chamber carried out only salary audit. It reviewed the legality of bonuses and remuneration paid to staff and addressed payroll issues, although these checks were not specifically focused on payroll. All budget organisations with audit function regularly conduct payroll audits.

Possible causes of PFM performance identified during the PEFA assessment: There is payroll audit once in three fiscal years.

Dimension score - B

PI-24. Procurement

What does PI-24 measure? This indicator examines key aspects of procurement management. It focuses on transparency of arrangements, emphasis on open and competitive procedures, monitoring of procurement results, and access to appeal and redress arrangements. It contains four dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

Indicator/Dimension	Score
PI-24. Procurement	B+
24.1. Procurement monitoring	D
24.2. Procurement methods	A
24.3. Public access to procurement information	A
24.4. Procurement complaints management	A

General description of the system in place in Kyrgyz Republic:

The Law of the Kyrgyz Republic "On Public Procurement" dated April 3, 2015 № 72, provides the legal framework for all public procurement transactions. The purpose of the Law is to ensure the economic and efficient use of public funds in the implementation of public procurement. Public procurement is based on the principles: i). publicity,

openness, legality and impartiality; ii). competition between suppliers (contractors) in the procurement process; iii). equal and fair conditions for suppliers (contractors) in the implementation of public procurement.

At the time when the Law on Public Procurement was adopted in Kyrgyzstan in 2015, all public procurement switched to the electronic public procurement system and all stages of public procurement are carried out through the web portal zakupki.gov.kg, which is publicly accessible not only for economic participants, but also for the public. The public procurement web portal is integrated with the information system of the Central Treasury of the Ministry of Finance of the Kyrgyz Republic and the regional offices. Control over the contract payment and expenditure of public procurements is through the Treasury information system.

The Department of Public Procurement at the Ministry of Finance of KR is an authorized state body (by force of Ordinance dated 3 February 2014, No. 68), responsible to draft laws and regulations, keep a register and compile statistics, assist public bodies in law enforcement in the procurement of goods, works, services (Article 9).

Public procurement is performed by using the following methods: i). single-stage bidding; ii). two-stage bidding; iii). simplified acquisition; iv). reverse auction; v). direct contracting.

Recent or ongoing reform activities: not reported

24.1. Procurement monitoring

Performance level and evidence for scoring: For the purpose of assessing the procurement practice, the public monitoring reports of 19 budget organisations (19/20) within the budget of Jalal Abad were provided. They represent the key industry sectors and budget organisations in Jalal Abad City covering 95% of all budget organisations. They all keep a regular excel sheet register covering the following information items: i). category (goods, services, works); ii) contract number; iii) contract description; iv). procurement method; v). supplier name; vi). contract amount in KGS; vii). data of contract signing; viii) contract duration; ix) status of completion.

There is no information on responsibility and consolidation of the annual procurement data for Jalal Abad. It is not known if the procurement data is subject to external audit or review by any other central/sub-national government institution.

Table 24.1: Procurement data (in KGS)

	FY 2017		FY 2018		FY 2019	
	number of tenders	KGS	number of tenders	KGS	number of tenders	KGS
Goods	325	79,845.5	261	91,508.2	230	110,672.3
Work	52	10,415.5	38	19,617.8	64	33,726.5
Services	68	4,418.9	70	8,466.8	68	5,745.6
Total number of tenders/Total value	445	94,679.9	369	119,592.8	362	150,144.4

Source: LSG Jalal Abad

Possible causes of PFM performance identified during the PEFA assessment: The records of procurement monitoring cover no details on contract award. The accuracy and completeness of procurement data cannot be ascertained.

Dimension score – D

24.2 Procurement methods

Performance level and evidence for scoring: The data on procurement methods has been provided both for the period of assessment FY 2017-2019. More historic data (2017, 2018) is provided only for information and to manifest the trend in the procurement practice. The evidence of the volume of tenders procured through competitive method for FY 2019 shows that more than 90% of the tenders were procured by competitive methods and less than 10% were procured as direct contract awards. The data provided on procurement method demonstrated that in FY 2019 more than 90% of contracts were procured by competitive methods. Direct contract award method was used for only 8% of all procurement.

Table 24.2: Method of Procurement for FY 2017, FY 2018 and FY 2019 (in SOMS)

	<i>Method of Procurement</i>	<i>FY 2017</i>	<i>Share</i>	<i>FY 2018</i>	<i>Share</i>	<i>FY 2019</i>	<i>Share</i>
1	Direct contract award	13,331,307	14%	12,171,794	10%	12,390,530	8.25%
2	single-stage bidding	43,132,089	46%	82,773,458	69%	106,369,512	70.84%
3	two-stage bidding	0		0		0	
4	simplified	38,216,538	40%	24,647,547	21%	31,384,396	20.90%
5	reserve auction	0		0		0	
	<i>Competitive procurement methods (2+3+4+5)</i>	<i>86%</i>		<i>90%</i>		<i>91.75%</i>	
	TOTAL	94,679,934		119,592,799		150,144,438	
<i>Source: LSG Jalal Abad</i>							

Possible causes of PFM performance identified during the PEFA assessment: The total value of contracts awarded through competitive methods is more than 80% in all three years.

Dimension score - A

24.3. Public access to procurement information

Performance level and evidence for scoring: The assessment of this dimension has been made considering the specific local cultural environment. Public procurement information is available on the public procurement portal (zakupki.gov.kg). Each of the main requirements of procurement information from government agencies contains complete and reliable information about all transactions related to procurement, and their disclosure to the public is made in a timely manner. The procurement information is published on a national government media. It is easily accessible to local business, civil societies and individuals.

Element/ Requirements	Met (Yes/No)	Evidence used/ Comments
Legal and regulatory framework for procurement.	Yes	zakupki.gov.kg

Element/ Requirements	Met (Yes/No)	Evidence used/ Comments
Government procurement plans	Yes	zakupki.gov.kg
Bidding opportunities	Yes	zakupki.gov.kg
Contract awards (purpose, contractor and value)	Yes	zakupki.gov.kg
Data on resolution of procurement complaints	Yes	zakupki.gov.kg
Annual procurement statistics	Yes	zakupki.gov.kg

Possible causes of PFM performance identified during the PEFA assessment: The key procurement information is available to the public

Dimension score - A.

24.4. Procurement complaints management

Performance level and evidence for scoring: The appeal review system offers access to an appeal mechanism as part of the control system, in addition to the general court system. There are procedures for complaints resolution and fees are not charged. There is an effective and independent administrative complaint resolution mechanism. The table below provides the details for each satisfied criterion.

Element/ Requirements	Met (Yes/No)	Evidence Used/ Comments
<i>Procurement complaints/appeal body</i>		
1. Is not involved in any capacity in procurement transactions or in the process leading to contract award decisions.	Yes	In accordance with Article 49 of the Law on Public Procurement, there is an inter-agency commission dealing with complaints, which consists of representatives of ministries, government committees, departments and the public, as well as certified public procurement professionals. The composition of the above-mentioned Commission was approved by the order of the Government of September 6, 2019 No.329. The Commission has a total membership of 15, formed of 3 groups of 5 persons representing procurement specialists, lawyers and the public respectively.
2. Does not charge fees that prohibit access by concerned parties.	Yes	Complaints, protests or appeals are filed electronically through a web portal without any requirement to pay a fee.

Element/ Requirements	Met (Yes/No)	Evidence Used/ Comments
3. Follows processes for submission and resolution of complaints that are clearly defined and publicly available.	Yes	The complaints procedures are clearly defined in the Law on Public Procurement and readily available through the electronic portal.
4. Exercises the authority to suspend the procurement process.	Yes	Article 48 in the Law on Public Procurement enables the Public Procurement Authority to suspend the tender for 10 days.
5. Issues decisions within the timeframe specified in the rules/regulations	Yes	Decisions are made in writing within seven working days after review and the ongoing status of a pending complaint can be viewed online.
6. Issues decisions that are binding on every party (without precluding subsequent access to an external higher authority).	Yes	Article 49 stipulates that the decision 'on the complaint shall be final, unless it is challenged in a judicial procedure in accordance with this Article'.

Possible causes of PFM performance identified during the PEFA assessment: All procurement complaints management criteria are met

Dimension score - A.

PI-25. Internal controls on nonsalary expenditure

What does PI-25 measure? This indicator measures the effectiveness of general internal controls for non - salary expenditures. Specific expenditure controls on public service salaries are considered in PI-23. It contains three dimensions and uses the M2 (AV) method for aggregating dimension scores.

Indicator/Dimension	Score
PI-25. Internal controls on nonsalary expenditure	A
25.1. Segregation of duties	A
25.2. Effectiveness of expenditure commitment controls	A
25.3. Compliance with payment rules and procedures	B

General description of the system in place in Kyrgyz Republic:

The internal control arrangements are based on Articles 105 and 106 of the Budget Code which are relevant for all budget operations taking place through the Single Treasury Account. Articles 120-122 of the Budget Code govern internal control and internal audit throughout central and local government. The operation of the STA is prescribed by Government Regulation No. 444 of 24 July, 2017, with payment procedures determined by Ministry of Finance Order No. 131-p of September 28, 2017.

Within the framework of the State budget, the Central Treasury ensures the organization of the execution of the republican and local budgets. It also makes payments for the expenditures of the republican and local budgets within the allocated funds.

Accounting and control of cash budget execution are carried out in an automated system in real time. The system provides for the exchange of data between all participants in the budget process, including the National Bank, using electronic forms of documents and electronic digital signatures.

The integrity of the treasury system is protected by access to a limited number of authorized persons for specific purposes. The system registers and tracks all entries and changes.

The heads of territorial divisions are responsible for the reliability and monitoring the data generated in the automated system.

Recent or ongoing reform activities: Not reported

25.1. Segregation of duties

Performance level and evidence for scoring:

The Central Treasury ensures the organization of the execution of the republican and local budgets. Payments are made within the balance of funds of the corresponding budget in the Single Treasury Account. Accounting and control of cash budget execution are carried out in an automated system in real time. The automated system provides for the exchange of data between participants in the budget process, including the National Bank, using electronic forms of documents and electronic digital signatures. Expenditure transactions at each stage of the budgetary process require submission and approval of electronic documents.

The integrity of the treasury electronic system is protected by providing access to a limited number of persons with specific rights of administration. The system allows tracking all entries and operations made. The heads of the territorial offices are responsible for the reliability of the data generated in the automated system, as well as for their timely and proper maintenance, in accordance with their responsibilities.

In accordance with the Budget Code, almost all budget operations take place through the Single Treasury Account that is managed by the Ministry of Finance. Treasury procedures ensure segregation of functions. Expenditure transactions are authorised by the heads of the budget organisations. Recording and accounting of payments are undertaken by the treasury function, the regional office of Central Treasury in Jalal Abad. Public procurement progress monitoring, acceptance of goods, services and works contracts is certified by different officials of the procuring entity. The internal audit is provided by the auditors of the central government and the external audit by the regional office of Account Chamber. These operations related to internal control whether they are linked or not to the Treasury system are performed by separate officials. The prescribed procedures in operation ensure that different functions in all parts of local government are executed by separate government officials.

Possible causes of PFM performance identified during the PEFA assessment: There is clear segregation of duties due to the organisation of the budget execution process. This contributes to sound internal control system. Functions are separated and performed by different individuals.

Dimension score - A

25.2 Effectiveness of expenditure commitment controls

Performance level and evidence for scoring:

The expenditure commitment control as a system of expenditure monitoring is a procedure stipulated generally in the Budget Code of the Kyrgyz Republic and more specifically in the ‘Instruction on the procedures of the authorized state body for forecasting and budget execution for accounting and reporting’, dated August 16, 2017 No. 488 and the Regulation “On the procedure for organizing the issuance and settlement of the payment card“ approved by the order of the Ministry of Finance of the Kyrgyz Republic of September 28, 2017.

All income and expenditure transactions on budget execution are recorded in the ledgers of the Treasury; they are carried out and controlled in the automated system “IS: Treasury (Kazna). Budget" using the treasury procedures for compliance with estimated commitment, registered budgetary obligations, tender purchases and services, etc. The analytical part of the Treasury ledgers contains the details of the financial transaction: the date of the transaction, the name, number and date of the payment, description of the transaction. The synthetic part includes debit, credit, balance and offsetting account. The records in the Treasury information system “IS: Treasury (Kazna). Budget") are made on the basis of primary accounting documents: application for cash expense, payment order, bank statement, inter-treasury and intra-treasury orders. Expenditure transactions of recipients of budget funds on treasury personal accounts (budget, special, deposit) are carried out on the basis of an application for cash expense, where several amounts of cash expenses may be indicated for various codes of items (elements) of this treasury personal account of this recipient of budget funds. When a request for cash expenditure is withdrawn, the system automatically restores the amounts of unfulfilled budget obligations (taking into account time constraints on cash expenditures) to their original amount for the application.

When the budget obligations are registered in the Treasury system, any withdrawal requests are automatically filtered through the various approved budget commitments and payments are made only if such budget allocations were preliminarily approved and registered in the Treasury system. There are annual reports on budget execution from the Treasury territorial offices that in addition confirmed all electronic payment requests with digital signatures of the responsible employees of territorial offices. When making payments in cash, control is carried out in accordance with the Regulation “On the procedure for organizing the issuance and settlement of the “Recipient of budgetary funds” payment card approved by the order of the Ministry of Finance of the Kyrgyz Republic dated September 28, 2017. Payment obligations remain within the limits of the annual budget allocations.

In compliance with a letter from Central Treasury dated 03.02.21 505-8 / 1112 all unutilized funds above KRS 10,000 should be carried forward FY 2021.

Possible causes of PFM performance identified during the PEFA assessment: Budget planning and clear treasury procedures embedded in the automated system “IS: Treasury (Kazna). Budget" permits compliance with estimated commitment. The controls in place limit the commitments to the estimated availability of cash though the approved budget allocations.

Dimension score - A.

25.3. Compliance with payment rules and procedures

Performance level and evidence for scoring:

The automated information system of the Treasury is a database that serves as a reliable source for all types of reporting. It is the only source of data for financial control over budget entities in the Kyrgyz Republic. In addition, the Accounts Chamber of the Kyrgyz Republic annually audit the execution of the republican budget of the Kyrgyz Republic. Also, the Internal Audit Department of the Ministry of Finance of the Kyrgyz Republic in accordance with the Strategic Audit Plan conducts an internal audit in the territorial offices of the Ministry of Finance of the Kyrgyz Republic. The last internal audit of Jalal Abad was in 2018. According to the results of the Audit Report on the Management, Operating and Financial System for 2018, there were no financial violations. Accordingly, the payments are made in accordance with standard payment procedures. The exceptions to the rules are made with proper approval and justification.

Possible causes of PFM performance identified during the PEFA assessment: The organisation of treasury functions and the strict application of payment control rules contribute to compliance and less exceptions.

Dimension score - B

PI-26. Internal audit

What does PI-26 measure? This indicator assesses the standards and procedures applied in internal audit. It contains four dimensions and uses the **M1 (WL)** method for aggregating dimension score.

Indicator/Dimension	Score of current PEFA
PI-26. Internal audit	NA
26.1. Coverage of internal audit	NA
26.2. Nature of audits and standards applied	NA
26.3. Implementation of internal audits and reporting	NA
26.4. Response to internal audits	NA

General description of the system in place in Kyrgyz Republic:

The Ministry of Finance of the Kyrgyz Republic is an authorized state body for internal audit. The Internal Audit Department on the national level was established in 2014 in accordance with an order dated 22 September 2014 No. 326.

The Decree of the Government "On the creation of internal audit services in state bodies and institutions of the Kyrgyz Republic" dated 13 March 2009 No. 177 approved the list of institutions and local self-government bodies with internal audit function. Presently, there are 30 internal audit departments, of which: 26 ministries, 2 state committees and 2 LSG, including: Bishkek City and Osh City.

The legal basis governing the establishment of internal audit is as follows:

i). Law of the Kyrgyz Republic "On Internal Audit" dated January 26, 2009 No. 25; ii) Decree of the Government of the Kyrgyz Republic "On the creation of internal audit services in state bodies and institutions of the Kyrgyz Republic" dated March 13, 2009 No. 177; iii). Regulations on the Internal Audit Council, approved by the Resolution of the Government of the Kyrgyz Republic dated September 9, 2013 No. 498; iv). Ethical standards of internal auditors of state bodies and institutions of the Kyrgyz Republic, approved by the Resolution of the Government of the Kyrgyz Republic of December 31, 2013 No. 721; v). Standards of internal audit in the Kyrgyz Republic, approved by the Resolution of the Government of the Kyrgyz Republic dated June 3, 2014 No. 296; vi). Guidelines for quality assurance program for internal audit, approved by order of the Ministry of Finance of the Kyrgyz Republic dated December 28, 2016 No. 212; vii). Guidelines for internal audit, approved by order of the Ministry of Finance of the Kyrgyz Republic of March 17, 2008 N 54.

The Internal Audit Department for the Southern Region (SOVA of the Ministry of Finance of the Kyrgyz Republic) was established in 2015 in accordance with the order of the Ministry of Finance of the Kyrgyz Republic dated July 20, 2015 No. 323. Currently, there are five auditors in the Southern Region Office and they are directly subordinate to the central level Ministry of Finance.

Recent or ongoing reform activities: Not reported

26.1. Coverage of internal audit

Performance level and evidence for scoring:

There is no internal audit service in the LSG of Jalal-Abad. The Southern Regional Office covers the internal audit of the activities of only of the territorial departments of the Ministry of Economy and Finance situated in Jalal-Abad, Osh and Batken regions, territorial departments of the State Agency for the Management of Budgetary Loans under the Ministry of Economy and Finance of the Kyrgyz Republic. The audit covers the targeted use of budget funds and compliance with the requirements of financial legislation.

There is no established IA function for the budgetary organizations of the LSG Jalal Abad.

Possible causes of PFM performance identified during the PEFA assessment: NA

26.2. Nature of audits and standards applied

Performance level and evidence for scoring: NA

Possible causes of PFM performance identified during the PEFA assessment: NA

26.3. Implementation of internal audits and reporting

Performance level and evidence for scoring: NA

Possible causes of PFM performance identified during the PEFA assessment:NA

26.4. Response to internal audits

Performance level and evidence for scoring: NA

Possible causes of PFM performance identified during the PEFA assessment: NA

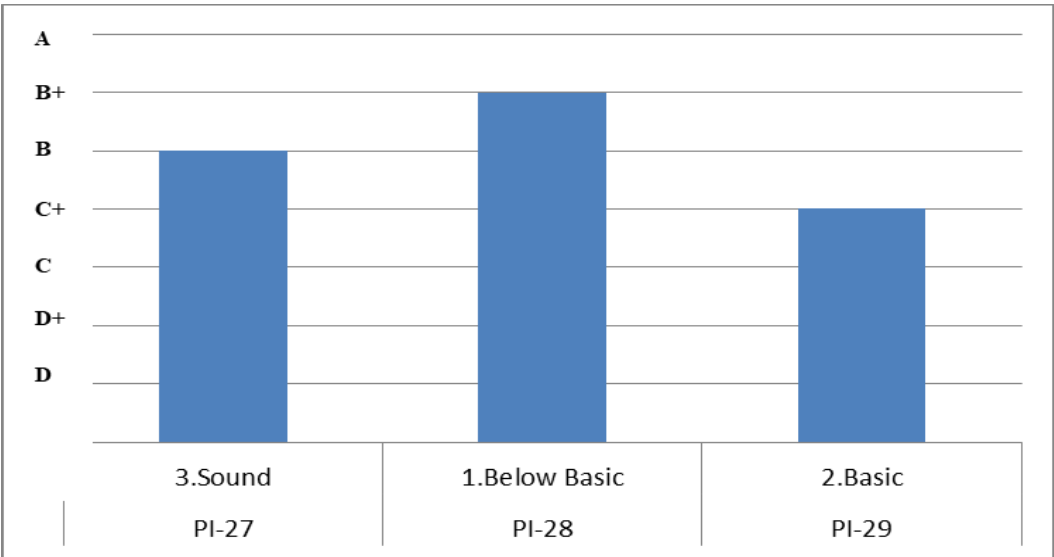
PILLAR SIX: Accounting and reporting

What does Pillar VI measure? Accurate and reliable records are maintained, and information is produced and disseminated at appropriate times to meet decision-making, management, and reporting needs.

Overall performance: key strengths and weaknesses

The pillar contributes to strengthen the aggregate fiscal discipline in general. The Treasury bank accounts, suspense accounts, and advance accounts are regularly reconciled and the processes in place support the integrity of financial data. There is reliable reporting of financial information. Constant checking and verification of the accounting records is ensured. The practices are well established, and the overall financial data integrity is sound (PI-27). Another good practice is that the database in the automated treasury system allows full coverage of budget execution data and comparison with the originally approved budget. The in-year budget reports provide comprehensiveness, timely and accurate information on budget execution. They are consistent with the budget plans and allow monitoring of budget performance (PI-28). The overall good performance in accounting and reporting is strengthened by the complete annual financial statements (PI-29) containing information on revenue and expenditure, assets and liabilities. The practice yet to be operational in LSG Jalal Abad is the cash planning, currently not a practice in the local self-governments. Cash balances are not provided as part of the annual financial report. This may impair the accountability and transparency in the PFM system. Figure 2.6 below shows the scores per indicator for this pillar.

Figure 2.6: Pillar VI-Summary of PEFA scores



PI-27. Financial data integrity

What does PI-27 measure? This indicator assesses the extent to which treasury bank accounts, suspense accounts, and advance accounts are regularly reconciled and how the processes in place support the integrity of financial data. It contains four dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

Indicator/Dimension	Score
PI-27. Financial data integrity	B
27.1. Bank account reconciliation	C
27.2. Suspense accounts	A
27.3. Advance accounts	B
27.4. Financial data integrity processes	B

General description of the system in place in Kyrgyz Republic:

The Single Treasury Account is a centralized account of the Ministry of Finance of the Kyrgyz Republic with the National Bank operating since 2017 in accordance with the Budget Code. The TSA keeps all budget funds where the state bodies can operate within their authority.

Recent or ongoing reform activities: Not reported

27.1. Bank account reconciliation

Performance level and evidence for scoring:

In accordance with the Budget Code of Kyrgyzstan, a Treasury Single Account has been put in place since 1 January 2017. The TSA is in the Central Bank and is a centralised account of all operations of the Ministry of Finance where all funds of the budget organisations are accumulated. TSA facilitates all cash transactions within the budget execution. The cash budget execution is performed through the territorial branches of the Treasury in the system “Kazna Budget”. Reconciliation is made daily through the electronic system. The National Bank, on daily basis, provides statements of funds on all accounts for reconciliation purpose of the accounting data in the Central Treasury. The Treasury accounts balances are reconciled with the National Bank every quarter within a month.

Possible causes of PFM performance identified during the PEFA assessment: The well-developed procedures and the information system of Treasury allows regular and constant bank account reconciliation on quarterly basis.

Dimension score -C

27.2 Suspense accounts

Performance level and evidence for scoring:

The suspense account is an interim account referred to as ‘Direct income – unclear’. It is a foreign currency account and it is used by the Central Treasury while the recipient of received funds is being identified. The funds are with the National Bank “Multicurrency account” (in US dollars, euros, Russian roubles, Kazakhstan tenge) intended for receipt of foreign currency funds to budgetary institutions.

Notifications of received foreign currency funds are sent daily to the territorial departments of the Ministry of Finance. While payment details of the specific recipient are being clarified, the funds are classified as “unclear”.

Territorial offices within three working days from the date of receipt of the notification are supposed to specify the necessary details of the recipient and send them to the Central Treasury. Once the recipient is identified, the Central Treasury transfers the funds from the account "Direct income - unclear" to the account of the recipient.

Various verification items are required until the funds are redirected to the end recipient and the account is cleared. The information about funds in the suspense account is provided daily. The territorial branches should provide all details about the funds within three working days to the Central Treasury. The suspense accounts are reconciled within one month. Suspense accounts must be cleared by the end of the year.

Possible causes of PFM performance identified during the PEFA assessment: Clear and constantly applied procedures and well-established practice on clearing suspense accounts.

Dimension score - A

27.3. Advance accounts

Performance level and evidence for scoring:

Budgetary institutions account and report on advance accounts in accordance with the Regulation on accounting and financial reporting in the public administration sector, approved by order of the Ministry of Finance of the Kyrgyz Republic of December 25, 2018 No. 137-P.

The issuance of funds against the report (accounts receivable of employees) is made to employees of a budgetary institution. Advance payments to staff are recorded as settlement accounts and monitored. The accountable person is obliged to submit advance reports to the accounting service no later than three working days. Advances for business trips can be done manually using petty cash. All advance accounts are cleared shortly after evidence has been provided.

Advance payments under public procurement should not exceed 10 percent of the total amount of the contract. They are usually secured with guarantees and are administered within the procurement rules. The bank guarantee remains in effect until the advance payment is paid in full.

According to the information on accounts receivable of LSG Jalal Abad, there are minimal outstanding balances of less than 1% on advance account at the end of the year 2019.

Possible causes of PFM performance identified during the PEFA assessment: Reconciliation of advance accounts takes place quarterly, within a month from the end of the month. All advance accounts are cleared in a timely way.

Dimension score - B

27.4. Financial data integrity processes

Performance level and evidence for scoring:

The data integrity control process is carried out by the Regional Treasury. . All changes are made only by Treasury as they have access to transaction and accounting records. There is no other designated unit responsible for data integrity. Budgetary institutions of LSG Jalal-Abad cannot make changes to financial data, they need to request changes with the Treasury Department of the Jalal-Abad Department of the Ministry of Finance of the Kyrgyz Republic.

Dimension score – B

Possible causes of PFM performance identified during the PEFA assessment: Access to systems is restricted and recorded, however there is no separate unit responsible for data integrity.

PI-28. In-year budget reports

What does PI-28 measure?

This indicator assesses the comprehensiveness, accuracy and timelines so information on budget execution. In-year budget reports must be consistent with budget coverage and classificationstoallow monitoring of budget performance and,ifnecessary, timely use of corrective measures.This indicator contains three dimensions and uses the **M1 (WL)**method for aggregating dimension scores

Indicator/Dimension	Score
PI-28. In-year budget reports	B+
28.1. Coverage and comparability of reports	A
28.2. Timing of in-year budget reports	B
28.3. Accuracy of in-year budget reports	B

General description of the system in place in Kyrgyz Republic:

Instruction on forecasting and budget execution on accounting and reporting dated August 16, 2017 No. 488 specifies the types of in-year budget performance reports. They are periodic (monthly and quarterly), and annual reports. The instruction establishes standard accounting procedures and regulates the preparation, consolidation and submission of the in-year reports, which are in line with the requirements of international standards for government finance statistics. The reports are drawn up in accordance with the budget classification (2001 Government Finance Statistics) ensuring standard forms of budget statistics.

Recent or ongoing reform activities: Not reported

28.1. Coverage and comparability of reports

Performance level and evidence for scoring:

The coverage of the budget reports is defined by the structure of the budget system in Kyrgyzstan. It covers the following types of budgets: i) Republican; ii) Social fund; iii) Health Insurance Fund; iv) local budgets. There is a unified system of budget preparation and execution that provides for comparability of the budget elements by means of a unified format of budget reporting. They allow for budget statistics that recognises international indicators. Central Treasury prepares monthly budget execution reports by administrative, functional and economic classification and they publish them on the MoF web site. Local budget execution reports are prepared quarterly and they allow for comparison of all items of the approved budget. The local budget execution report consists of a breakdown of all regional self-governments such as Jalal Abad region and Jalal Abad City. There are no deconcentrated units in the City of Jalal Abad. Coverage and classification of data on executed budget allows direct comparison to the original budget. Information includes all items of budget estimates. There is an explanatory note (as a separate narrative document) to the annual in-year budget execution reports with commentary on budget execution.

Possible causes of PFM performance identified during the PEFA assessment: Owing to the automated treasury system and the established unified form of budget execution covering all items of budget estimate, there is comparability between budget execution and the originally approved budget. The reports are drawn up in accordance with the budget classification (2001 Government Finance Statistics) ensuring standard forms of budget statistics.

Dimension score - A

28.2. Timing of in-year budget reports

Performance level and evidence for scoring:

The time of preparation and submission of territorial in-year budget reports to Central Treasury are defined in an annual time schedule referred to as 'Periodic Budget Reporting («О составлении периодических отчетов»)', which is approved by an order of the MoF of KR. In-year budget reports are prepared each quarter except for the first one and submitted within two months after the respective quarter.

The order of the Ministry of Finance of the Kyrgyz Republic "On the preparation of periodic reports on execution of the state budget for 2019" dated January 23, 2019 No. 12-P approves the schedule for the submission of in-year periodic reports by the territorial departments of the Ministry of Finance of the Kyrgyz Republic. The schedule for submission of reports is as follows:

Report	Time of submission	Date of actual submission
Monthly	Within two weeks from the end of each month	By 10 th in the following month
6-month report	Four weeks from the end of the quarter	24 th July 2019
9-month report	Four weeks from the end of the quarter	23 October 2019

Source: Ministry of Finance Jalal Abad

Possible causes of PFM performance identified during the PEFA assessment: The automated treasury system allows receipt of data in real time regardless of the timing of the budget execution report.

Dimension score - B

28.3. Accuracy of in-year budget reports

Performance level and evidence for scoring:

The reports of territorial subdivisions on the execution of the local budget are generated in the automated treasury system. The Treasury Book of Accounts is the only source for compiling treasury reports. As such, there are no material concerns regarding data accuracy. Analysis of budget execution is provided with the annual report and the data is consistent with the approved estimate.

In-year budget reports on the execution of the state (republican and local) budget are generated in the automated treasury system, which is the only source of compiling treasury reports. All transactions made during the month regarding receipt of cash and actual expenditure (including operating expenses, cash flows in connection with investments in non-financial assets, cash flows in connection with financing operations) are reconciled daily with a cumulative total. Analysis of budget execution is carried out at least once every six months. With the introduction of the treasury system, in-year expenditures are covered both at the payments and commitment stage.

Possible causes of PFM performance identified during the PEFA assessment: The use of the treasury automated system allows for accuracy of data. Analysis of budget execution is performed on six-month basis.

Dimension score - B

PI-29. Annual financial reports

What does PI-29 measure? This indicator assesses the extent to which annual financial statements are complete, timely, and consistent with generally accepted accounting principles and standards. This is crucial for accountability and transparency in the PFM system. It contains three dimensions and uses the **MI (WL)** method for aggregating dimension scores.

Indicator/Dimension	Score
PI-29. Annual financial reports	C+
29.1. Completeness of annual financial reports	A
29.2. Submission of reports for external audit	C
29.3. Accounting standards	C

General description of the system in place in Kyrgyz Republic:

Instruction No. 488 on procedures for forecasting and execution of the budget dated August 16, 2017 specifies the procedure for drawing up periodic, annual reports on budget execution. The reports are compiled in accordance with

the budget classification developed in accordance with the 2001 Government Finance Statistics ensuring the unified forms of budget statistics. The budget-reporting period is the calendar year from January 1 to December 31 inclusive.

Recent or ongoing reform activities: Not reported

29.1. Completeness of annual financial reports

Performance level and evidence for scoring:

LSG Jalal Abad prepare monthly, quarterly and annual budget reports in accordance with the prescribed forms. Based on all LSGs report, the territorial subdivisions draw up consolidated reports on budget execution and submit them to the Central Treasury.

The periodic and annual reports of the territorial subdivisions can be also generated in the automated treasury system, and the data of the Treasury Book of Accounts. LSG Jalal Abad provided the annual budget execution report for FY 2017 - 2019. It contains information on revenue and expenditure and assets and liabilities.

Possible causes of PFM performance identified during the PEFA assessment: The database in the automated treasury system allows full coverage of budget execution data and their comparison with the approved budget data.

Dimension score - A

29.2. Submission of reports for external audit

Performance level and evidence for scoring:

In accordance with Article 22 of the Budget Code, the Ministry of Finance of the Kyrgyz Republic submits the annual budget execution report of the republican no later than May 1 of the year following the reporting year.

The order of the Ministry of Finance of the Kyrgyz Republic "On drawing up a report on the results of the execution of the state budget of the Kyrgyz Republic for 2019" dated November 27, 2019 No. 128-P, provides a schedule for submission of financial reports. Accordingly, the budget execution report of the central government is submitted to the Accounts Chamber for external audit within three months after the end of the financial year.

According to Art. 124 of the Budget Code of the Kyrgyz Republic, the states external audit of the execution of local budgets is carried out once every two years. For 2017 and 2018, the audit of the Accounts Chamber was carried out in August 2019.

LSG Jalal Abad submits the financial reports only to the regional office of the Central Treasury and not directly to external audit.

The budgetary institution submits monthly reports (by 5th) to the Jalal-Abad Department of the MoF. The annual financial reports for 2017-2019 of the Jalal-Abad LSG were submitted to the Regional Treasury by January, 15th of the year following the reporting year.

The consolidated annual financial reports of LSG Jalal-Abad is not submitted directly to the Accounts Chamber. The report is submitted to the Jalal-Abad Department of the Ministry of Finance. (Treasury department). The submission of the report to the Accounts Chamber was made on 18 June 2019, that is more than six months of the end of the fiscal year.

Possible causes of PFM performance identified during the PEFA assessment: The hierarchical organization and management of the local self-government ensure that the financial reports are submitted to the Regional Treasury and not directly to Accounts Chamber.

Dimension score – C

29.3. Accounting standards

Performance level and evidence for scoring:

This dimension is on settings and procedures defined at national level. There is a uniform procedure for accounting records and preparing financial statements for budgetary institutions. It is approved by order of the Ministry of Finance of the Kyrgyz Republic No. 137-P dated December 25, 2018. The accounting standards used in the preparation of all financial statements comply with national law. The standards used in preparing the annual financial statements are disclosed.

Currently, work is underway on the implementation of International Public Sector Accounting Standards (IPSAS) on an accrual basis in the general government sector. The Regulation on the Organization of Accounting in Budgetary institutions, approved by the Kyrgyz Government's decree of May 16, 2011 No. 224, introduced the concept of IPSAS, a new chart of accounts and new forms of financial reporting. As part of the reform of the accounting system with the introduction of IPSAS, the following regulations have been developed and approved:

A single chart of accounts and guidance on its application by the public administration sector,

- Public Administration Accounting Policy setting accounting principles and rules for financial reporting.
- The public administration reporting provision setting out the way financial statements are generated.
- The regulation on accounting and financial reporting in the public administration sector setting the requirements for the organization and management of accounting, the system of internal control, as well as the accounting documentation of the public administration sector.

Possible causes of PFM performance identified during the PEFA assessment: The accounting procedures are defined at national level and applied in all local governments in the country.

Dimension score - C

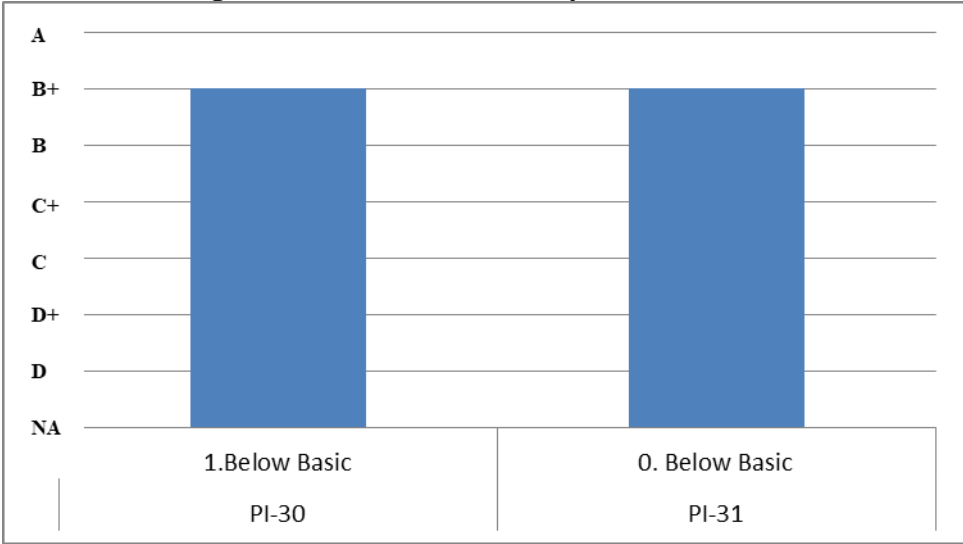
PILLAR SEVEN: External scrutiny and audit

What does Pillar VII measure? Public finances are independently reviewed and there is external follow-up on the implementation of recommendations for improvement by the executive.

Overall performance: key strengths and weaknesses

The external audit function of LSG Jalal Abad is performed by the territorial office of Account Chamber in Osh. A strong point to note is that all budget organisations of LSG Jalal Abad are covered in the external audit. This implies that the external audit ensures accountability and transparency in the use of public funds. Another strength is the fact that there is timely and clear follow up by the executive on audit recommendations. The audit report is prepared and submitted to the legislature within three months. This implies that the financial statements are complete and correct for audit (PI-30). The scrutiny of audit reports on annual financial reports has been completed by the legislature within three months from receipt of the reports. In-depth hearings on key findings of audit reports take place with responsible officers from most audited entities which received a qualified or adverse audit opinion or a disclaimer and are conducted publicly in full chamber of the legislature and made available to the public through media outlets (PI-31). Figure 2.7 below shows the scores per indicator for this pillar.

Figure 2.7: Pillar VII-Summary of PEFA scores



PI-30. External audit

What does PI-30 measure? This indicator examines the characteristics of external audit. It contains four dimensions and uses the M1 (WL) method for aggregating dimension scores.

Coverage: CG.

Time period: Dimensions 30.1 and 30.4: Last three completed fiscal years. Dimension 30.2: Last three completed fiscal years. Dimension 30.3: Last three completed fiscal years.

Indicator/Dimension	Score
PI-30. External audit	B+
30.1. Audit coverage and standards	B
30.2. Submission of audit reports to the legislature	A
30.3. External audit follow-up	A
30.4. Supreme Audit Institution independence	B

General description of the system in place in Kyrgyz Republic:

The territorial office of the Chamber of Accounts located in Osh is responsible for the external audit of LSG Jalal Abad.

Recent or ongoing reform activities: Not reported

30.1. Audit coverage and standards

Performance level and evidence for scoring:

There is no law on external audit. The Law is on the Chamber of Accounts (CoA). The CoA is a Member of INTOSAI. They perform three kinds of audit: finance, compliance and performance. A Strategic Plan for Development of CoA was developed in 2016. There is a new plan in year 2020, covering the development for the next four years. ISSAI will be applied in 2021. Financial and performance audits are not planned in 2020. Mostly compliance audit was performed so far.

National auditing standards with elements of international auditing standards are currently applied in the audit of the local budget for the last three fiscal years. The audit covers 100% of the revenue and expenditure of the LSG Jalal Abad and represents a mix of financial and compliance audit. The audit report identifies significant shortcomings in the system of internal control and weaknesses in the management of accounting and risk management systems. The findings, where relevant, are presented in material terms.

The external audit is carried out in accordance with national standards that are in process of being approximated to ISSAI. Currently, the Accounts Chamber is moving to international auditing standards and the focus of increasing number of audits is on performance. In 2016-2018 conducted several pilot audits per year in accordance with the International Standards of Supreme Audit Institutions (ISSAA), including performance audits in the social sector, especially in health.

Possible causes of PFM performance identified during the PEFA assessment: The organization of work of the external audit institution allows for full coverage of the local government revenue and expenditure providing material issues and weaknesses of the internal control environment. National auditing standards are applied which are increasingly being compliant to international standards.

Dimension score - B

30.2. Submission of audit reports to the legislature

Performance level and evidence for scoring:

According to Article 103 of the Rules of Procedure of the Jogorku Kenesh of the Kyrgyz Republic, the Accounts Chamber shall submit to the Jogorku Kenesh (Parliament) a report with the results of the audit of the execution of the republican budget for the previous year before 1st September the following year. The unaudited financial statements of SNG Jalal Abad were received at the Account Chamber on 18 June 2019. The audit report of the local budget of Jalal Abad for the period 2017-2018 was sent to the legislature on August 28, 2019, ref. No. 01-4 / 1463 "Report on the audit of 2018 ". According to Art. 124 of the Budget Code of the Kyrgyz Republic the state external audit of the execution of local budgets is carried out once every two years. The audit report of Jalal Abad for 2017-2018 was submitted to the legislature, three months after receipt of unaudited annual financial statements.

Possible causes of PFM performance identified during the PEFA assessment: The audit report of LSG Jalal Abad was submitted to the legislature three months from the receipt of the financial report by the Accounts Chamber.

Dimension score – A

30.3. External audit follow-up

Performance level and evidence for scoring:

In accordance with the Law "On the Accounts Chamber of the Kyrgyz Republic" and the regulations of the Accounts Chamber of the Kyrgyz Republic, the Accounts Chamber should issue mandatory instructions (Article 8). The draft recommendations and instructions are submitted to the Council for consideration along with the audit report. The recommendations and instructions of the Accounts Chamber reflect: i) violations identified as a result of the audit and requirements for their elimination; ii) proposals for improving the organization and the operational activities; iii) deadlines for implementation of the audit recommendations. A response from the management is supposed to be provided within a month.

Audited budget organisations implement the audit recommendations and instructions in timely manner. They respond to the audit recommendations in writing. Management response letter was received from all budget organisations for the Audit Report 2017-18. Five such management response letters were provided as evidence and they were all issued by the end of year 2019. They contain measures for elimination of the detected audit findings and even evidence of rectification and recovered inappropriately incurred or reported expenses.

Possible causes of PFM performance identified during the PEFA assessment: There is timely and clear follow up by the executive on audit recommendations. Evidence was provided.

Dimension score - A

30.4. Supreme Audit Institution independence

Performance level and evidence for scoring:

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

Constitutionally, the Chamber is run by a Council of 9 members, 3 each being nominated by the political majority, the minority/Opposition and the Office of the President. It is understood that this may change in 2021 to a system whereby candidates will be proposed by Parliament. Such a change would enhance the independence of the Chamber from the Executive.

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

The Budget Code adopted in 2017 provides for the financial independence of the Accounts Chamber. The budget of the territorial subdivision of the Accounts Chamber of the Kyrgyz Republic for Bishkek, Chui and Talas regions is formed separately, but consolidated into the general budget of the Accounts Chamber.

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

Jalal-Abad's audit report for the period 2017-2018 has not been published.

The budget of the territorial subdivision of the Accounts Chamber of the Kyrgyz Republic for the city of Osh, Osh, Jalal-Abad and Batken regions is part of the national level Accounts Chamber of the Kyrgyz Republic.

Dimension score - B

Possible causes of PFM performance identified during the PEFA assessment: The Chamber of Accounts operated independently from the executive, they plan audits and enjoy unrestricted access to data and information. The CA has substantial independence over its operations and its financing.

PI-31. Legislative scrutiny of audit reports

What does PI-31 measure? This indicator focuses on legislative scrutiny of the audited financial reports of the central government, including institutional units, to the extent that either (a) they are required by law to submit audit reports to the legislature or (b) their parent or controlling unit must answer questions and take action on their behalf. It contains four dimensions and uses the M2(AV) method for aggregating dimension scores.

Coverage: CG.

Time period: Last three completed fiscal years.

Indicator/Dimension	Score
PI-31. Legislative scrutiny of audit reports	B+
31.1. Timing of audit report scrutiny	A
31.2. Hearings on audit findings	B
31.3. Recommendations on audit by legislature	C
31.4. Transparency of legislative scrutiny of audit	A

General description of the system in place in Jalal Abad: According to the requirements of the Budget Code of the Kyrgyz Republic, the audit of the implementation of local budgets is held every two years.

Recent or ongoing reform activities: None.

31.1. Timing of audit report scrutiny

Performance level and evidence for scoring: According to the requirements of the Budget Code of the Kyrgyz Republic, the audit of the implementation of local budgets is held every two years, so the audit of the implementation of 2019 should be conducted by the Chamber of Accounts in 2021. The audit report of the local budget of Jalal Abad for the period 2015-2016 was sent by the Accounts Chamber to the mayor's office and the City Kenesh (parliament) on October 24, 2017 by Letter No. 01-08 / 436. The audit report was considered and discussed by the City Kenesh from 06.06.2017 to 21.07.2017. The audit report of the local budget of Jalal Abad for the period 2017-2018 was sent on August 28, 2019, ref. No. 01-4 / 1463 "Report on the audit of 2018". The audit report was considered and discussed at the extraordinary XVII session of the VIII convocation of the Jalal-Abad city council on 30.09.2019 and recommended for consideration by the board of the executive power. *Hence, the score for the present dimension is A.*

Possible causes of PFM performance identified during the PEFA assessment: Scrutiny of audit reports on annual financial reports has been completed by the legislature within three months from receipt of the reports.

31.2 Hearings on audit findings

Performance level and evidence for scoring: An in-depth hearing on key findings of audit reports takes place with responsible officers from most audited entities. The discussion/hearing was conducted with the presence of 27 executives and heads of Jalal-Abad city institutions and enterprises. *Hence, the score for the present dimension is B.*

Possible causes of PFM performance identified during the PEFA assessment: In-depth hearings on key findings of audit reports take place with responsible officers from most audited entities which received a qualified or adverse audit opinion or a disclaimer.

31.3. Recommendations on audit by legislature

Performance level and evidence for scoring: The Jalal Abad city council, after an indepth hearing on key audit findings, issues recommendations to be implemented by the executive. *Hence, the score for the present dimension is C.*

Possible causes of PFM performance identified during the PEFA assessment: The the legislature issues recommendations on actions to be implemented by the executive and but there are no follows up on their implementation.

31.4. Transparency of legislative scrutiny of audit reports

Performance level and evidence for scoring: All hearings are conducted with full chamber and are broadcasted to the public with the presence of 9 media outlets also took part in the session of the city council. *Hence, the score for the present dimension is A.*

Possible causes of PFM performance identified during the PEFA assessment: Hearings are conducted publicly in full chamber of the legislature and made available to the public through media outlets.

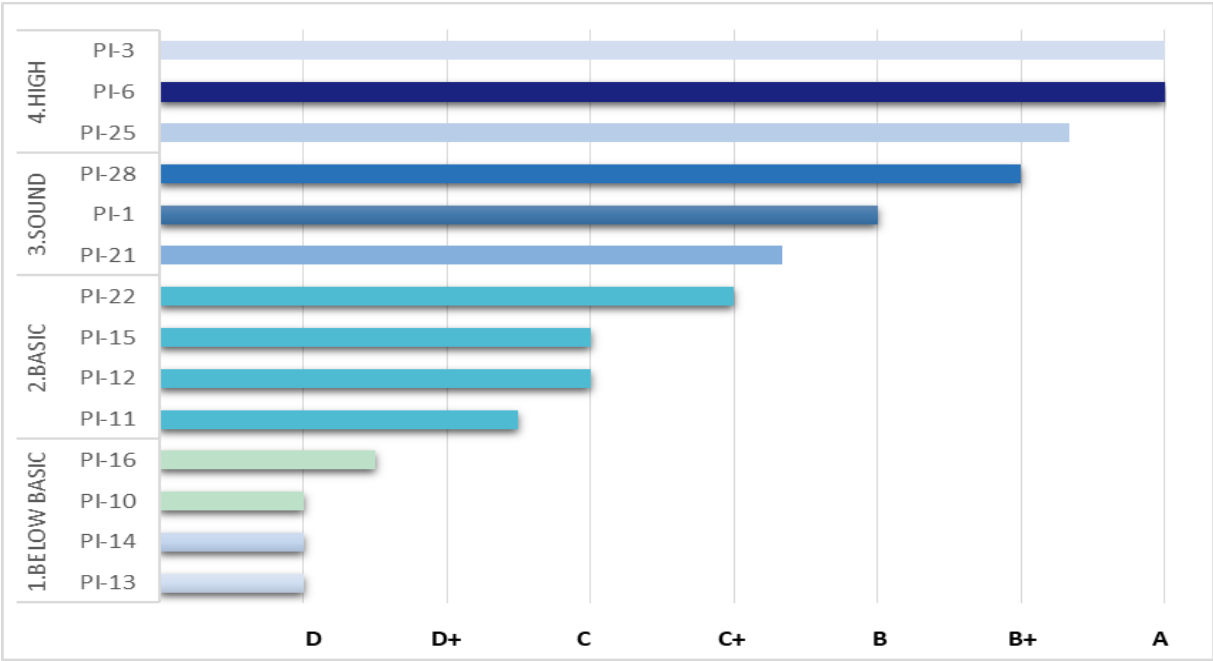
2. Overall analysis of PFM systems

3.1 PFM strengths and weaknesses

Aggregate fiscal discipline

The reliability of revenue at both aggregate and composition levels contributed positively for aggregate fiscal discipline, while this is negatively impacted by the unreliability of expenditure budget at both aggregate and composition levels. Earmarked grants are received in full but the LSG does not receive equalization transfers from the central government. The classification on the budget classification is good and allows transparency. The central government has a complete picture of revenue and expenditures across every category, where there is no unreported revenue or expenditure. Clear rules exist for in-year budget amendments by the executive and are adhered to. Strong control exists on revenue arrears where they are kept to the minimum. The recording and reporting of debt is complete, updated and reconciled on a monthly basis. It is not known if management and statistical reports, for internal purposes, that cover debt stock, debt servicing and debt-related operations are produced and how often; and no data was provided to assess the approval of debts and whether there is a debt management strategy. Macro-economic and fiscal forecasting at LSG Jalal Abad lack basic elements. Figure 3.1 below shows the scores the indicators related with aggregate fiscal discipline.

Figure 3.1: Aggregate fiscal discipline

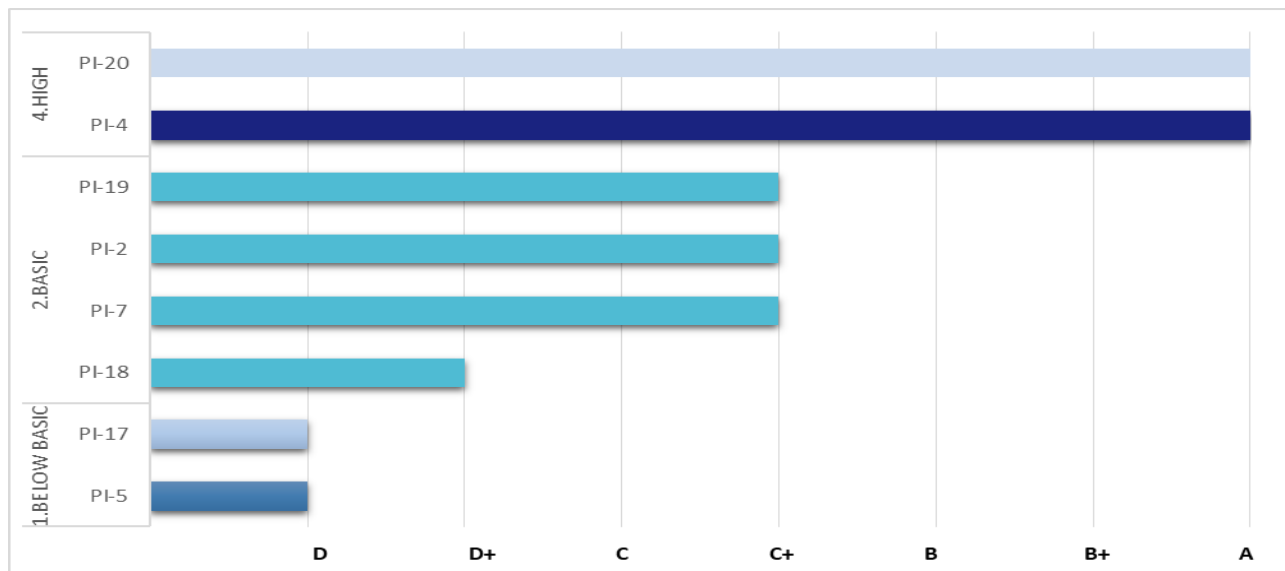


Strategic allocation of resources

The strategic allocation of resources is negatively affected by the significant level of budget reallocations at the expenditure level. Frequent budget reallocations override government original policy intentions, leading to poor resource allocation which affects efficient service delivery, going forward. The continuous budget reallocations also raise questions about budget credibility as well as the delivery of government services based on its original

policy intent. Selection of major investment projects is not based on predetermined standard criteria, rather in accordance with the priorities established by the Socio-economic Development Plan, leading to inefficient allocation of scarce resources. Medium-term strategic planning is an area found to weak, negatively impacting the strategic allocation of resources. Figure 3.2 below shows the scores the indicators related with strategic allocation of resources.

Figure 3.2: Strategic allocation of resources



Efficient service delivery

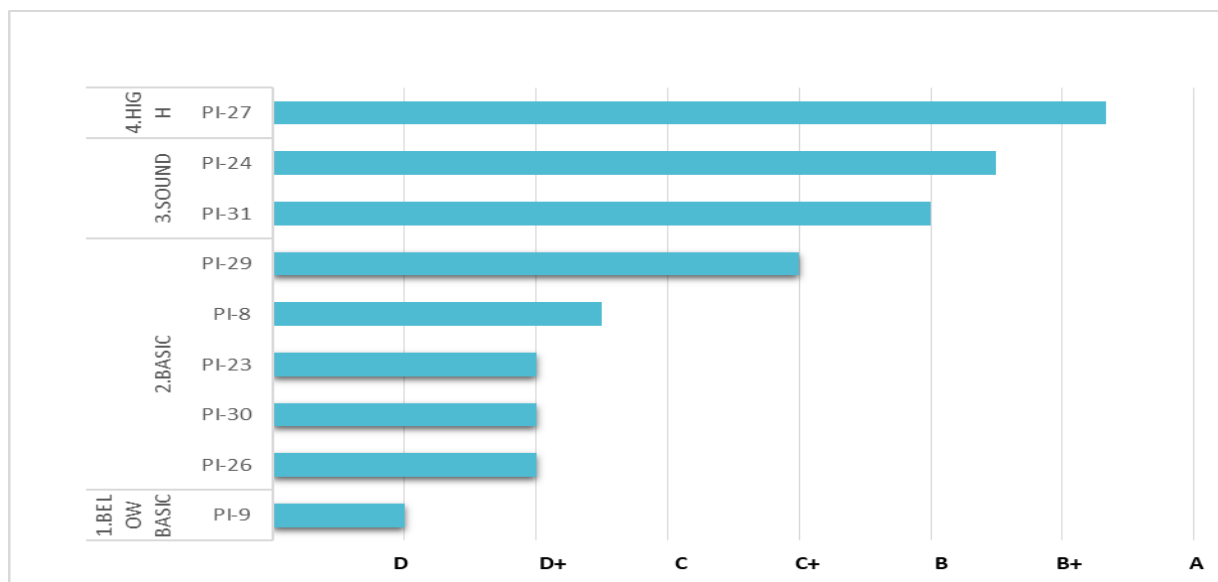
The continuous reallocation of approved budget both at the functional and economic levels defeats the purpose of original government policy. This means that planned service delivery activities will no longer receive the necessary funding, thereby impacting negatively on the quality of primary service delivery. Cash forecasting and monitoring is done at the level of Central Treasury only as required by the legislature.

Public access to fiscal information and transparency of public finances is found to be very weak. Most of the fiscal information is not made available to the public and performance information for service delivery is not published. These include policies or programs of ministries or a framework of performance indicators relating to the outputs or outcomes of ministries, negatively affecting service delivery.

There is a territorial office of STS in Osh covering LSG Jalal Abad. The regional STS provide the taxpayers with access to all applicable laws and regulations in their websites, as well as in the centralized legal information database of the Kyrgyz Republic, which is administered by the Ministry of Justice. Main weaknesses identified in the transparency of public finances are related with performance information for service delivery, where information is not published on the outputs, outcomes or activities of most ministries and in-kind allocations are not reflected in the records. Another weak area is procurement monitoring, where there is no sufficient data. A strong point to note is the public access to procurement information, where all the required public procurement information is accessible to the public online through the website. Generally, the internal control non-salary expenditures is found to good, though data was lacking to assess some of the dimension on payroll control. There is no internal audit function in LSG Jalal Abad. The Ministry of Finance of the Kyrgyz Republic is an authorized

state body for internal audit. The territorial office of the Chamber of Accounts located in Osh is responsible for the external audit of LSG Jalal Abad. Legislative scrutiny of budgets is found to be strong. Figure 3.3 below shows the scores the indicators related with efficient service delivery.

Figure 3.3: Efficient service delivery



3.2 Effectiveness of the internal control framework

Based on the available information provided by the LSG Jalal Abad, the internal control practice in place is generally sound to contribute to the achievement of the control objectives. In principle the strict observance of regulation and law are characteristic feature in the PFM area of the country in general. In particular, Articles 105 and 106 of the Budget Code "On the procedure of functioning of the Single Treasury Account" contribute for organizing and settlement of payments. The following is an overview of the internal control activities collected from the preceding sections of the report. It builds on the description of the design of internal controls and the individual assessment of specific control activities as covered by the performance indicators.

Risk Assessment

Even if the risks are rather well covered by preliminary control activities permeating the entire system of public finance in the country, there is no evidence of a formalised risk assessment mechanism in the LSG Jalal Abad. Still, decisions appear to be driven by risk factors that are predicted and managed in good time. Risk assessment status at different stages of PFM system is analysed as follows:

Pillar 1: Budget reliability: high expenditure and revenue outturn increases the credibility of the budget. Budget composition amendments creating potential for lack of short-term fiscal sustainability.

Pillar 2: Transparency of public finances: There are not many inherent risks as there is no lower government level and there are not off-budget revenue and expenditure, both being reported in the annual financial statements.

Nevertheless, the risk of misuse of funds and poor service delivery to the public exists due to the poor practice of publishing information and enabling public scrutiny of government policies, programmes and their implementation.

Pillar 3: Management of assets and liabilities: The Budget Code does not contain requirements concerning monitoring and reporting of contingent liabilities and other fiscal risks (PI-10). There is little guarantee of value for money without well established and transparent economic analysis of investment proposals (PI-11), costing of investment and written procedures for monitoring the performance of public investments. There is a risk of losing or rather not benefiting from the non-financial assets when they are not disclosed to the public. (PI-12). Debt management is an area that may have a substantial impact on the government's capacity to maintain fiscal discipline (PI-13).

Pillar 4: Policy-based fiscal strategy and budgeting: Lack of medium-term perspective in budgeting expenditure and limited visibility of fiscal forecasts and sensitivity analysis in budgeting creates the risk of having budgets that are prone to amendments by various internal and external factors (PI-14). The poor practice of medium-term perspective in expenditure budgeting and budget preparation process contributes to the overall risk of having unrealistic plan in mobilising the government resources.

Pillar 5: Predictability and control in budget execution: The revenue administration practice applies risk management for the basic compliance risks but with the expansion of the economic life and the transition to market economy; the risks will become numerous, and the system is to be prepared to predict and mitigate them. The personnel database is linked to the payroll software thus reducing the risk of errors and possibly of retroactive adjustment. There is segregation of duties between salary and non-salary expenditures. Non-salary expenditures are electronically monitored keeping risk of errors and non-compliance low.

Control Activities

Control activities in PFM appears to be very well developed and applied. The unified Treasury operated software system "IS KAZNA Budget" contributes for all expenditure operations to be carried out and controlled through the software. Control of payment rules for all budget performance operations enhances transparency and accountability.

Information and Communication

Generally, the PFM information such as the approved budgets, the in-year budget execution reports, and the annual budget execution report are partially available to the public. There is no information on whether public participation forums or events are held in relation to the budget formulation. There is clear and comprehensive information on revenue collection and administration with regard to the right of obligation of the public (PI-19). With the launch of the electronic public procurement system in 2015, the information on procurement tenders, plans, statistics and appeals is fully accessible to the public.

Monitoring

Monitoring in Committee of Sponsoring Organizations (COSO) terms means the process of assessing the quality of internal control performance over time. Performance monitoring in the PFM system is not well developed, yet (PI-11). The main tools of monitoring PFM ensure that the in-year quarterly reports and the budget execution reports are consistently prepared. The internal control framework of the PFM system as described having in place comprehensive, extensive and reliably applied control activities is efficient to ensure against key irregularities and errors.

The internal control environment exists, and it is regulated and complied with by the application of the current internal audit functions deploying resources from the national government.

ANNEXES

Annex 1: Performance indicator summary

		Current assessment		
Pillar	Indicator/Dimension	Score	Description of requirements met	
HGL	Transfers from a higher-level government	A		
HGL -1	HLG -1. Outturn of transfers from higher-level government	A	Transfers have been 100 percent of the original budget estimate in the three years of assessment.	
HGL-2	HLG-2. Earmarked grants outturn	A	There was nearly no difference between the budgeted and the actual outturn of earmarked grants	
HGL-3	HLG-3 Timeliness of transfers from higher-level	A	Actual transfers have been distributed evenly across the year in each of the last three years.	
Budget Reliability	PI-1	Aggregate expenditure out-turn	B	Aggregate expenditure outturn was between 90% and 110% of the approved aggregate budgeted expenditure in two of the three years
	PI-2	Expenditure composition outturn	C+	
		(i) Expenditure composition outturn by function	C	Variance in expenditure composition exceeded 10 per cent in two of last three years
		(ii) Expenditure composition outturn by economic type	C	Variance was less than 15% in two of the last three years
	PI-3	Revenue outturn	A	
		(i) Aggregate revenue outturn	A	Actual revenue outturn was in excess of budget between 97% and 106% of budgeted revenue in at least two of the last three years.
		(ii) Revenue composition outturn	A	The composition variance in two of the three years was less than 5%.
Transparency of Public Finances	PI-4	Budget Classification	B	The Budget Classification of the Kyrgyz Republic currently allows the aggregation of expenditures up to two (2) digits, revenues - up to three (3) digits, and for the purposes of microanalysis - disaggregation is possible up to eight (8) digits, both in terms of expenditures and revenues of the budget
	PI-5	Budget Documentation	D	The last budget submitted to the legislature was for FY 2020 and the requirements are met for 2 basic elements out of 4 and 1 additional element out of 8.
	PI-6	Central government operations outside financial reports	A	

		(i) Expenditure outside financial reports	A	There are no expenditures outside financial report	
		(ii) Revenue outside financial reports	A	There are no revenues outside financial reports	
		(iii) Financial reports of extra-budgetary units	A	Detailed financial reports of all extrabudgetary units are submitted to government quarterly.	
	PI-7	Transfers to subnational governments	NA		
		(i) System for allocating transfers	NA	There are no subnational governments in the City of Jalal Abad.	
		(ii) Timeliness of information on transfers	NA	There are no subnational governments in the City of Jalal Abad.	
	PI-8	Performance information for service delivery	C+		
		(i) Performance plans for service delivery	C	A framework of performance indicators relating to the outputs or outcomes of ministries is in place.	
		(ii) Performance achieved for service delivery	D	Budgetary institutions prepare annual reports on their activities and performances achieved, but they are not published.	
		(iii) Resources received by service delivery units	A	Information on resources received by frontline service delivery units is collected and recorded for all budgetary institutions, disaggregated by source of funds. A report compiling the information is prepared annually.	
		(iv) Performance evaluation for service delivery	C	Performance reports are prepared but not published.	
	PI-9	Public access to information	D	The government makes available to the public one basic element only, and none of the additional elements in accordance with the specified timeframe.	
	Management of assets and liabilities	PI-10	Fiscal risk reporting	D+	
			(i) Monitoring of public corporations	C	The reports of the budgetary organizations are included in the consolidated report of the city budget of Jalal Abad.
(ii) Monitoring of sub-national government (SNG)			NA	There are no lower government levels in the local self government of Jalal-Abad	
(iii) Contingent liabilities and other fiscal risks			D	There is no information if there is a legal requirement to perform the function on monitoring and reporting of contingent liabilities and other fiscal risks.	
PI-11		Public investment management	D+		
		(i) Economic analysis of investment proposals	D	There are no established economic analysis and selection criteria for capital investment projects funded by the local budget of Jalal Abad.	
		(ii) Investment project selection	C	There are different approaches to prioritising and deciding on a project according to the source of funding.	
		(iii) Investment project costing	C	Costing information is partially integrated in the budget documentation – for the next year, only.	
		(iv) Investment project monitoring	C	The total cost and the physical progress of projects are monitored, but information on implementation of investment project is not published	

	PI-12	Public asset management	C		
		(i) Financial asset monitoring	B	Information of financial assets is published annually	
		(ii) Nonfinancial asset monitoring	C	Information on assets is not officially published and available to the public.	
		(iii) Transparency of asset disposal	D	There is no practice and legal requirement of covering assets disposal information in budget documentation	
	PI-13	Debt management	A		
		(i) Recording and reporting of debt and guarantees	A	LSG Jalal Abad monitors and reports on debt payment	
		(ii) Approval of debt and guarantees	NA	Performed at national level	
		(iii) Debt management strategy	NA	Performed at national level	
	Policy-based fiscal strategy and budgeting	PI-14	Macroeconomic and fiscal forecasting	C	
			(i) Macroeconomic forecasts	NA	Macroeconomic forecast is not prepared at the level of LSG.
(ii) Fiscal forecasts			B	The City of Jalal Abad prepares forecasts of the main fiscal indicators, including revenues (by type), aggregate expenditure, and the budget balance, for the budget year and two following fiscal years. These forecasts, together with the underlying assumptions, are included in budget documentation submitted to the legislature.	
(iii) Macro-fiscal sensitivity analysis			D	LSG Jalal Abad does not prepare macrofiscal sensitivity analysis.	
PI-15		Fiscal strategy	D+		
		(i) Fiscal impact of policy proposals	D	The LSG does not prepare an estimate of fiscal implications and revenue and expenditure policies for three years or one fiscal year.	
		(ii) Fiscal strategy adoption	B	The government has adopted and submitted to the legislature a current fiscal strategy that includes quantitative or qualitative fiscal objectives for at least the budget year and the following two fiscal years. However, it is not published.	
		(iii) Reporting on fiscal outcomes	D	A report on the implementation of the Strategic Plan for the Development has not been prepared together with the Annual Budget.	
PI-16		Medium term perspective in expenditure budgeting	D+		
		(i) Medium-term expenditure estimates	B	The annual budget presents estimates of expenditure for the budget year and the two following fiscal years allocated by administrative and economic classification.	
		(ii) Medium-term expenditure ceilings	D	Aggregate expenditure ceilings for the budget year and the two following fiscal years are not prepared.	

		(iii) Alignment of strategic plans and medium-term budgets	D	Institutions of LSG Jalal Abad do not develop Medium-term strategies for budget expenditures.	
		(iv) Consistency of budgets with previous year estimates	D	The budget documents provide an explanation of some of the changes to expenditure estimates between the second year of the last medium-term budget and the first year of the current medium-term budget at the aggregate level.	
	PI-17	Budget preparation process	D+		
		(i) Budget calendar	C	The budget calendar allows budgetary institutions only two weeks to complete their budget proposals and this is complied with by all.	
		(ii) Guidance on budget preparation	D	The budget circular issued to budgetary units, doen not include ceilings for administrative or functional areas.	
		(iii) Budget submission to the legislature	D	The executive has submitted the annual budget proposal to council after the start of the New Year.	
	PI-18	Legislative scrutiny of budgets	D+		
		(i) Scope of budget scrutiny	C	The legislature's review covers details of expenditure and revenue	
		(ii) Legislative procedures for budget scrutiny	C	The legislature's procedures to review budget proposals are approved by the legislature in advance of budgethearings and are adhered to	
		(iii) Timing of budget approval	D	The legislature has not approved the annual budget at least within one month of the start of the year in the last three fiscal years.	
		(iv) Rules for budget adjustments by the executive	A	Clear rules exist for in-year budget adjustments by the executive. The rules set strict limits on the extent and nature of amendments and are adhered to in all instances.	
	Predictability and control in budget execution	PI-19	Revenue administration	NA	
			(i) Rights and obligations for revenue measures	NA	Due to the sharing arrangements with the national level revenue authority, the dimation is considered not applicable
			(ii) Revenue risk management	NA	Due to the sharing arrangements with the national level revenue authority, the dimation is considered not applicable. Due to the sharing arrangements with the national level revenue authority, the dimation is considered not applicable
		(iii) Revenue audit and investigation	NA	Due to the sharing arrangements with the national level revenue authority, the dimation is considered not applicable	
		(iv) Revenue arrears monitoring	NA	Due to the sharing arrangements with the national level revenue authority, the dimation is considered not applicable	
PI-20		Accounting for revenues	C+		
		(i) Information on revenue collections	B	Information on revenue collectionfrom entities collecting most revenue is received by Treasury daily.	

	(ii) Transfer of revenue collections	A	Revenue collections are transferred directly into the Treasury Single Account controlled by the Treasury and their regional offices.
	(iii) Revenue accounts reconciliation	C	Information on tax collections and transfers is reconciled monthly
PI-21	Predictability of in-year resource allocation	A	
	(i) Consolidation of cash balances	NA	Cash plans are prepared only in the Republican Budget and the budgets of cities of republican and regional significance.
	(ii) Cash forecasting and monitoring	NA	Cash plan at the local budget level is not established.
	(iii) Information on commitment ceilings	NA	The commitment ceilings are not defined by SNG Jalal Abad. .
	(iv) Significance of in-year budget adjustments	A	No budget adjustments were made during the last financial year of assessment 2019.
PI-22	Expenditure arrears	C+	
	(i) Stock of expenditure arrears	B	The stock of expenditure arrears is not more than 6% of the total expenditure in all three years
	(ii) Expenditure arrears monitoring	C	No information when the expenditure arrears report is prepared after year-end.
PI-23	Payroll controls	C+	
	(i) Integration of payroll and personnel records	B	The personnel database and payroll system are manually controlled and monthly reconciled.
	(ii) Management of payroll changes	A	No retroactive adjustments made in any of the years of assessment.
	(iii) Internal control of payroll	C	There is sufficient control in payroll.
	(iv) Payroll audit	B	Payroll audit is performed once in three years
PI-24	Procurement	B+	
	(i) Procurement monitoring	D	The records of procurement monitoring cover no details on contract award.
	(ii) Procurement methods	A	The total value of contracts awarded through competitive methods is more than 80% in all three years.
	(iii) Public access to procurement information	A	The key procurement information is available to the public
	(iv) Procurement complaints management	A	All procurement complaints management criteria are met
PI-25	Internal controls on nonsalary expenditure	A	
	(i) Segregation of duties	A	Almost all budget operations take place through the Single Treasury Account that is managed by the Ministry of Finance.

		(ii) Effectiveness of expenditure commitment controls	A	Payment obligations remain within the limits of the annual budget allocations
		(iii) Compliance with payment rules and procedures	B	There were no financial violations. Payments are made in accordance with standard payment procedures.
	PI-26	Internal audit effectiveness	NA	
		(i) Coverage of internal audit	NA	There is no internal audit function established within LSG Jalal Abad.
		(ii) Nature of audits and standards applied	NA	There is no internal audit function established within LSG Jalal Abad.
		(iii) Implementation of internal audits and reporting	NA	There is no internal audit function established within LSG Jalal Abad.
		(iv) Response to internal audits	NA	There is no internal audit function established within LSG Jalal Abad.
Accounting and Reporting	PI-27	Financial data integrity	B	
		(i) Bank account reconciliation	C	Reconciliation, between the National Bank and the Central Treasury, is carried out quarterly.
		(ii) Suspense accounts	A	All suspense accounts are cleared in a timely way
		(iii) Advance accounts	B	Reconciliation of advance accounts takes place at least monthly, within a month from the end of each month.
		(iv) Financial data integrity processes	B	Regional Treasury is responsible for data changes only.
	PI-28	In-year budget reports	B+	
		(i) Coverage and comparability of reports	A	The database in the automated treasury system allows full coverage of budget execution data and comparison with the originally approved budget.
		(ii) Timing of in-year budget reports	B	In-year budget reports are prepared each quarter except for the first one and submitted within two months after the respective quarter
		(iii) Accuracy of in-year budget reports	B	Analysis of budget execution is performed on six-month basis.
	PI-29	Annual financial reports	C+	
		(i) Completeness of annual financial reports	A	The database in the automated treasury system allows full coverage of budget execution data and their comparison with the approved budget data.
		(ii) Submission of reports for external audit	C	The financial reports are submitted to Accounts Chamber within nine months of the end of the fiscal year (2018).
		(iii) Accounting standards	C	The accounting procedures are defined at national level and applied in all local governments in the country.
External scrutiny and audit	PI-30	External audit	B+	
		(i) Audit coverage and standards	B	There is full external audit coverage of the local government revenue and expenditure providing material issues and

				weaknesses of the internal control environment. National standards are applied.
		(ii) Submission of audit reports to the legislature	A	The audit report is submitted to the legislature within three months of receipt of financial statement.
		(iii) External audit follow-up	A	There is timely and clear follow up by the executive on audit recommendations. Evidence was provided.
		(iv)Supreme Audit Institution (SAI) independence	B	The Account Chamber operates independently from the executive and enjoys substantial independence over its operations and its financing
	PI-31	Legislative scrutiny of audit reports	B+	
		(i)Timing of audit report scrutiny	A	Scrutiny of audit reports on annual financial reports has been completed by the legislature within three months from receipt of the reports.
		(ii) Hearings on audit findings	B	In-depth hearings on key findings of audit reports take place with responsible officers from most audited entities which received a qualified or adverse audit opinion or a disclaimer.
		(iii) Recommendations on audit by the legislature	C	The legislature issues recommendations on actions to be implemented by the executive and but there are no follows up on their implementation.
		(iv)Transparency of legislative scrutiny of audit reports	A	Hearings are conducted publicly in full chamber of the legislature and made available to the public through media outlets.
		Total Scored	31	

Annex 2: Summary of observations on the internal control framework

Internal control components and elements	Summary of observations
1. Control environment	
1.1 The personal and professional integrity and ethical values of management and staff, including a supportive attitude toward internal control constantly throughout the organization	There is a strong regulatory framework in the government that is stipulated in the key acts: Budget Code; Tax Code; Law on Public Procurement and many procedures on accounting and reporting. There are numerous and various resolutions and Cabinet of Ministers' decrees and ordinances issued to ensure compliance with the laws. The audit reports are submitted to the Parliament for discussion and approval. There is, however, not obvious public participation at hearings.
1.2 Commitment to competence	No information available from the PEFA assessment. However, the general understanding of the assessment team is that staff possess the necessary academic qualification and experience.
1.3 The “tone at the top” (i.e. management’s philosophy and operating style)	The overall legal framework provides for the management to ensure proper management and control and accounting for the finances of the government in order to promote efficient and effective use of the budgetary resources. The tone at the top is hierarchical and is rigorously adhered to judging from the strict control procedures and the prompt response to orders made. The internal audit is still in early stage of its development in order to be indicative of the condition of the internal control system.
1.4 Organisational structure	No information available from the PEFA assessment.
1.5 Human resource policies and practices	The issues related to personal and professional integrity and ethical values are covered in the internal rules of the budget organisations.
2.	
2.1 Risk identification	Risks are covered by preliminary control activities permeating the entire system of public finance, however there is no information on formalised risk assessment mechanism in the area of revenue collection. Risk of investment are not well covered.
2.2 Risk assessment (significance and likelihood)	Several PIs are related to risk assessment: Economic analysis of investment proposals: There is no established and transparent system of economic analysis; Budget adjustments are well prescribed with strict restrictions; Revenue risk management: no information
2.3 Risk evaluation	No information available from the PEFA assessment.
2.4 Risk appetite assessment	No information available from the PEFA assessment.
2.5 Responses to risk (transfer, tolerance, treatment or termination)	No information available from the PEFA assessment.
3.	
3.1 Authorization and approval procedure	Most of these procedures are defined on national level and apply to the local self-governments. The applied accounting

	<p>manual sets out the systems of authorization, policies, standards, and accounting procedures and reports. The procedures or activities are implemented in order to achieve the control objectives of safeguarding resources, ensuring the accuracy of data and enabling adherence to laws, policies, rules and regulations.</p>
3.2 Segregation of duties (authorizing, processing, recording, reviewing)	<p>Regulations ensure that different individuals authorise commitments, approve contracts and execute payments (PI-21).</p>
3.3 Controls over access to resources and records	<p>Compliance with payment rules and procedures ensures close control through the Treasury system where operations can be reviewed and access can be traced.</p>
3.4 Verifications	<p>Financial data integrity processes is handled at national level The Treasury system is used to record and process budget data.</p>
3.5 Reconciliations	<p>There are daily reconciliations between tax collection and Treasury system.</p>
3.6 Reviews of operating performance	<p>Mainly the Treasury controls processes and activities on operational level. The controls are applied mostly as a desk top review by the staff with all budgets related processes being integrated in the software system "IS KAZNA Budget". There is internal audit established in the region but it deals mostly with financial compliance.</p>
3.7 Reviews of operations, processes and activities	
3.8 Supervision (assigning, reviewing and approving, guidance and training)	<p>No information available from the PEFA assessment.</p>
4. Information and communication	<p>The government is required to report quarterly and annually to the Parliament. Communication to the public is realised through various channels such as the websites of the key PFM institutions, there is no reporting made available to the public. Public participation in relation to the budget formulation is not ascertained. Clear and comprehensive information on revenue collection and administration exists. Information on procurement tenders, plans, statistics and appeals is extensive.</p>
4. Monitoring	
5.1 Ongoing monitoring	<p>There are no tools for monitoring performance, subsequent planning, and decision-making.</p>
5.2 Evaluations	<p>Performance monitoring in the PFM system is not well developed. There are no specific reports elaborating on consistency of performance-planned outputs and achieved outcomes and explaining any deviation.</p>
5.3 Management responses	<p>The internal control framework of the PFM system as described having in place comprehensive, extensive and reliably applied control activities is generally efficient to ensure against key irregularities and errors.</p>

Annex 3: Sources of information by indicator

Indicator/dimension	Data Sources
HGL - Transfers from a higher level government	
HLG -1. Outturn of transfers from higher-level government	Budget Execution Report for FY 2017, 2018, 2019 by economic classification.
HLG-2.Earmarked grants outturn	Excel sheet with amounts of targeted transfers from Republican budget to the local budget of LSG Jalal Abad for FY 2017-2019.
HLG-3 Timeliness of transfers from higher-level	Table with time of targeted transfers for FY 2019 only
I. Budget reliability	
PI-1. Aggregate expenditure outturn 1.1 Aggregate expenditure outturn	Resolution of the City Kenesh of LSG Jalal-Abad (Parliament) on the budget and annual budget performance reports 2017, 2018 and 2019
PI-2. Expenditure composition outturn 2.1. Expenditure composition outturn by function	Resolution of the City Kenesh of LSG Jalal-Abad (Parliament) on the budget and annual budget performance reports 2017, 2018 and 2019.
2.2. Expenditure composition outturn by economic type	
2.3. Expenditure from contingency reserves	
PI-3. Revenue outturn 3.1 Aggregate revenue outturn 3.2 Revenue composition outturn	Execution of the revenue side of the budget for January-December 2017, 2018 and 2019 in Jalal-Abad according to economic classification.
II. Transparency of public finances	
PI-4. Budget classification 4.1 Budget classification	Budget book.
PI-5. Budget documentation 5.1 Budget documentation	Letter from Kyrgyz Republic Ministry of Finance, Jalal Abad Department to Jalal Abad City Mayor dated: 17 June 2019 № 03-031 106
PI-6. Central government operations outside financial reports 6.1 Expenditure outside financial reports 6.2 Revenue outside financial reports 6.3 Financial reports of extra-budgetary units	Not applicable
PI-7. Transfers to subnational governments 7.1 System for allocating transfers 7.2 Timeliness of information on transfers	Not applicable
PI-8. Performance information for service delivery 8.1 Performance plans for service delivery 8.2 Performance achieved for service delivery 8.3 Resources received by service delivery units 8.4 Performance evaluation for service delivery	<ol style="list-style-type: none"> 1. Budget Code of the Kyrgyz Republic, Order of the Ministry of Finance of the Kyrgyz Republic No. 2. Excel file of resources (revenues) received by LSG institutions (especially healthcare, education) from the provision of services for 2019.
PI-9 Public access to fiscal information 9.1 Public access to fiscal information	<ol style="list-style-type: none"> 1. The Budget Code of the Kyrgyz Republic 2. website: jacity.kg

III. Management of assets and liabilities	
PI- 10 Fiscal risk reporting	<ol style="list-style-type: none"> 3. Law on Local Self Governance 4. Budget Execution Report for FY 2017, 2018, 2019. 5. Information from MoF Jalal Abad
10.1 Monitoring of public corporations	
10.2 Monitoring of sub-national government (SNG)	
10.3 Contingent liabilities and other fiscal risks	
PI- 11: Public investment management	<ol style="list-style-type: none"> 1. Information from the Ministry of Finance Jalal Abad 2. Information from the head of economic and financial department of MoF Jalal Abad. 3. Regulation on incentive grants. 4. Capital builrind department report, Jalal Abad for 2018-2019
11.1 Economic analysis of investment proposals	
11.2 Investment project selection	
11.3 Investment project costing	
11.4 Investment project monitoring	
PI-12: Public asset management	<ol style="list-style-type: none"> 1. Register of machines. 2. Register of buildings and structures. 3. Information on municipal land;
12.1 Financial asset monitoring	
12.2 Nonfinancial asset monitoring	
12.3 Transparency of asset disposal.	
PI-13: Debt management	
13.1 Recording and reporting of debt and guarantees	
13.2 Approval of debt and guarantees	
13.3 Debt management strategy	
IV. Policy-based fiscal strategy and budgeting	
PI-14: Macroeconomic and fiscal forecasting	<ol style="list-style-type: none"> 1. Explanatory note to the draft budget for 2019. 2. Main directions of fiscal policy of the Kyrgyz Republic for 2020-2022 3. Draft local budget of the city of Jalal -Abad for 2020-2022.
14.1 Macroeconomic forecasts	
14.2 Fiscal forecasts	
14.3 Macro-fiscal sensitivity analysis	
PI-15 Fiscal strategy	<ol style="list-style-type: none"> 1. Explanatory Note to the 2019 budget. 2. Methodological manual "Development and Implementation of KR Local Budgets", approved by the Decree of KR MoF dated by October 13, 2018 No. 312. 3. Budget Code of the Kyrgyz Republic. 4. Methodological manual "Development and Implementation of Local Budgets of the Kyrgyz Republic", approved by the Decree of the Ministry of Finance of the Kyrgyz Republic dated by October 13, 2018 No. 312. 5. Concept of Regional Policy of the Kyrgyz Republic for 2018-2022
15.1 Fiscal impact of policy proposals	
15.2 Fiscal strategy adoption	
15.3 Reporting on fiscal outcomes	
PI-16 Medium-term perspective in expenditure budgeting	<ol style="list-style-type: none"> 6. Budget Code of the Kyrgyz Republic. 7. Methodological guidance "Development and Implementation of KR Local Budgets", approved by the Decree of the KR MoF dated by October 13, 2018 No. 312-P;
16.1 Medium-term expenditure estimates	
16.2 Medium-term expenditure ceilings	
16.3 Alignment of strategic plans and medium-term budgets	
16.4 Consistency of budgets with previous year's estimates	

	<p>8. "The Procedure of Developing the Draft Republican Budget and Introducing Amendments to the Republican Budget", approved by the Statement of the KR Government on November 1, 2017 No. 723.</p> <p>9. Methodological guidance "Development and Implementation of local budgets of the Kyrgyz Republic" approved by the Decree of the KR MoF dated by October 13, 2018 No. 312-P.</p>
PI-17: Budget preparation process	<p>1. Budget Code of the Kyrgyz Republic;</p> <p>2. The procedure for "Formulating A Draft Republican Budget and Introducing Amendments to The KR Republican Budget", approved by the Statement of the KR Government dated by November 1, 2017 No. 723;</p> <p>3. Methodological guidance "Formulation and Execution of KR Local Budgets", approved by the Decree of the KR MoF dated by October 13, 2018 No. 312-P.</p> <p>4. Budget calendar</p> <p>5. Budget submission letters to the legislature</p>
17.1 Budget calendar.	
17.2 Guidance on budget preparation	
17.3 Budget submission to the legislature	
PI-18: Legislative scrutiny of budgets	<p>1. Budget Code of the Kyrgyz Republic;</p> <p>2. Methodological guidance "Formulation and Execution of KR Local Budgets" approved by the Decree of the KR MoF dated by October 13, 2018 No. 312-P;</p> <p>3. Formulation and Execution of KR Local Budgets</p>
18.1 Scope of budget scrutiny.	
18.2 Legislative procedures for budget scrutiny.	
18.3 Timing of budget approval.	
18.4 Rules for budget adjustments by the executive.	
V. Predictability and control in budget execution	
PI-19 Revenue administration	<p>1. www. sti.gov.kg (website of State Tax Service);</p> <p>2. Information from legislation on appealing the decision of tax service bodies;</p> <p>3. Information from STS Jalal Abad</p>
19.1 Rights and obligations for revenue measures	
19.2 Revenue risk management	
19.3 Revenue audit and investigation	
19.4 Revenue arrears monitoring	
PI-20 Accounting for Revenues	<p>1. Monthly revenue report for 2019 by STS Jalal Abad;</p> <p>2. Revenue reconciliation report for 2019 by STS Jalal Abad;</p> <p>3. Budget Code;</p>
20.1 Information on revenue collections	
20.2 Transfer of revenue collections	
20.3 Revenue accounts reconciliation.	
PI-21 Predictability of in-year resource allocation	<p>1. Budget Code of the Kyrgyz Republic;</p> <p>2. Procedure for Single Treasury Account, approved by the Decree of the Government of the Kyrgyz Republic dated July 24, 2017 No. 444.</p> <p>3. Regulation on procedure for formation and maintenance of cash plan, approved by the Government of the Kyrgyz Republic on October 2, 2017 No. 632;</p>
21.1 Consolidation of cash balances.	
21.2 Cash forecasting and monitoring.	
21.3 Information on commitment ceilings.	
21.4 Significance of in-year budget adjustments.	

	4. Methodological manual "Formation and execution of local budgets of the Kyrgyz Republic" approved by order of the Ministry of Finance of the Kyrgyz Republic on October 13, 2018 No. 312-P.
PI-22 Expenditure arrears	Report on payables for FY 2019, MoF Jalal Abad
22.1 Stock of expenditure arrears.	
22.2 Expenditure arrears monitoring	
PI-23 Payroll controls	1. Information provided from Ministry of Finance of Jalal Abad; 2. Staff list
23.1 Integration of payroll and personnel records.	
23.2 Management of payroll changes.	
23.3 Internal control of payroll.	
23.4 Payroll audit.	
PI-24 Procurement	1. http://zakupki.gov.kg/popp/ (public procurement website) 2. Record of tenders for FY 2017-2019 3. Law on Public Procurement; 4. Provisions on appeal mechanism
24.1 Procurement monitoring.	
24.2 Procurement methods.	
24.3 Public access to procurement information.	
24.4 Procurement complaints management.	
PI-25 Internal controls on non-salary expenditure	1. Budget Code of the Kyrgyz Republic (Articles 105, 106); 2. Procedure for functioning of the Single Treasury Account, approved by the Decree of the Government of the Kyrgyz Republic dated July 24, 2017 No. 444.; 3. Instruction on procedures of authorized state body for forecasting and budget execution for accounting and reporting, approved by the PDKR dated August 16, 2017 No. 488;
25.1 Segregation of duties.	
25.2 Effectiveness of expenditure commitment controls.	
25.3 Compliance with payment rules and procedures.	
PI-26 Internal audit	1. Annual audit plan of Jalal Abad for 2019; 2. Decree of the Government of the Kyrgyz Republic "On internal audit services in state bodies and institutions of the Kyrgyz Republic" dated March 13, 2009 No. 177.
26.1 Coverage of internal audit.	
26.2 Nature of audits and standards applied	
26.3 Implementation of internal audits and reporting.	
26.4 Response to internal audits.	
VI. Accounting and reporting	
PI-27 Financial data integrity	Records of data provided by MoF Jalal Abad
27.1 Bank account reconciliation.	
27.2 Suspense accounts.	
27.3 Advance accounts.	
27.4 Financial data integrity processes	
PI-28 In-year budget reports	1. Budget Code; 2. Instruction on procedures of the authorized state body for forecasting and budget execution for accounting and reporting, approved by the PDKR dated August 16, 2017 No. 488. 3. State Budget Execution Report published on the website of the Ministry of Finance of the Kyrgyz Republic. 4. Monthly reports on the execution of Jalal Abad budget for 2019;
28.1 Coverage and comparability of reports.	
28.2 Timing of in-year budget reports.	
28.3 Accuracy of in-year budget reports	

	5. Order of the Ministry of Finance of the Kyrgyz Republic "On the preparation of periodic reports on the execution of the state budget for 2019" dated January 23, 2019 No. 12-P;
PI-29 Annual financial reports	1. Regulations describing the accounting standards used in the country for the preparation of annual financial statements, approved by Order of the Ministry of Finance dated December 25, 2018 No. 137-P "On Approval of the Regulation on Accounting and Financial Reporting in the Public Administration Sector". Link to the website of the Ministry of Justice: http://cbd.minjust.gov.kg/act/view/ru-ru/200287?cl=r LSG Jalal Abad – annual budget reports for FY 2017-2019
29.1 Completeness of annual financial reports.	
29.2 Submission of the reports for external audit.	
29.3 Accounting standards.	
VII. External scrutiny and audit	
PI-30 External audit	1. Audit findings for 2017-2018; 2. Information from territorial office of Accounts Chamber in Osh; 3. Management letters from budget organisations on audit recommendations
30.1 Audit coverage and standards.	
30.2 Submission of audit reports to the legislature	
30.3 External audit follow up.	
30.4 Supreme Audit Institution independence.	1. Budget Code of the Kyrgyz Republic. 2. minutes of the XVII extraordinary session of the VIII convocation of the Jalal-Abad city council dated 30.09.2019. 3. Protocol for budget hearing
PI-31 Legislative scrutiny of audit reports	
31.1 Timing of audit report scrutiny	
31.2 Hearings on audit findings.	
31.3 Recommendations on audit by the legislature.	
31.4 Transparency of legislative scrutiny of audit reports.	

Annex 3A: Related surveys and analytical work

No related surveys and analytical works were reviewed.

Annex 3B: List of people interviewed

Name	Organization	Position	Telephone	Email
Ministry of Finance Kyrgyz Republic				
OmurovaTatygul	MF	Minister's advisor	+996 772513784	t.omurova@mail.ru
Mirlan. Musaev	MF	Head of Department Inter budget management	+996 312 66-35-47	m.musaev@minfin.kg
RuslanSadyrbaev	MF	Head of the Department of Reports and Monitoring of Local Budgets	+996 312 62 11 65	r.sadyrbaev@minfin.kg
Marat Dodonov	MF	Acting head of division Department of reporting and monitoring of local budgets	+996 312 66 40 35	m.dodonov@minfin.kg
BolotKasymov	MF	Head of Division Stimulating and Shares Grants	+996 312 66 18 92	b.kasymov@minfin.kg
EdilBerdybaev	MF	Chief Specialist of the Internal Audit Department	+996 312 62 53 13(2113)	eberdibaev@mail.ru
AltynbekKudaiberdiev	MF	Head of Division of Capital Investments	+996 312 62 23 15	a.kudaiberdiev@minfin.kg
Department of Public Procurement under the Ministry of Finance of the Kyrgyz Republic				
NuridaBayzakova	DPP	Manager Department	+996 312 66 1170	n.baizakova@minfin.kg
MirbekDuisheev	DPP	Deputy Director	+996 312 62 53 13 (2314)	m.duisheev@minfin.kg
Jalal Abad government under the Ministry of Finance of the Kyrgyz Republic				
AzamatRakhmatillaev	JAG	Head of Department of Jalal Abad	+996 03722 7 04 85	Jalalabad_gfo03@minfin.kg
NurbekKhaitkulov	JAG	Head financial budget coordination of Jalal Abad government	+996 03722 7 38 94	n.haitkulov@minin.kg
City Kenesh of Jalal Abad				
AdilbekZhorobaev	CK	Toraga	+996 03722 2 05 40	jalalabadcity@jmail.com
OrozbekEshenkulov	CK	Chief Specialist	+996 03722 2 05 40	Almir082016@mail.ru
City Hall of Jalal Abad				
RuslanAltymyshev	CH	Deputy Mayor	+996 03722 5 00 07	jalalabadcity7@gmail.com
SalyzhanUmarov	CH	Head of division of Local Economic Development	+996 03722 5 00 07	led.jalalabadcity7@gmail.com
Saltant Altynbekova	CH	Head of division of Social Development	+996 03722 5 00 07	Altynbekova_2010@mail.ru
MalikaMustapakulova	CH	Head of division of organizational issues and personal service	+996 777 037 809	mustapakulova@list.ru
Project implementation group at the mayor's office of Jalal Abad				
ErkinbaiAbdurasulov	PIG	Head of Department	+996 03722 5 00 07	erniky@mail.ru
Department of Municipal Property of Jalal-Abad City				
BolotDzhusupbekov	DMP	Head of Municipal Property Department	+996 778 362 330 +996 3722 5 40 63	kums.01@mail.ru
ZhldubayBorkulov	DMP	Deputy Head of Department	+996 3722 5 40 63 +996 778 630 015	kums.01@mail.ru
AvdulahabAstanzov	DMP	Head of division the municipal property management	+996 772 800 837	kums.01@mail.ru
EgemovaMirgul	DMP	chief specialist construction of transport and communications	+996 03722 5 00 07	agon_86@inbox.ru
Department capital cconstruction of Jalal-Abad City				
AkylbekNurkulov	DCC	Director	+996 03722 5 00 07	dks-2016@mail.ru

IlyazBabaev	DCC	Lawyer	+996 3722 20540 +996 776 707 163	dks-2016@mail.ru
Tax Service Administration of Jalal-Abad City				
SuyunbekErgeshov	TSA	Deputy Head of Department	+996037225634	ucnet048@mail.ru
ZuuraTumenbaeva	TSA	Head of Revenue Department	+996 03722 50636 +996 558 034 848	ucnet048@mail.ru
Territorial subdivision of the Accounts Chamber of the Kyrgyz Republic in the city of Osh, Osh, Jalal-Abad and Batken regions				
AlmazAkmatov	CA	Head of the territorial division	+996 0322255577 Fax: +996 03222 2 08 50 +996 03222 2 71 81	esep@esep.kg
OrtigaliYuldashev	CA	Deputy Head territorial division	+996 032227 0401	esep@esep.kg
KeneshbekZholdubaev	CA	ChiefInspector	+996 03222 2 08 50	Zhoidubaev2012@mail.ru

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

Not applicable

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

Calculation Sheet for PI-1, PI-2.1 and PI-2.3 according to the PEFA 2016 Framework.

Figures in all tables of this Annex stated KGS thousands

Data for year 2017

Administrative or Functional Head	Budget	Actual	Adjusted Budget	Deviation	Absolute deviation	Percent
701 General public services	32,131.9	32,738.5	26,092.0	6,646.5	6,646.5	25.5%
702 Defense	3,421.1	2,814.6	2,778.0	36.6	36.6	1.3%
703 Public order and safety						
704 Economic Affairs	91,315.9	37,025.5	74,151.0	-37,125.5	37,125.5	50.1%
705 Environmental protection			0.0	0.0	0.0	
706 Housing and utilities	109,092.8	103,161.7	88,586.3	14,575.4	14,575.4	16.5%
707 Healthcare			0.0	0.0	0.0	
708 Recreation, culture and religion	22,598.6	21,601.6	18,350.7	3,250.9	3,250.9	17.7%
709 Education	105,034.3	95,549.1	85,290.7	10,258.4	10,258.4	12.0%
710 Social protection	16,345.9	15,630.9	13,273.3	2,357.6	2,357.6	17.8%
Allocated expenditure	379,940.5	308,521.9	308,521.9	0.0	74,250.9	
Interests						
Contingency	3,000.0	1,732.3				
Total Expenditure	382,940.5	310,254.2				
Overall (PI-1) variance						81.0%
Composition (PI-2) variance						24.1 %
Contingency share of budget						0.5%

Source: Approved Budget 2017 and 2018.

Data for year 2018

Administrative or Functional Head	Budget	Actual	Adjusted Budget	Deviation	Absolute deviation	Percent
701 General public services	30,984.0	34,620.8	33,606.1	1,014.7	1,014.7	3.0%
702 Defense	3,030.0	2,550.6	3,286.4	-735.8	735.8	22.4%
703 Public order and safety			0.0	0.0	0.0	
704 Economic Affairs	118,509.0	146,693.7	128,538.1	18,155.6	18,155.6	14.1%
705 Environmental protection						
706 Housing and utilities	113,740.8	118,372.2	123,366.4	-4,994.2	4,994.2	4.0%
707 Healthcare						
708 Recreation, culture and religion	19,045.3	18,152.6	20,657.1	-2,504.5	2,504.5	12.1%
709 Education	94,616.0	96,120.8	102,623.1	-6,502.3	6,502.3	6.3%
710 Social protection	16,987.9	13,992.1	18,425.5	-4,433.4	4,433.4	24.1%
Allocated expenditure	396,913.0	430,502.8	430,502.8	0.0	38,340.5	
Interests						
Contingency	3,000.0	2,868.9				
Total Expenditure	399,913.0	433,371.7				
Overall (PI-1) variance						108.4%
Composition (PI-2) variance						8.9%
Contingency share of budget						0.7%

Source: Approved Budget 2018 and 2019.

Data for year 2019

Administrative or Functional Head	Budget	Actual	Adjusted Budget	Deviation	Absolute deviation	Percent
701 General public services	37,564.4	40,246.8	40,990.2	-743.4	743.4	1.8%
702 Defense	2,964.2	2,810.4	3,234.5	-424.1	424.1	13.1%
703 Public order and safety		500.0	0.0	500.0	500.0	
704 Economic Affairs	139,409.1	179,922.4	152,123.0	27,799.4	27,799.4	18.3%
705 Environmental protection						
706 Housing and utilities	145,856.1	144,657.7	159,158.0	-14,500.3	14,500.3	9.1%
707 Healthcare						
708 Recreation, culture and religion	25,172.5	24,272.7	27,468.2	-3,195.5	3,195.5	11.6%
709 Education	102,136.4	103,114.0	111,451.1	-8,337.1	8,337.1	7.5%
710 Social protection	9,290.8	9,039.1	10,138.1	-1,099.0	1,099.0	10.8%
Allocated expenditure	462,393.5	504,563.1	504,563.1	0.0	56,598.8	
Interests						
Contingency	3,282.1	3,097.6				
Total Expenditure	465,675.6	507,660.7				
Overall (PI-1) variance						109.0%
Composition (PI-2) variance						11.2%
Contingency share of budget						0.7%

Source: Approved Budget 2019 and 2020.

Result Matrix

	for PI-1.1	for PI-2.1	for PI-2.3
Year	Total exp. Outturn	Composition variance	Contingency share
2017	81.0%	24.1%	0.6%
2018	108.4%	8.9%	
2019	109.0%	11.2%	

Calculation Sheet for Expenditure by Economic Classification Variance PI-2.2

Data for year 2017

Economic head	Budget	Actual	Adjusted Budget	Deviation	Absolute Deviation	Percent
21. Compensation of employees	97,708.9	98,035.1	79,342.3	18,692.8	18,692.8	23.6%
22. Use of goods and services	181,668.8	167,537.2	147,519.9	20,017.3	20,017.3	13.6%
24. Interest						
25. Subsidies	13,032.8	14,880.0	10,583.0	4,297.0	4,297.0	40.6%
26. Grants						
27. Social benefits	2,926.3	2,866.8	2,376.2	490.6	490.6	20.6%
28. Other expenses	104.6	119.0	84.9	34.1	34.1	40.1%
31. Consumption of fixed capital	84,499.1	25,083.8	68,615.5	-43,531.7	43,531.7	63.4%
Total expenditure	379,940.5	308,521.9	308,521.9	0.0	87,063.5	
Overall variance						
Composition variance						28.2%

Source: Approved Budget 2017 and 2018.

Data for year 2018

Economic head	Budget	Actual	Adjusted Budget	Deviation	Absolute Deviation	Percent
21. Compensation of employees	100,868.9	97,760.1	109,405.2	-11,645.1	11,645.1	10.6%
22. Use of goods and services	169,571.0	172,725.9	183,921.4	-11,195.5	11,195.5	6.1%
24. Interest						
25. Subsidies	11,403.4	12,009.5	12,368.4	-358.9	358.9	2.9%
26. Grants		100.0	0.0	100.0	100.0	
27. Social benefits	3,937.8	3,589.5	4,271.0	-681.5	681.5	16.0%
28. Other expenses	1579.3	45.5	1,713.0	-1,667.5	1,667.5	97.3%
31. Consumption of fixed capital	109,552.6	144,272.3	118,823.8	25,448.5	25,448.5	21.4%
Total expenditure	396,913.0	430,502.8	430,502.8	0.0	51,097.0	
Overall variance						
Composition variance						11.9%

Source: Approved Budget 2018 and 2019.

Data for year 2019

Economic head	Budget	Actual	Adjusted Budget	Deviation	Absolute Deviation	Percent
21. Compensation of employees	101,567.4	97,504.7	110,830.2	-13,325.5	13,325.5	12.0%
22. Use of goods and services	191,731.1	192,427.3	209,216.7	-16,789.4	16,789.4	8.0%
24. Interest						
25. Subsidies	25,815.7	29,554.9	28,170.1	1,384.8	1,384.8	4.9%
26. Grants	100	100	109.1	-9.1	9.1	8.4%
27. Social benefits	4,132.5	4,562.2	4,509.4	52.8	52.8	1.2%
28. Other expenses	1,081.7	1,367.5	1,180.3	187.2	187.2	15.9%
31. Consumption of fixed capital	137,965.1	179,046.5	150,547.3	28,499.2	28,499.2	18.9%
Total expenditure	462,393.5	504,563.1	504,563.1	0.0	60,248.0	
Overall variance						
Composition variance						11.9%

Source: Approved Budget 2019 and 2020.

Calculation Sheet for PI-3

Table 1 - Fiscal years for assessment

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

Table 2

		Data for year =		2017			
	Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Tax revenues							
111	Taxes on income and profits	163,000.00	166,549.20	167,104.19	- 554.99	554.99	0.3%
113	Taxes on property	48,422.00	52,365.90	49,641.22	2,724.68	2,724.68	5.5%
114	Taxes on goods and services	66,200.00	71,361.00	67,866.86	3,494.14	3,494.14	5.1%
115	International trade and foreign transactions taxes			-	-	-	#DIV/0!
116	Other taxes and fees		0.10	-	0.10	0.10	#DIV/0!
Non-tax income							
141	Property income and interest	21,845.00	22,030.00	22,395.04	- 365.04	365.04	1.6%
142	Income from the sale of goods and the provision of services	75,892.00	72,465.00	77,802.89	- 5,337.89	5,337.89	6.9%
143	Fines, penalties, sanctions, confiscations			-	-	-	#DIV/0!
144	Voluntary transfers and grants to public sector units		39.00	-	39.00	39.00	#DIV/0!
145	Other non-tax income			-	-	-	#DIV/0!
	Sum of rest			-	-	-	#DIV/0!
	Total revenue	375,359.00	384,810.20	384,810.20	0.00	12,515.84	
	overall variance						102.5%
	composition variance						3.3%

Table 3

		Data for year 2018					
	Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Tax revenues							
111	Taxes on income and profits	172,607.00	184,014.60	179,539.72	4,474.88	4,474.88	2.5%
113	Taxes on property	50,752.00	55,303.20	52,790.44	2,512.76	2,512.76	4.8%
114	Taxes on goods and services	72,155.00	74,144.00	75,053.09	- 909.09	909.09	1.2%
115	International trade and foreign transactions taxes			-	-	-	#DIV/0!
116	Other taxes and fees			-	-	-	#DIV/0!
Non-tax income							
141	Property income and interest	26,012.00	26,910.90	27,056.77	- 145.87	145.87	0.5%
142	Income from the sale of goods and the provision of services	81,199.80	78,536.80	84,461.17	- 5,924.37	5,924.37	7.0%
143	Fines, penalties, sanctions, confiscations	100.00	95.70	104.02	8.32	8.32	8.0%
144	Voluntary transfers and grants to public sector units			-	-	-	#DIV/0!
145	Other non-tax income			-	-	-	#DIV/0!
	Sum of rest			-	-	-	#DIV/0!
	Total revenue	<u>402,825.80</u>	<u>419,005.20</u>	419,005.20	0.00	13,975.28	
	overall variance						104.0%
	composition variance						3.3%

Table 4

		Data for year 2019					
	Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent

		Tax revenues					
111	Taxes on income and profits	233,160.00	243,246.80	241,440.18	1,806.62	1,806.62	0.7%
113	Taxes on property	51,352.00	63,284.20	53,175.66	10,108.54	10,108.54	19.0%
114	Taxes on goods and services	76,300.00	71,766.90	79,009.63	-7,242.73	7,242.73	9.2%
115	International trade and foreign transactions taxes				-	-	#DIV/0!
116	Other taxes and fees		2.50		- 2.50	2.50	#DIV/0!
		Non-tax income					
141	Property income and interest	29,076.40	28,520.30	30,108.99	-1,588.69	1,588.69	5.3%
142	Income from the sale of goods and the provision of services	84,787.20	83,430.90	87,798.24	-4,367.34	4,367.34	5.0%
143	Fines, penalties, sanctions, confiscations		212.60		- 212.60	212.60	#DIV/0!
144	Voluntary transfers and grants to public sector units		1,049.70		- 1,049.70	1,049.70	#DIV/0!
145	Other non-tax income		18.80		- 18.80	18.80	#DIV/0!
	Sum of rest				-	-	#DIV/0!
	Total revenue	<u>474,675.60</u>	<u>491,532.70</u>	491,532.70	0.00	26,397.52	
	overall variance						103.6%
	composition variance						5.4%

Table 5 - Results Matrix

Year	Total revenue deviation	Composition variance
2017	102.5%	3.3%
2018	104.0%	3.3%
2019	103.6%	5.4%